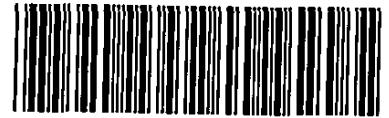


Company registration number 1043742

ALLCHURCHES TRUST LIMITED

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2010 ANNUAL REPORT

Allchurches Trust Limited

2010 Annual Report

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Allchurches Trust Limited

Directors

Board of directors	N J E Sealy FCA <i>Chairman</i> M A Chamberlain OBE, Hon LLD, FCA The Venerable A J Cooper BA, CQSW H F Hart MA Sir Philip Mawer DLitt, LLD W M Samuel BSc, FCA C Smith, Barrister The Rt Revd W N Stock BA, Dip Theol Ms D P Wilson BA (Hons), FCII W H Yates MBE, FRICS
Company Secretary	Mrs R J Hall FCIS
Registered and Head Office	Beaufort House, Brunswick Road, Gloucester GL1 1JZ Tel 0845 777 3322
Company Registration Number	1043742
Charity Registration Number	263960
Auditors	Deloitte LLP, Chartered Accountants & Statutory Auditor, 1 Little New Street, London EC4A 3TR
Bankers	National Westminster Bank plc, 21 Eastgate Street, Gloucester GL1 1NH
Solicitors	Speechly Bircham LLP, 6 New Street Square, London EC4A 3LX

Allchurches Trust Limited

Trustees' Report - Objectives, Achievements and Performance

The directors present their annual report and review together with the audited financial statements for the year ended 31 December 2010. The directors are responsible for the general control and management of the administration of the charity. They are therefore the charity trustees. In this report they are referred to as 'the Board'.

Constitution

Allchurches Trust Limited ('ATL') was incorporated in 1972. It is a company limited by guarantee not having a share capital and is a registered charity.

The governing documents are the Memorandum and Articles of Association.

Objects

The objects of ATL are to promote the Christian Religion, to contribute to the funds of any charitable institutions, associations, funds or objects and to carry out any charitable purpose.

The Board confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing ATL's aims and objectives and in planning future activities and setting the grant making policy for the year.

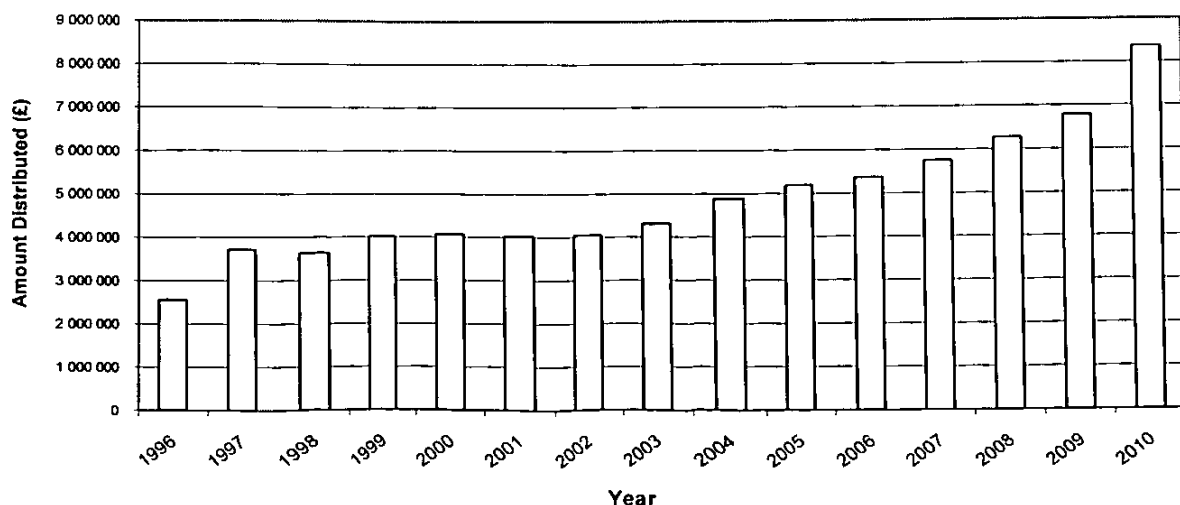
ATL has adopted the following priorities in meeting its objectives:

- supporting the mission and work of the dioceses and cathedrals of the Church of England by the distribution of annual grants,
- supporting requests for financial assistance from Anglican churches, churches of other denominations, Christian communities and other charitable organisations in accordance with its grant making policy,
- maintaining a special project fund to support substantial projects which may have a broad impact on the Christian community in the UK, and
- maintaining an overseas project fund to support the Church and Christian community overseas in accordance with its grant making policy.

The Board are currently reviewing the activities and aims and have in principle identified certain amendments to the above activities. Consideration is being given to increasing allocations to longer term special projects, subject to available funding and broadening the aims of ATL to include supporting educational causes. If any amendments are made to the aims of ATL, the Board's grant making policy will be amended.

Distributions

ATL has steadily increased distributions to dioceses, cathedrals, parishes and other charitable organisations since 1972, distributing £73.0 million over the last fifteen years.



Allchurches Trust Limited

Trustees' Report - Objectives, Achievements and Performance

During 2010, ATL allocated charitable distributions amounting to £8,358,000. A breakdown of these grants is as follows

	2010		2009	
	£000	No	£000	No
Dioceses	5,830	120	5,267	120
Cathedrals	1,128	158	599	143
Parishes and other charities	1,400	830	917	799
	8,358	1,108	6,783	1,062

Dioceses and cathedrals

The majority of ATL's donations are used to support the dioceses and cathedrals of the Church of England. During the year, ATL allocated donations of £7.0 million (2009: £5.9 million) to those beneficiaries.

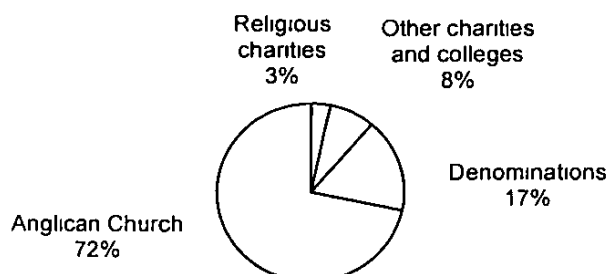
Grants were largely used as follows:

- supporting deployment of clergy at parish level, particularly within deprived areas,
- funding other staff to support the work of the clergy,
- funding new initiatives ranging from supporting parishes to educational work in schools,
- maintaining and repairing the church fabric in cathedrals, and
- funding specific mission and outreach activities.

Anglican churches, churches of other denominations and the Christian community

ATL has a general fund which responds to requests for financial assistance from Anglican churches, churches of other denominations, the Christian community and other charitable organisations in accordance with its grant making policy. In general, ATL supports appeals from churches for building and restoration projects, repair of church fabric, church community initiatives, religious charities and charities preserving the UK heritage.

During 2010, ATL allocated charitable distributions from its general fund in response to appeals for financial assistance as follows:



Special project fund

This fund was established in 1999. Its purpose is to support a small number of projects on a larger basis. During the year, ATL allocated funds to the Council for the Care of Churches, the Archbishops' Council, the Rural Life and Faith Project at the Arthur Rank Centre, the University of Surrey and the Eastern Region Training Partnership.

Overseas projects fund

This fund was established in 2005. During the year, ATL allocated funds amounting to £80,000 (2009: £20,000) to support Christian causes overseas. In addition, subsidiary companies operating in Australia, New Zealand and Canada donated £578,000 (2009: £559,000) to charitable causes in those countries.

Allchurches Trust Limited

Trustees' Report - Objectives, Achievements and Performance

Delivering public benefit

Some examples of recent grants are listed below which highlight some of our achievements and performance. They also demonstrate the variety of causes that ATL supports.

Wells Cathedral, Somerset

Financial assistance was given towards the conservation of the cathedral's 14th century Jesse Window. A donation was also made towards the extension of the access to the Palace Trust by opening up the ancient wells with a new bridge over the well pool and the modification of the inner staircase to fit a new lift for disabled access.

St Mary's Scottish Episcopal Cathedral, Edinburgh

A donation was made to assist with the masonry repairs to the cathedral's north spire.

York Minster

A donation was given to conserve and restore the upper section of the Minster's Great East Window.

University of Gloucestershire, Cheltenham

A donation was made towards the renovation of the historic quadrangle at Francis Close Hall which is at the heart of the original St Paul's College.

St Michael and All Angels Church, Llandudno Junction, Conwy

A donation was given to assist with the installation of kitchen and toilet facilities, meeting rooms and a new heating system in the church.

St Endellion Church, Cornwall

A donation was given towards the development of the church and for the building of a centre for courses, workshops and retreats.

St Mary Magdalene Church, Clitheroe, Lancashire

Financial assistance was given to dismantle and rebuild the church's 168 year old spire which was in a poor state of repair.

Alton Methodist Church, Hampshire

Funding was given towards the alteration of the church after joining with local Anglican churches, including the improvement of disabled access and energy efficiency.

Saint Peter's Catholic Church, Hinckley, Leicestershire

A donation was given to build a new community centre in the grounds of the church to benefit both Church and community.

Memoral Community Church (Baptist), Plaistow, London

Financial assistance was given for high-level brickwork repairs to the exterior of the church, to repair flat roofs and to restore the bells.

Faith 4 Families, Auckland

Funding was given for the development and launch of the Faith Box, a contemporary devotional tool for families that will be delivered to homes in New Zealand.

Gracehill Moravian Church, Co. Antrim

Funding was given to enable urgent repairs to the church's spire and original windows to be undertaken, to re-slate the roof and to replace decayed masonry.

The Anglican Church of Canada, Diocese of Niagara

A donation was made to assist with hosting the 2010 Justice Camp residential programme for adults and young people.

St Andrew's Church, Fulham Fields, London

A grant was made towards the redevelopment of the church's site to create three floors of new community space and a residential plot to assist a homelessness project.

Allchurches Trust Limited

Trustees' Report - Objectives, Achievements and Performance

The Anglican Church of Canada (Indigenous Ministries), Toronto, Ontario

A grant was made towards the creation of two pilot projects to address suicide prevention in indigenous communities of northern Canada

Christ Church, Chorleywood, Hertfordshire

A donation was given towards the building and furnishing of a new multi-functional building attached to the church, to benefit both Church and community

Christ Church, Westbourne, Dorset

Financial assistance was given towards the demolition and replacement of the church hall, complete with multi-purpose facilities

Port of Menteith Church of Scotland, Perthshire

A grant was made towards the cost of undertaking repairs to the church's west gable, east elevation and bell tower to prevent water ingress

St Mary's Cathedral (Church of Ireland), Limerick

A grant was made to improve and enhance the existing cathedral choir facilities, providing meeting rooms and facilities for Sunday School

St James's Church, Piccadilly, London

A grant was made to replace the electrical system in the church and to redecorate the interior

Selby Abbey, North Yorkshire

Funding was given towards the cost of repairing and conserving the abbey's medieval north porch

Community of the Holy Cross, Rempstone, Leicestershire

Funding was given towards the conversion and restoration of a farmhouse at a new convent into guest accommodation with facilities for disabled people and for stressed clergy, church workers and laity to renew themselves physically, spiritually and mentally

St Andrew's Church (United Methodist/URC), Devizes, Wiltshire

A grant was made to refurbish the church's worship area and to update and develop the church halls

Sheringham Baptist Church, Norfolk

A donation was given to support the building of a new community church centre to benefit both Church and community activities

The Children's Trust, Tadworth, Surrey

A grant was made to redevelop a building on the Trust's site to enable parents to stay while visiting their disabled children

Prison Fellowship, New Zealand

A grant was made to assist with the funding of co-ordinators who will help ex-prisoners not to re-offend through Christian principles. The programme will involve churches of all denominations

Northamptonshire Association of Youth Clubs, Northampton

Funding was given towards the building of a residential youth leadership, training and activity centre in Shropshire where ecumenical youth conferences occur

Continuing Ministerial Development for Archdeacons

A grant was made to support research to develop an appropriate programme of induction, training and development for archdeacons in the Church of England

Allchurches Trust Limited

Trustees' Report - Financial Review

Overview

ATL had a successful year and was able to improve its financial support to the Church and other charitable institutions with distributions increasing to £8.4 million (2009 £6.8 million)

The charitable distributions of ATL are shown in its statement of financial activities on page 13

No significant change in activities occurred in the year or to the date of this report. The company uses the facilities and services provided by Ecclesiastical Insurance Office plc for administrative support. The company continues to have adequate available resources to continue its charitable activities.

Incoming resources

The Ecclesiastical group provided grants in the current year of £19.3 million (2009 £8.5 million). The 2010 amount included an expendable capital endowment of £10 million paid as a result of strong profits achieved in 2009.

Other income of ATL comprises interest received from cash on deposit, and dividend and interest income on its endowment fund investment portfolio.

The income of ATL is shown in its statement of financial activities on page 13.

Investment performance

2010 saw strong gains for most global equity markets though the Euro periphery economies saw their markets decline amid the Sovereign debt crises. The fixed interest markets delivered healthy returns but bond yields are at very low levels. ATL's endowment fund made a total return of +15.4% (2009 +22.7%), compared to a +13.4% (2009 +18.6%) return of the WM Charity Monitor, an independent external benchmark. The fund received an additional £10 million which was held mainly in cash in preparation for investment. The endowment fund investment performance is included in ATL's statement of financial activities on page 13.

Trading subsidiaries

The principal activities of the trading subsidiaries throughout and at the end of the year remain the transaction of general and long term insurance in the United Kingdom and overseas and the provision of other financial services. A list of these undertakings is given in note 32.

Ecclesiastical Insurance Office plc ('EIO'), the company's main subsidiary undertaking had a successful year. EIO group profit after taxation amounted to £34.4 million (2009 £56.2 million profit). EIO group total assets at the end of the year were £1,558.1 million (2009 £1,694.4 million), the decrease occurred mainly as a result of the partial disposal of its long term business, and EIO group shareholders' funds increased to £456.9 million (2009 £392.8 million). EIO has subsidiary companies in Australia and New Zealand and branches in Canada and Ireland.

Further results and commentary on the trading activities of EIO are fully set out in the Chairman's statement on pages 6 to 7 and Group Chief Executive's review of operations on pages 8 to 14 of the accounts of EIO, a copy of which is sent to each member of ATL.

Related parties

Related parties of ATL comprise its subsidiary and associate undertakings, and Beaufort House Trust Limited, a charity under common control and registered at the same address. Related party transactions are disclosed in note 32.

Events after the balance sheet date

Details of events after the balance sheet date are contained in note 31 to the financial statements.

Going concern

A review of the business activities of ATL and its trading subsidiaries is provided within this Trustees' Report. In addition, notes 1 and 2 to the financial statements disclose the principal risks and uncertainties they face, including exposures to insurance and financial risk and objectives for managing capital. ATL, together with its trading subsidiaries, has considerable financial resources and, as a consequence, the directors believe it is well-placed to manage its business risks successfully and continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Allchurches Trust Limited

Trustees' Report - Governance and Decision Making

Governing body

The body responsible for the management, actions and decisions of the company is the Board of directors. The Board meets five times a year. The Board has not appointed any formal committees or directors to executive office.

Board proceedings

The Board seeks to ensure that all activities comply with the UK law and regulatory guidance, and come within agreed charitable objectives. Its work includes setting the strategic direction of the charity, developing the objectives, reviewing the performance of trading subsidiaries and delivering the outcomes for which the charity was established.

Board procedures have been established setting out a framework for the conduct of directors with clear guidelines as to the standard of behaviour, responsibilities, and best practice in fulfilling their obligations to ATL.

Directors are able, where appropriate, to take independent professional advice at no personal expense so that they are able to fulfil their role.

Appointments to the Board

The Board aims to have a diverse group of directors, with a balance of necessary skills and experience and which is broadly representative of the community it serves. Dialogue with representatives from the Church and wider community it serves takes place in identifying potential candidates for the Board. All appointments to the Board are made on merit and to fulfil a specific function or need. The Board will engage external search consultants if appropriate.

Board of directors

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

Mr C. Smith, Sir Philip Mawer and Ms D. P. Wilson were appointed as directors on 26 January 2010, 23 June 2010 and 16 December 2010 respectively.

The directors are covered by qualifying third party indemnity provisions, paid for by Ecclesiastical Insurance Office plc, which were in place throughout the year and remain in force at the date of this report.

Election of directors

In accordance with the Articles of Association, the Board may at any time appoint any person to be a director either to fill a casual vacancy or in addition to the existing directors. Any such director appointed shall retire at the following annual general meeting and be eligible for re-election by the members. In certain circumstances the Articles of Association permit a member to propose for election a director in general meetings.

Mr H. F. Hart, The Rt Revd W. N. Stock and The Venerable A. J. Cooper retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. In accordance with the Articles of Association, Ms D. P. Wilson retires at the forthcoming annual general meeting and, being eligible, offers herself for election. Mr W. H. Yates will retire at the forthcoming annual general meeting.

Induction and training

New directors are supported through an induction process which includes a formal presentation covering all aspects of the role. In addition, a continuing professional development programme has been introduced for existing directors.

Members

In accordance with the Memorandum and Articles of Association, the company in general meeting may admit any person to membership provided the total number of members does not exceed 50. In the event of the company being wound up, the liability of each of the members is limited to £1.

Allchurches Trust Limited

Trustees' Report - Governance and Decision Making

Risk management

The major risks to which the company is exposed are reviewed by the Board with the aid of external advisers. Systems have been established to mitigate these risks.

Details of the financial risk management objectives and policies of ATL and its exposures are disclosed in note 2 to the financial statements. ATL is exposed to financial risk through its investments in subsidiary undertakings, its cash on deposit and its endowment portfolio of investments held. In respect of its investments in subsidiaries, ATL is subject to the financial risks within those undertakings. In respect of its cash deposits and its portfolio investments, ATL is exposed to interest rate risk, credit risk, currency risk and equity price risk.

Charitable and political contributions

During the course of the year the company and its subsidiary undertakings distributed from their resources £9.2 million (2009 £7.6 million) for charitable purposes. A summary of these distributions is set out in note 13. Details of individual grants have been submitted to the Charity Commission.

As a charity, ATL is not able to make political donations. It is the policy of ATL's main trading subsidiaries not to make political donations.

Policy on payment of creditors

It is the policy of ATL and its trading subsidiaries to pay creditors promptly and fully, in accordance with the terms of their contracts. The number of days' purchases represented by the amounts due to trade creditors of ATL and its trading subsidiaries at 31 December 2010 was 30 days (2009 23 days).

Reserves policy

ATL's main income is derived from a cyclical industry. The directors believe that it is desirable so far as possible to maintain stability of charitable distributions to its regular beneficiaries. In order to provide this stability it is their policy to retain, in reserve, cash funds at a level at least equivalent to the amount allocated for distribution to those beneficiaries in the previous financial year. In addition, reserves are held where ATL has committed to longer term funding for specific projects.

Reserves at the end of the financial year amounted to £11.4 million (2009 £10.6 million), of which £4.75 million (2009 £4.5 million) is excluded from funds available for immediate charitable distribution, as it relates to grant income either anticipated and accrued or received in advance and which will be recognised as distributable in the next financial year.

Investment policy

Full details of the company's investments in subsidiary and associate undertakings are disclosed in note 32. The principal investment objective in relation to ATL's capital endowment fund is to maximise long term investment returns through a diversified portfolio with an acceptable risk profile. Invested funds are normally expected to fall within the following ranges:

Equities	60% - 80%
Fixed interest securities	10% - 30%
Property	0% - 10%
Cash	0% - 20%
Unquoted investments	0% - 5%

The Board regularly reviews the appropriateness of the investment strategy. The Board's principal obligation is to promote and protect the financial interests of ATL and of its beneficiaries. The capital endowment fund's performance will normally be reviewed on an annual basis against an agreed benchmark provided by a suitable external performance service.

Grant making policy

The Board reviews the grant making policy annually to ensure it remains appropriate to the strategic direction of the charity and its objects, and thereby advances public benefit. A copy of the grant making policy is available from the company secretary at the registered office shown on page 2.

Allchurches Trust Limited

Trustees' Report - Governance and Decision Making

Directors' Responsibilities Statement

The directors are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of ATL and its trading subsidiaries for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Charities SORP,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor and the disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

In accordance with Section 489 of the Companies Act 2006, a resolution proposing that Deloitte LLP be re-appointed as auditors of the company will be put to the annual general meeting.

Equalities and diversity

ATL and its trading subsidiaries are committed to the principle and practice of equal opportunity in employment for all its employees, applicants for employment and Board membership.

The group recognises the importance of employee communication and aims to keep employees informed about its affairs through the use of briefing groups, group 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.

ATL itself has no direct employees.

By order of the board



Mrs R J Hall
Secretary

Allchurches Trust Limited

Independent Auditor's Report

Independent auditor's report to the members and directors of Allchurches Trust Limited

We have audited the financial statements of Allchurches Trust Limited for the year ended 31 December 2010 which comprise the consolidated and parent charitable company statements of financial activities, the consolidated profit and loss account, the consolidated and parent charitable company balance sheets, the consolidated cash flow statement, the accounting policies and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's directors, as a body, in accordance with section 43 of the Charities Act 1993 and regulations made under section 44 of that Act. Our audit work has been undertaken so that we might state to the charitable company's members and the directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members as a body and the charitable company's directors as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Companies Act 2006 and section 43 of the Charities Act 1993 and report in accordance with those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of 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 2010, and the effect of the movement in those reserves during the year on the balance on the general business technical account and profit or loss on ordinary activities before taxation, are disclosed in note 23.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2010 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 1993.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Allchurches Trust Limited

Independent Auditor's Report

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 1993 requires us to report to you if, in our opinion

- the parent charitable company has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent charitable company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Colin Rawlings (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

24 June 2011

Allchurches Trust Limited

Company Statement of Financial Activities

for the year ended 31 December 2010

	Notes	2010			2009
		Unrestricted funds £000	Endowment funds £000	Total funds £000	Total funds £000
INCOMING RESOURCES					
Incoming resources from generated funds*					
<i>Investment income</i>					
Gift aid from subsidiary undertaking		9,250	10,000	19,250	8,500
Dividend and interest income		28	669	697	496
<i>Voluntary income</i>					
Donated services and facilities		7	-	7	7
Total incoming resources		9,285	10,669	19,954	9,003
RESOURCES EXPENDED					
Charitable activities					
Charitable distributions	13	8,358	-	8,358	6,783
Costs of generating funds					
<i>Costs of generating voluntary income</i>					
Donated services and facilities		7	-	7	7
<i>Investment management costs</i>		-	72	72	8
Governance costs	7	104	-	104	3
Total resources expended		8,469	72	8,541	6,801
Net incoming resources before other recognised gains and losses		816	10,597	11,413	2,202
OTHER RECOGNISED GAINS AND LOSSES					
<i>Gains and losses on investment assets</i>					
Movement in revaluation reserve	15	28,888	-	28,888	35,184
Other investment gains		-	1,752	1,752	2,155
Total recognised gains and losses and net movement in funds		29,704	12,349	42,053	39,541
Total funds brought forward		326,949	14,358	341,307	301,766
Total funds carried forward	20	356,653	26,707	383,360	341,307

Voluntary income consists of an amount of £7,000 (2009 £7,000) estimated by the directors as the fair value of management and administration costs incurred by subsidiary undertakings on behalf of the company but not recharged. An equal amount is shown within resources expended during the year.

The net incoming resources before other recognised gains and losses shown above represents the net income for the year for the purposes of the Companies Act 2006.

Allchurches Trust Limited

Consolidated Statement of Financial Activities

for the year ended 31 December 2010

	Notes	2010			2009
		Unrestricted funds £000	Endowment funds £000	Total funds £000	Total funds £000
INCOMING RESOURCES					
Incoming resources from generated funds					
<i>Investment income</i>					
Dividend and interest income		28	669	697	496
<i>Activities for generating funds</i>					
Trading subsidiaries profit		35,555	-	35,555	50,168
Total incoming resources		35,583	669	36,252	50,664
RESOURCES EXPENDED					
Charitable activities					
Charitable distributions	13	9,157	-	9,157	7,605
Costs of generating funds					
Investment management costs		-	72	72	8
Governance costs of the charity		104	-	104	3
Total resources expended		9,261	72	9,333	7,616
Net incoming resources before transfers		26,322	597	26,919	43,048
TRANSFERS					
Gross transfers between funds		(10,000)	10,000	-	-
Net incoming resources before other recognised gains and losses		16,322	10,597	26,919	43,048
OTHER RECOGNISED GAINS AND LOSSES					
Currency translation differences		10,172	-	10,172	6,763
Gains on other financial investments of the charity		-	1,752	1,752	2,155
Actuarial gains/(losses) on retirement benefits		3,210	-	3,210	(12,425)
Total recognised gains and losses and net movement in funds		29,704	12,349	42,053	39,541
Total funds brought forward		326,949	14,358	341,307	301,766
Total funds carried forward	20	356,653	26,707	383,360	341,307

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

The net incoming resources before other recognised gains and losses shown above represents the net income for the year for the purposes of the Companies Act 2006

Gross transfers between funds relates to those amounts designated as expendable capital endowment funds during the year and transferred to the parent charity from unrestricted funds of ATL's main trading subsidiary

Allchurches Trust Limited

Consolidated Profit and Loss Account

for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
TECHNICAL ACCOUNT - GENERAL BUSINESS			
Gross premiums written	4(a)	474,406	427,698
Outward reinsurance premiums		(171,083)	(159,098)
Net premiums written	4(a)	303,323	268,600
Change in the gross provision for unearned premiums		12,354	17,322
Change in the provision for unearned premiums, reinsurers' share		1,952	(6,765)
Change in the net provision for unearned premiums		14,306	10,557
Earned premiums, net of reinsurance		289,017	258,043
Claims paid			
- gross amount		232,563	205,144
- reinsurers' share		(80,492)	(68,347)
		152,071	136,797
Change in the provision for claims			
- gross amount		123,884	(17,451)
- reinsurers' share		(82,907)	16,783
		40,977	(668)
Claims incurred, net of reinsurance		193,048	136,129
Net operating expenses	7(a)	101,862	92,984
Total technical charges		294,910	229,113
Balance on the technical account before equalisation provision		(5,893)	28,930
Change in the equalisation provision	23	2,995	(3,662)
Balance on the technical account for general business		(2,898)	25,268

All of the amounts above are in respect of continuing operations

Allchurches Trust Limited

Consolidated Profit and Loss Account

for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
TECHNICAL ACCOUNT - LONG TERM BUSINESS			
Gross premiums written		13,521	9,288
- continuing operations		13,521	9,288
- discontinued operations		6,881	10,835
	4(b)	20,402	20,123
Outward reinsurance premiums		(101,929)	(1,236)
Earned premiums, net of reinsurance		(81,527)	18,887
Investment income	5	29,227	13,505
Unrealised gains on investments		-	24,888
Total technical income		(52,300)	57,280
Claims paid		23,345	28,685
- gross amount		23,345	28,685
- reinsurers' share		(6,360)	(589)
		16,985	28,096
Change in the provision for claims		3,762	182
- gross amount		3,762	182
- reinsurers' share		(43)	32
		3,719	214
Claims incurred, net of reinsurance		20,704	28,310
Change in other technical provisions			
Long term business provision		14,230	(13,898)
- gross amount		14,230	(13,898)
- reinsurers' share		(89,196)	(361)
		(74,966)	(14,259)
Technical provision for linked business		(15,247)	22,505
Provision for investment contract liabilities		(672)	10,546
Change in other technical provisions, net of reinsurance		(90,885)	18,792
Net operating expenses	7(a)	5,347	5,082
Investment expenses and charges	5	816	3,732
Unrealised losses on investments		11,224	-
Tax attributable to long term business	12	354	640
Transfer to the fund for future appropriations		4,004	5,615
		21,745	15,069
Total technical charges		(48,436)	62,171
Balance on the technical account for long term business	6	(3,864)	(4,891)

Allchurches Trust Limited

Consolidated Profit and Loss Account

for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
NON-TECHNICAL ACCOUNT			
Balance on the general business technical account		(2,898)	25,268
Balance on the long term business technical account		(3,864)	(4,891)
		(6,762)	20,377
Investment income	5	38,296	37,929
Unrealised gains on investments		29,940	39,773
Investment expenses and charges	5	(5,457)	(12,314)
Other finance income	19	2,528	938
Other operations		461	(3,061)
Other charges	7(b)	(6,437)	(6,792)
Charitable grants	13	(9,157)	(7,605)
		50,174	48,868
Operating profit		1,580	970
- share of profit of associate		39,180	73,006
- other continuing operations	6	(343)	(1,069)
- discontinued operations		2,995	(3,662)
Change in equalisation provision	23	43,412	69,245
Loss on disposal of discontinued operations	6	(940)	-
Profit on ordinary activities before tax	4(c)	42,472	69,245
Tax charge on profit or loss on ordinary activities	12	(8,587)	(18,828)
Profit on ordinary activities after tax		33,885	50,417
Minority interests	22	(5,214)	(5,214)
Retained profit for the financial year	20	28,671	45,203

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2010

		2010 £000	2009 £000
Retained profit for the financial year		28,671	45,203
Currency translation differences		10,172	6,763
Actuarial gains/(losses) relating to pension asset		6,316	(15,081)
Movement on deferred tax relating to pension asset		(1,821)	4,163
Actuarial losses relating to other retirement benefits		(1,758)	(2,093)
Movement on deferred tax relating to other retirement benefits		473	586
Total recognised gains and losses for the financial year	21	42,053	39,541

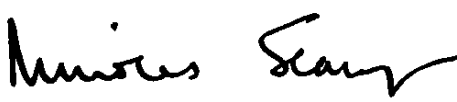
Allchurches Trust Limited

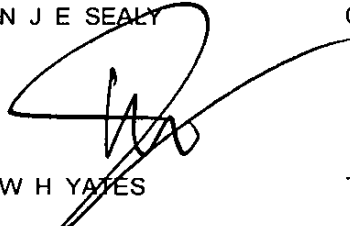
Parent Company Balance Sheet

at 31 December 2010

	Notes	2010			2009
		Unrestricted funds £000	Endowment funds £000	Total funds £000	Total funds £000
Fixed assets					
Investments	15	345,193	19,785	364,978	329,239
Current assets					
Prepayments and accrued income		-	137	137	4,616
Cash at bank and in hand		15,519	6,794	22,313	10,262
		15,519	6,931	22,450	14,878
Liabilities					
Creditors amounts falling due within one year	27	3,969	9	3,978	2,810
Net current assets		11,550	6,922	18,472	12,068
Total assets less current liabilities		356,743	26,707	383,450	341,307
Creditors amounts falling due after more than one year	27	90	-	90	-
Net assets		356,653	26,707	383,360	341,307
The funds of the charity					
Unrestricted funds					
Unrestricted income funds	20	11,510	-	11,510	10,694
Revaluation reserve	20	345,143	-	345,143	316,255
		356,653	-	356,653	326,949
Endowment funds	20	-	26,707	26,707	14,358
Total charity funds		356,653	26,707	383,360	341,307

The financial statements of Allchurches Trust Limited, registration number 1043742, on pages 13 to 68 were approved by the Board on 24 June 2011 and signed on its behalf by


 N J E SEALY Chairman


 W H YATES Trustee

Allchurches Trust Limited

Consolidated Balance Sheet

at 31 December 2010

	Notes	2010			2009
		Unrestricted funds £000	Endowment funds £000	Total funds £000	Total funds £000
ASSETS					
Intangible assets	14	14,771	-	14,771	17,093
Investments					
Land and buildings	15	28,275	-	28,275	28,308
Interest in associate	15	18,818	-	18,818	16,348
Other financial investments	15	843,454	19,785	863,239	998,440
		<u>890,547</u>	<u>19,785</u>	<u>910,332</u>	<u>1,043,096</u>
Reinsurers' share of technical provisions					
Provision for unearned premiums	23	68,244	-	68,244	66,531
Long term business provision	23	-	-	-	2,591
Claims outstanding	23	217,950	-	217,950	124,769
		<u>286,194</u>	<u>-</u>	<u>286,194</u>	<u>193,891</u>
Debtors					
Debtors arising out of direct insurance operations	17(a)	93,741	-	93,741	81,969
Debtors arising out of reinsurance operations	17(b)	10,434	-	10,434	9,340
Other debtors		18,841	-	18,841	16,362
		<u>123,016</u>	<u>-</u>	<u>123,016</u>	<u>107,671</u>
Other assets					
Tangible assets	18	10,124	-	10,124	10,602
Cash at bank and in hand		179,915	6,794	186,709	178,010
		<u>190,039</u>	<u>6,794</u>	<u>196,833</u>	<u>188,612</u>
Prepayments and accrued income					
Accrued interest and rent		7,242	71	7,313	8,115
Deferred acquisition costs		41,482	-	41,482	38,298
Other prepayments and accrued income		3,320	66	3,386	5,403
		<u>52,044</u>	<u>137</u>	<u>52,181</u>	<u>51,816</u>
Total assets excluding pension assets		<u>1,556,611</u>	<u>26,716</u>	<u>1,583,327</u>	<u>1,602,179</u>
Pension assets	19	<u>17,268</u>	<u>-</u>	<u>17,268</u>	<u>10,406</u>
Total assets	4(e)	<u>1,573,879</u>	<u>26,716</u>	<u>1,600,595</u>	<u>1,612,585</u>

Allchurches Trust Limited

Consolidated Balance Sheet

at 31 December 2010

	Notes	2010			2009
		Unrestricted funds £000	Endowment funds £000	Total funds £000	Total funds £000
LIABILITIES					
Reserves					
Translation reserve	20	28,514	-	28,514	18,342
Profit and loss account	20	328,139	-	328,139	308,607
Endowment funds	20	-	26,707	26,707	14,358
		356,653	26,707	383,360	341,307
Minority interests	22	100,453	-	100,453	60,453
Fund for future appropriations		-	-	-	21,489
Technical provisions					
Provision for unearned premiums	23	236,555	-	236,555	214,496
Long term business provision	23	-	-	-	166,342
Claims outstanding	23	668,091	-	668,091	522,570
Equalisation provision	23	18,679	-	18,679	21,674
		923,325	-	923,325	925,082
Technical provision for linked liabilities	23	60,663	-	60,663	75,910
Investment contract liabilities	24	-	-	-	51,822
Provisions for other risks	25	43,060	-	43,060	43,664
Creditors					
Creditors arising out of direct insurance operations		2,343	-	2,343	2,660
Creditors arising out of reinsurance operations	17(b)	17,665	-	17,665	13,554
Other creditors including taxation and social security	27	25,997	9	26,006	32,841
		46,005	9	46,014	49,055
Accruals and deferred income		37,404	-	37,404	39,400
Total liabilities excluding retirement benefit obligations		1,567,563	26,716	1,594,279	1,608,182
Retirement benefit obligations	19	6,316	-	6,316	4,403
Total liabilities		1,573,879	26,716	1,600,595	1,612,585

Allchurches Trust Limited

Consolidated Cash Flow Statement

for the year ended 31 December 2010 (excluding long term insurance business)

	Notes	2010 £000	2009 £000
Net cash inflow from operating activities	28(a)	58,244	59,509
Dividends from associate		264	-
Servicing of finance			
Loan interest paid		(780)	(780)
Preference dividends paid to minority interests		(5,214)	(5,214)
Other interest paid		(128)	(220)
Taxation paid		(7,766)	(5,179)
Capital expenditure			
Purchase of tangible fixed assets		(3,003)	(3,143)
Proceeds from the disposal of fixed assets		42	55
Acquisitions and disposals		(3,403)	(17,045)
Financing			
Capital element of lease purchase rental payments		(339)	(333)
Capital contributions from minority interests		39,827	-
	28(b)	77,744	27,650
Cash flows were invested as follows:			
Increase in cash holdings		6,618	57,002
Portfolio investment			
Purchases of shares and other variable yield securities		10,001	10,946
Purchases of fixed income securities		199,366	97,257
Purchases of properties		4,524	414
Sales of shares and other variable yield securities		(624)	(3,383)
Sales of fixed income securities		(142,141)	(134,586)
Net investment of cash flows		77,744	27,650
Movement arising from cash flows		77,744	27,650
Movement in long term business	28(b)	(257,325)	21,951
Changes in market values and exchange rate effects		53,046	42,254
Total movement in portfolio investments net of financing		(126,535)	91,855
Portfolio investments net of financing at 1 January		1,198,758	1,106,903
Portfolio investments net of financing at 31 December	28(b)	1,072,223	1,198,758

Allchurches Trust Limited

Accounting Policies

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, modified for the revaluation of certain investments, in accordance with Section 404 of the Companies Act 2006, and the provision of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI2008/410") relating to insurance groups. The parent company (also referred to as the charity) financial statements have been prepared on a historical cost basis, in accordance with Section 396 of the Companies Act 2006 and SI2008/410. Both the consolidated and parent 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 such, the consolidated financial statements are required to be prepared in accordance with Schedule 3 of SI2008/410. For consistency with the requirements of Schedule 3, the directors have followed the material recommendations of the 2005 Statement of Recommended Practice issued by the Association of British Insurers (ABI SORP) and the Statement of Recommended Practice "Accounting and Reporting by Charities" (Charities SORP). Where it provides a more appropriate presentation of financial statements, the ABI SORP has been adopted.

A review of the business activities of ATL and its trading subsidiaries is provided within the Trustees' Report. In addition, notes 1 and 2 to the financial statements disclose the principal risks and uncertainties they face, including exposures to insurance and financial risk and objectives for managing capital. ATL, together with its trading subsidiaries, has considerable financial resources and, as a consequence, the directors believe it is well-placed to manage its business risks successfully and continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Items included in the financial statements of overseas entities are measured in the currency of the primary economic environment in which that entity operates (the 'functional currency'). The consolidated financial statements are stated in sterling, which is the company's functional and presentation currency.

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. For businesses acquired or disposed of during the year, 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.

In the charity balance sheet investments in subsidiary undertakings are accounted for at current value, estimated by reference to their underlying net asset value, in accordance with the Charities SORP. Changes in value are reported under 'gains and losses on investment assets' in the charity statement of financial activities.

Associated undertakings are companies other than subsidiary undertakings in which the group holds 20% or more of the equity share capital for the long-term and over which the group exercises significant influence. Associated undertakings are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases.

Funds structure

Unrestricted funds of the charity consist of funds available to the directors to apply for the general purposes of the charity, in addition to amounts designated for each of the priorities adopted by ATL as set out in the Trustees' Report on page 3. The directors have the power to re-designate such funds within unrestricted funds. Endowment funds are expendable endowments that are retained to strengthen the charity's reserves. The directors have the power to convert endowment funds to expendable income.

Incoming resources

Gift aid and deposit interest of the charity are recognised on an accruals basis. Income from endowment funds is unrestricted.

Allchurches Trust Limited

Accounting Policies

Resources expended

Resources expended by the charity are recognised on an accruals basis and comprise charitable grants, investment management costs and governance costs. Governance costs comprise audit fees, costs associated with meeting the statutory requirements of the charity and other expenses such as grant administration costs, which are not material to apportion separately as charitable activities.

Foreign exchange

The assets and liabilities of foreign operations are translated from their functional currencies into the group's presentation currency using year end exchange rates, and their income and expenses using average exchange rates for the year. Exchange differences arising from the translation of the net investment in foreign operations are taken to the currency translation reserve within shareholders' funds. On disposal of a foreign operation, such exchange differences are transferred out of this reserve and are recognised in the profit and loss account as part of the gain or loss on sale.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. Exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss account.

Premium levies

Provision is made for the potential liability to the Financial Services Compensation Scheme and Motor Insurers' Bureau in respect of premiums recognised in these financial statements 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.

Product classification

Contracts under which the trading subsidiaries accept significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder, are classified as insurance contracts. Contracts that do not transfer significant insurance risk are classified as investment or service contracts.

Both insurance and investment contracts may contain a discretionary participating feature, which is defined as a contractual right to receive additional benefits as a supplement to guaranteed benefits. These participating contracts are referred to as with-profit contracts in the financial statements. Contracts that do not contain a discretionary participating feature are referred to as non-profit contracts in the financial statements.

Amounts collected under investment contracts without a discretionary participating feature, referred to as investment contracts in the financial statements, are not accounted for through the profit and loss account, except for the investment income attributable to those contracts, but are accounted for directly through the balance sheet as an adjustment to the investment contract liability.

Premium income

General insurance business

Premiums are shown gross of commission paid to intermediaries and accounted for in the period in which the risk commences. Estimates are included for premiums not notified by the year end and provision is made for the anticipated lapse of renewals not yet confirmed. Those proportions of premiums written in a year which relate to periods of risk extending beyond the end of the year are carried forward as unearned premiums.

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.

Long term business

For insurance contracts, premiums are recognised as revenue when the liabilities arising from them are created. All other premiums including annuity considerations are accounted for when due for payment.

For investment contracts, amounts collected as premiums are not included in the profit and loss account but are reported as deposits to investment contract liabilities in the balance sheet. Outward reinsurance premiums on investment contract liabilities are similarly reported as deposits to reinsurers' share of investment contract liabilities in the balance sheet.

Allchurches Trust Limited

Accounting Policies

Revenue from investment contracts

Fees charged for investment management services are recognised as revenue when the services are provided. Initial fees, which exceed the level of recurring fees and relate to the future provision of services are deferred and amortised over the anticipated period in which services will be provided. Fees charged for investment management services for institutional and retail fund management are also recognised on this basis.

Claims

Long term insurance business 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. Reinsurance recoveries are accounted for in the same period as the related claim. For investment contracts, claims are not included in the profit and loss account but are instead deducted from investment contract liabilities.

General insurance claims incurred include all losses occurring during the year, whether reported or not, related handling costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims handling costs include all internal and external costs incurred in connection with the negotiation and settlement of claims.

Insurance contract liabilities

General insurance provisions

(i) Outstanding claims provisions

General insurance outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs. Significant delays are experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, the ultimate cost of which cannot be known with certainty at the balance sheet date. Any estimate represents a determination within a range of possible outcomes. Claims provisions are not discounted.

(ii) Provision for unearned premiums

The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods is deferred as a provision for unearned premiums. The provision is computed separately for each insurance contract using the daily pro rata method and adjusted where necessary to take into account the risk profile of the contracts. The change in this provision is taken to the profit and loss account in order that revenue is recognised over the period of risk.

(iii) 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.

(iv) Equalisation provision

Provision is made in the consolidated accounts for the equalisation provision required by chapter 1 of the Prudential sourcebook for Insurers, in respect of trading subsidiaries. It is required by SI 2008/410 to be included within technical provisions in the balance sheet even though no actual liability exists at the balance sheet date.

Long term business provisions

The long term business provision is determined using methods and assumptions approved by the directors of the trading subsidiaries based on advice from the Actuarial Function Holder. Initially it is calculated to comply with the reporting requirements under the Prudential Sourcebook for Insurers. This statutory solvency basis of valuation is then adjusted by eliminating or adjusting certain reserves advised under insurance companies' regulations and general contingency reserves. 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.

Allchurches Trust Limited

Accounting Policies

Insurance contract liabilities (continued)

Allocation of surpluses and fund for future appropriations

Surpluses arising on the long term business funds are determined by an actuarial valuation of the assets and liabilities relating to each fund. A proportion of the surplus on the participating fund is appropriated by the directors of the trading subsidiaries to participating policyholders by way of bonuses, with the unallocated balance carried forward in the fund for future appropriations. The surplus on the non-participating fund, representing shareholders' interests, is transferred to the non-technical account from the long term business technical account.

Investment contract liabilities

Investment contracts consist primarily of unit-linked contracts. Unit-linked liabilities are measured by reference to the value of the underlying net asset value of the selected unitised investment funds at the balance sheet date. The holdings in these funds are designated at fair value through profit and loss. In order to prevent a measurement inconsistency investment contract liabilities have also been designated at fair value through profit and loss.

Reinsurance

The trading subsidiaries assume and cede reinsurance in the normal course of business, with retention limits varying by line of business. Premiums on reinsurance assumed are recognised as revenue in the same manner as direct business. Outwards reinsurance premiums are accounted for in the same accounting period as the related premiums for the direct or inwards reinsurance business being reinsured, except for the reinsurance of existing long term business contracts for which the written premiums have been accounted for in previous periods.

Reinsurance assets primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

Intangible assets

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings, 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 estimated useful economic life of 10 years, on a straight-line basis. The gain or loss on any subsequent disposal of a subsidiary or associated undertaking will include any attributable unamortised goodwill.

Other intangible assets

Other intangible assets consist of acquired customer and distribution relationships, and are carried at cost at acquisition less accumulated amortisation after acquisition. Amortisation is on a straight-line basis over the weighted average estimated useful life of intangible assets acquired.

The amortisation charge for goodwill and other intangibles for the period is included in the profit and loss account within other charges.

Financial instruments

FRS 26 requires the classification of certain financial assets and liabilities into separate categories for which the accounting requirements differ.

The classification depends on the nature and purpose of the financial assets and liabilities, and is determined at the time of initial recognition. Financial instruments are initially measured at fair value. Their subsequent measurement depends on their classification.

- financial instruments designated as at fair value through profit and loss and those held for trading are subsequently carried at fair value. Changes in fair value are included in the profit and loss account in the period in which they arise.
- all other financial assets and liabilities are held at amortised cost, using the effective interest method (except for short-term debtors and creditors when the recognition of interest would be immaterial).

The directors consider that the carrying value of those financial assets and liabilities not carried at fair value in the financial statements approximates to their fair value.

Allchurches Trust Limited

Accounting Policies

Investments

Land and buildings

Land and buildings, including properties occupied by the trading subsidiaries, are stated at open market value as determined by external qualified surveyors

In accordance with SSAP 19, which requires a departure from the Companies Act 2006, no depreciation is provided in respect of freehold properties. The directors consider that depreciation of these 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.

Other financial investments

These investments are classified as either financial assets at fair value through profit and loss (designated as such or held for trading) or loans and receivables.

(i) Financial assets at fair value through profit and loss

Investments are classified into this category if they are managed, and their performance evaluated, on a fair value basis. Purchases and sales of these investments are recognised on the trade date, which is the date that the group commits to purchase or sell the assets, at their fair value adjusted for transaction costs. Investments within this category are classified as held for trading if they are derivatives or acquired principally for the purpose of selling in the near term.

The fair values of investments are based on quoted bid prices. Where there is no active market, fair value is established using a valuation technique based on observable market data where available. There is no current intention to dispose of these investments.

(ii) Loans and receivables

Loans and receivables, comprising mortgages and other loans, are recognised when cash is advanced to borrowers. These are carried at amortised cost using the effective interest method. To the extent that a loan is uncollectable, it is written off as impaired. Subsequent recoveries are credited to the profit and loss account.

Derivative financial instruments

Derivative financial instruments include financial instruments that derive their value from underlying equity instruments. For a variety of reasons, derivative transactions, while providing effective economic hedges under the trading subsidiaries' risk management positions, do not qualify for hedge accounting under the specific FRS 26 rules and are therefore treated as derivatives held for trading. All derivatives are initially recognised in the balance sheet at their fair value, which usually represents their cost, including any premium paid. They are subsequently re-measured at their fair value with changes in the fair value recognised immediately in profit or loss. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities on the balance sheet as they do not represent the fair value of these transactions. Collateral pledged by way of cash margins on futures contracts is recognised as an asset on the balance sheet within cash at bank and in hand.

Investment income and expenses

Investment income and expenses includes dividends, interest, rents, amortisation, share of profit of associate, 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, and the movement during the year is recognised in the profit and loss account. The value of realised gains and losses includes an adjustment for previously recognised unrealised gains or losses on investments disposed of in the accounting period. Unrealised gains and losses on investments held by the parent company are included as other recognised gains and losses in the statement of financial activities.

Investment return on investments attributable to the long term business funds is reported in the technical account for long term business. The return on the associated shareholders' and general business funds are reported in the non-technical account.

Allchurches Trust Limited

Accounting Policies

Offset of financial assets and financial liabilities

Financial assets and liabilities are offset, and the net amount reported in the balance sheet, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously

Deferred acquisition costs

General insurance business

For general insurance business, a proportion of commission and other acquisition costs relating to unearned premiums is carried forward as deferred acquisition costs or, with regard to reinsurance outwards, as deferred income. Deferred acquisition costs are amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset.

Long term business

For insurance contracts, acquisition costs comprise direct costs such as initial commission and the indirect costs of obtaining and processing new business. Acquisition costs which are incurred during a financial year are deferred and amortised over the period during which the costs are expected to be recoverable.

For investment contracts, only directly related acquisition costs, which vary with and are related to securing new contracts and renewing existing contracts, are deferred to the extent that they are recoverable out of future revenue. All other costs are recognised as expenses when incurred. Deferrable acquisition costs for investment contracts are amortised over the period in which the service is provided.

Taxation

The company is a registered charity and as such is exempt from tax on income and gains falling within section 505 of the Taxes Act 1988 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects. No tax charges have arisen in the charity in either the current or prior year.

The trading subsidiaries are subject to corporation tax which is recognised in the consolidated profit and loss account, being the expected tax payable on the taxable results for the period and any adjustment to the tax payable in respect of previous periods.

Provision for deferred tax includes timing differences relating to the recalculation of gains and losses on investments, at rates at which it is expected that the tax will arise. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Insurance broking debtors and creditors

Where trading subsidiaries act as agent in placing the insurable risks of clients with insurers, debtors arising from such transactions are not recognised on the consolidated balance sheet. When cash is received in respect of resultant premiums or claims, a corresponding liability is established in other creditors in favour of the insurer or client. Where trading subsidiaries provide premium finance facilities to clients, amounts due are included within other debtors, with the amount owing for onward transmission included in other creditors.

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	3 - 5 years
Motor vehicles	27% reducing balance or length of lease
Fixtures, fittings and office equipment	3 - 15 years

Allchurches Trust Limited

Accounting Policies

Employee benefits

Pension obligations

The trading subsidiaries operate a number of defined benefit and defined contribution plans, the assets of which are held in separate trustee administered funds

For defined benefit plans, the pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the service lives of employees, in accordance with the advice of qualified actuaries. The pension obligation is measured as the present value of the estimated future cash outflows using a discount rate based on market yields for high quality corporate bonds. The resulting pension scheme surplus or deficit appears as an asset or obligation in the consolidated balance sheet. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Contributions in respect of defined contribution schemes are recognised as an expense in the profit and loss account as incurred.

Other post-employment obligations

Some trading subsidiaries provide post-employment healthcare benefits to their retirees. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses. Independent qualified actuaries value these obligations annually.

Other benefits

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Leasing commitments

Assets obtained under lease purchase contracts 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.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Allchurches Trust Limited

Notes to the Financial Statements

1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is unpredictable and difficult to quantify with certainty.

The principal risk that the trading subsidiaries face under insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities, which may occur if the frequency or severity of claims and benefits are greater than estimated. Insurance events are unpredictable and the actual level of claims and benefits may vary from year to year from the estimates established using statistical techniques.

Factors that typically aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical spread and type of customer covered.

Experience shows that the larger and more diversified the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. Insurance underwriting strategies aim to diversify the type of insurance risks accepted in order to reduce the variability of the expected outcome.

(a) General business risks

General insurance business classes written include property and liability. Property cover mainly compensates the policyholder for damage suffered to their properties or for the value of property lost. Property may also include cover for pecuniary loss through the inability to use damaged insured commercial properties. Liability insurance contracts protect policyholders from the liability to compensate injured employees (employers' liability) and third parties (public liability). Motor policies provide both property and liability cover for the insured. Injury, death or incapacity as a result of an unforeseen event is covered by the accident class of business.

In all operations pricing controls are in place, underpinned by sound statistical analysis and market expertise and appropriate external consultant advice. The trading subsidiaries manage risks to limit severity through their underwriting strategies, a comprehensive reinsurance programme and proactive claims handling. Net retention limits are in place and the trading subsidiaries arrange catastrophe reinsurance cover to protect against aggregations of losses.

Frequency and severity of claims

Property classes

For property insurance contracts, including the property element of motor contracts, the number of claims made can be affected by weather events, changes in climate and crime rates. Individual claims can vary in amount since the property insured is diverse in both size and nature. The cost of repairing property varies according to the extent of damage, cost of materials and labour charges.

Climate change may give rise to more frequent and severe extreme weather events, such as river flooding, hurricanes and drought, and their consequences, for example, subsidence claims.

The maximum claim payable is limited to the sum insured. The trading subsidiaries have the right to re-price the risk on renewal. They also have the ability to impose deductibles, reject fraudulent claims and pursue third parties for payment of some or all costs. These contracts are underwritten on a reinstatement basis or repair and renovation basis as appropriate. Costs of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims. Individual large claims are more likely to arise from fire, storm or flood damage. The greatest likelihood of an aggregation of claims arises from weather or recession related events.

Liability classes

For liability insurance contracts, including the liability element of motor contracts, the frequency and severity of claims can be affected by several factors. The most significant are the increasing level of awards for damages suffered, the courts move to periodic payments awards and the increase in the number of cases that were latent for a long period of time. Inflation, from these and other sources, is a significant factor due to the long period typically required to settle these claims.

Allchurches Trust Limited

Notes to the Financial Statements

1 Insurance risk (continued)

The trading subsidiaries have the right to re-price the risk on renewal. They also have the ability to impose deductibles, reject fraudulent claims and pursue third parties for payment of some or all costs. The severity of bodily injury claims is highly influenced by the value of loss of earnings and the future cost of care.

Concentrations of risk

The underwriting strategy is designed to ensure that the underwritten risks are well diversified in terms of type and amount of risk and geographical spread. The trading subsidiaries protect their gross underwriting exposure through the use of a comprehensive programme of reinsurance. The concentration of insurance risk for the financial year before and after reinsurance by territory in relation to the type of risk accepted is summarised below, with reference to written premiums.

Group		Type of risk				
2010		Property £000	Liability £000	Motor £000	Accident £000	Total £000
Territory						
United Kingdom	Gross	216,635	72,891	33,788	13,226	336,540
	Net	115,614	65,583	31,962	12,187	225,346
Australia and New Zealand	Gross	67,603	19,402	8,509	817	96,331
	Net	22,645	16,508	8,015	690	47,858
Canada	Gross	21,307	7,838	-	-	29,145
	Net	13,529	7,284	-	-	20,813
Ireland	Gross	7,252	4,986	4	148	12,390
	Net	4,586	4,580	4	136	9,306
Total	Gross	312,797	105,117	42,301	14,191	474,406
	Net	156,374	93,955	39,981	13,013	303,323
2009						
Territory						
United Kingdom	Gross	220,595	64,346	20,407	6,833	312,181
	Net	119,047	57,103	18,987	6,551	201,688
Australia and New Zealand	Gross	56,271	15,182	8,545	541	80,539
	Net	19,706	12,897	8,239	456	41,298
Canada	Gross	17,599	6,016	-	-	23,615
	Net	11,482	5,509	-	-	16,991
Ireland	Gross	7,034	4,275	8	46	11,363
	Net	4,630	3,942	7	44	8,623
Total	Gross	301,499	89,819	28,960	7,420	427,698
	Net	154,865	79,451	27,233	7,051	268,600

Allchurches Trust Limited

Notes to the Financial Statements

1 Insurance risk (continued)

Sources of uncertainty in the estimation of future claim payments

Property classes

The property classes, including property damage under motor contracts, give rise to a variety of different types of claims including fire, business interruption, weather damage, subsidence, accidental damage to insured vehicles and theft. There can be variability in both the number of claims in each period and the size of those claims. If a weather event happens near the end of the financial year, then the uncertainty about ultimate claims cost in the financial statements is much higher because there is insufficient time for adequate data to be received to assess the final cost of claims.

Claims payment, on average, occurs within a year of the event that gives rise to the claim. However, there is variability around this average with larger claims typically taking longer to settle.

Subsidence claims are difficult to predict because the damage is often not apparent for some time. Changes in soil moisture conditions can give rise to changes in claim volumes over time. The ultimate settlements can be small or large with a greater risk of a settled claim being re-opened at a later date.

Liability classes

The settlement value of claims arising under public and employers' liability and the liability element of motor contracts is particularly difficult to predict. There is uncertainty as to whether any payments will be made and, if they are, the amount and timing of the payments. Key factors driving the high levels of uncertainty include the late notification of possible claim events and the legal process.

Late notification of possible claims necessitates the holding of provisions for incurred claims that may only emerge some years into the future. In particular the effect of inflation over such a long period can be considerable and is uncertain. A lack of comparable past experience makes it difficult to quantify the number of claims and, for certain types of claims, the amounts for which they will ultimately settle. The legal and legislative framework continues to develop which has a consequent impact on the uncertainty as to the length of the claims settlement process and the ultimate settlement amounts.

Claims that may arise from the liability portfolios include damage to property, physical injury, disease and psychological trauma. The trading subsidiaries have a different exposure profile to most other commercial lines insurance companies as they have lower exposure to industrial risks, where uncertainty is higher. Therefore, claims for industrial diseases are less common for them than injury claims such as slips, trips and back injuries.

Claims payment, on average, occurs about three years after the event that gives rise to the claim. However, there is significant variability around this average.

Note 23 presents the development of the estimate of ultimate claim cost for public and employers' liability claims occurring in a given year. This gives an indication of the accuracy of the estimation technique for incurred claims.

Sources of uncertainty

The ultimate settlement cost of incurred general insurance claims is inherently uncertain. Such uncertainty includes

- whether a claim event has occurred or not and how much it will ultimately settle for,
- variability in the speed with which claims are notified and in the time taken to settle them, especially complex cases resolved through the courts,
- changes in the business portfolio affecting factors such as the number of claims and their typical settlement costs, which may differ significantly from past patterns,
- new types of claim, including latent claims, which arise from time to time,
- changes in legislation and court attitudes to compensation, which may apply retrospectively,
- the way in which certain reinsurance contracts (principally liability) will be interpreted in relation to unusual/latent claims where aggregation of claimants and exposure over time are issues, and
- whether all such reinsurances will remain in force over the long term.

Allchurches Trust Limited

Notes to the Financial Statements

1 Insurance risk (continued)

Sources of uncertainty in the estimation of future claim payments (continued)

Prudence in the provisions for outstanding claims

The trading subsidiaries have taken into account the uncertain nature of claims reporting and settlement when provisioning for outstanding claims

Special provisions for latent claims

The public and employers' liability classes can give rise to very late reported claims, which are often referred to as latent claims. These can vary in nature and are difficult to predict. They typically emerge slowly over many years. The trading subsidiaries balances reflect this uncertainty and they aim to hold adequate reserves for latent claims that may result from exposure periods up to the reporting date.

(b) Long term business fund

Frequency and severity of claims

One of the trading subsidiaries, Ecclesiastical Life Limited ("ELL") disposed of all of the products of its With-profit fund and the non funeral plan products of its Non-profit fund during the current year (hereafter referred to as "the disposed business"). ELL's long term business activity is now focussed on providing Whole of Life products to support the funeral planning products that are made available by business partners such as the National Association of Funeral Directors (NAFD).

ELL's life insurance products are summarised in the table below

	With-profit fund £000	Non-profit fund £000	Total £000
Long term business provision at 31 December 2010			
Life assurance	-	60,663	60,663
Total technical provisions excluding outstanding claims, net of reinsurance	-	60,663	60,663
Long term business provision at 31 December 2009			
Life assurance	61,938	54,403	116,341
Pensions assurance	37,104	-	37,104
Pensions annuities in payment	-	77,080	77,080
Life annuities in payment	-	8,827	8,827
Permanent health insurance	-	309	309
Total	99,042	140,619	239,661
Investment products	-	51,822	51,822
Total technical provisions excluding outstanding claims, net of reinsurance	99,042	192,441	291,483

The retained funeral plan business is subject to variability in the frequency and severity of claims, however this does not provide significant insurance risk to the group as the reserves held at any point in time for each policy are very close to the benefit that would be paid at that point in time.

Long term business insurance risks in the prior year, relating to the disposed business

The remainder of this note relates to prior year disclosure of insurance risks of that part of the long term business that has been disposed of during the current year.

Long term insurance contracts

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle resulting in more or fewer claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

For non-profit contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted.

Allchurches Trust Limited

Notes to the Financial Statements

1 Insurance risk (continued)

Frequency and severity of claims (continued)

ELL manages these risks through its underwriting strategy and reinsurance arrangements. Industry standard tables are used to price products. No allowance is made for ELL's own claims experience as it is not statistically significant. ELL's exposure is limited by reinsurance arrangements that restrict exposure on a single risk. Both yearly renewable term and original terms reinsurance arrangements are used.

Both pension and life annuities in payment provide a defined income stream to the client which is commonly contingent on survival. The primary risks on these contracts are the level of future investment returns on the assets backing the liability and the longevity of the policyholders. The investment risk has been largely mitigated by holding fixed interest assets of a similar term to the expected longevity profile. The longevity risk is retained by ELL and directly impacts on total reserves.

Both with-profit life and pensions assurance products provide a combination of guaranteed and discretionary benefits for policyholders. The principal risks associated with these contracts are interest rate and equity price risk. In the first instance these risks are borne by the fund for future appropriations, which is available for allocation to policyholders as discretionary benefits.

The non-profit fund bears any difference between future administration expenses and the specified fees charged to the with-profit fund. The reserves in the non-profit fund for with-profit life and pension contracts reflect a shortfall between the forecast fees receivable and forecast expenses.

Insurance risk for contracts disclosed in this note is also affected by the policyholders' right to pay reduced or no future premiums, or to terminate the contract completely. As a result, the amount of insurance risk is also subject to policyholder behaviour. The group has considered the impact of policyholders' behaviour in the calculation of these liabilities.

Group life yearly renewable contracts

These contracts are mainly issued to employers to insure their commitments to their employees in terms of their pension fund and other employee benefit plans. The risk is affected by the nature of the industry in which the employer operates, in addition to the factors noted above.

ELL's disposed business has a higher than average concentration of risk in the clergy, but otherwise there is no bias to any particular industry. It is believed that the mortality and morbidity of the clergy does not differ significantly from experience for the United Kingdom population as a whole.

Prior to the disposal, reinsurance arrangements were in place to mitigate ELL's exposure to these risks. The net exposure for any one risk is limited.

Sources of uncertainty in the estimation of future benefit payments and premium receipts

Long term insurance contracts

Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long term changes in overall levels of mortality and the variability in policyholder behaviour.

ELL uses appropriate base tables of standard industry mortality according to the type of contract being written. For contracts that insure survival, an adjustment is made for future mortality improvements based on trends identified in the mortality investigations performed by independent actuarial bodies.

Group life yearly renewable contracts

There is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration. However, for incurred disability income claims, it is necessary to estimate the length of the term over which payments will continue to be made. It has been assumed that payments continue for the remaining term of the policy with no allowance for either mortality or recovery.

Allchurches Trust Limited

Notes to the Financial Statements

1 Insurance risk (continued)

Options and guarantees

All material financial options and guarantees are in the with-profit fund and the cost of meeting them is covered by the fund for future appropriations. These options and guarantees have the potential, depending on the behaviours of financial variables such as interest rates and equity returns, to increase the value of benefits paid to policyholders.

Further details of the material options and guarantees are given below, including the variables that determine the amount payable and the potential effect of adverse changes in market conditions. In line with the measurement of the with-profit policyholder liabilities, a deterministic methodology has been used to measure the options and guarantees and so they are not measured at fair value or using a market-consistent asset model.

With-profit maturity and surrender value guarantees

Substantially all of the conventional with-profit policies have minimum guaranteed benefits on maturity consisting of the sums assured plus previously declared regular bonuses. In addition, a small proportion of endowment policyholders have minimum guaranteed benefits on surrender after a certain time, consisting of a fixed proportion of the sums assured plus previously declared regular bonuses. The main variable that determines the amount payable under the guarantees is the level of regular bonuses added to the policy.

The difference between the guaranteed benefits and the value of the assets deemed to be allocated to the policies (their asset share) at maturity or at the point of surrender, represents the net cost of the guarantees. There will be no maturities in 2011 (2009 £1.8 million expected for 2010), and no surrenders (2009 £0.2 million expected for 2010). The discounted value of these amounts is included within the with-profit policyholder liabilities for the relevant policies.

The cost of the guarantees is most affected by a fall in equity returns and if returns were 10% lower than anticipated, the above costs would be £nil (2009 £2.3 million) and £nil (2009 £0.3 million) respectively.

No market value reduction (MVR) guarantees

For the with-profit bond and the deposit administration group pension contracts, there are circumstances when it is guaranteed that no MVR will apply in determining benefits, ie

- on partial withdrawals of the bond not exceeding 7.5% per annum of the original amount invested,
- on withdrawals from the deposit administration contract for the purchase of immediate annuities for individual members, and
- on withdrawal of all benefits over a 10 year period

The cost of the guarantee is determined by the relationship between the total benefits on the contract and the total asset share when applied to the amount of the withdrawal. If withdrawals were made on all contracts up to the maximum level for the no MVR guarantee, then the total cost in 2011 will be £nil (2009 £0.2 million expected for 2010). This is allowed for in determining the liabilities for the contracts.

The cost of the guarantee is most affected by a fall in equity returns, and if returns were 10% lower than anticipated, the cost would be £nil (2009 increase to £0.4 million).

Allchurches Trust Limited

Notes to the Financial Statements

2 Financial risk and capital management

ATL and its trading subsidiaries are exposed to financial risk through their financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from the trading subsidiaries' financial assets are not sufficient to fund the obligations arising from their insurance and investment contracts. The most important components of financial risk are interest rate risk, credit risk, currency risk and equity price risk.

There has been no change from the prior period in the nature of financial risks that the group is exposed to. Where noted below, the disposal of part of ELL's life business during the current year has reduced exposure to certain risks. The group's management and measurement of financial risks is informed by either stochastic modelling or stress testing techniques.

(a) Categories of financial instruments

Group	Financial assets			Financial liabilities				Total
	Designated at fair value	Held for trading	Loans and receivables*	Designated at fair value	Held for trading	At amortised cost	Other assets and liabilities	
	£000	£000	£000	£000	£000	£000	£000	
At 31 December 2010								
Other financial investments	844,692	-	18,547	-	-	-	-	863,239
Debtors	-	-	118,386	-	-	-	4,630	123,016
Cash at bank and in hand	-	-	186,709	-	-	-	-	186,709
Prepayments and accrued income	-	-	7,604	-	-	-	44,577	52,181
Creditors	-	-	-	-	-	(35,477)	(10,537)	(46,014)
Accruals and deferred income	-	-	-	-	-	(14,605)	(22,799)	(37,404)
Net other	-	-	-	-	-	-	(758,367)	(758,367)
Total	844,692	-	331,246	-	-	(50,082)	(742,496)	383,360

* Cash at bank and in hand is presented with loans and receivables

Allchurches Trust Limited

Notes to the Financial Statements

2 Financial risk and capital management (continued)

Group	Financial assets			Financial liabilities				Total £000
	Designated at fair value £000	Held for trading £000	Loans and receivables* £000	Designated at fair value £000	Held for trading £000	At amortised cost £000	Other assets and liabilities £000	
At 31 December 2009								
Other financial investments	968,316	2,596	27,528	-	-	-	-	998,440
Debtors	-	-	104,298	-	-	-	3,373	107,671
Cash at bank and in hand	-	-	178,010	-	-	-	-	178,010
Prepayments and accrued income	-	-	10,232	-	-	-	41,584	51,816
Investment contract liabilities	-	-	-	(51,822)	-	-	-	(51,822)
Creditors	-	-	-	-	(1,196)	(33,572)	(14,287)	(49,055)
Accruals and deferred income	-	-	-	-	-	(16,563)	(22,837)	(39,400)
Net other	-	-	-	-	-	-	(854,353)	(854,353)
Total	968,316	2,596	320,068	(51,822)	(1,196)	(50,135)	(846,520)	341,307

* Cash at bank and in hand is presented with loans and receivables

ELL's investment contract liabilities were disposed of during the current year, as part of the business disposal detailed in note 6

(b) Fair value hierarchy

The fair value measurement basis used to value those financial assets and financial liabilities held at fair value is categorised into a fair value hierarchy as follows

Level 1 fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities. This category includes listed equities in active markets, listed debt securities in active markets and exchange traded derivatives

Level 2 fair values measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes listed debt or equity securities in a market that is not active and derivatives that are not exchange traded

Level 3 fair values measured using inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes unlisted equities, including investments in venture capital, and suspended securities. The effect of reasonably possible changes to the assumptions used in determining the fair value of these assets is not significant to the values disclosed

There have been no transfers between level 1 and level 2 investments in the current year

Allchurches Trust Limited

Notes to the Financial Statements

2 Financial risk and capital management (continued)

Analysis of fair value measurement bases

Group

At 31 December 2010

Financial assets at fair value through profit and loss

Other financial investments

Equity securities

Debt securities

Fair value measurement at the end of the reporting period based on			
Level 1	Level 2	Level 3	Total
£000	£000	£000	£000
262,002	1,024	22,564	285,590
555,242	3,575	285	559,102
817,244	4,599	22,849	844,692

At 31 December 2009

Financial assets at fair value through profit and loss.

Other financial investments

Equity securities

Debt securities

344,041	3,779	23,533	371,353
590,267	8,705	587	599,559
934,308	12,484	24,120	970,912

Financial liabilities at fair value through profit and loss

Investment contract liabilities

Creditors

Derivative liabilities

-	51,822	-	51,822
-	1,196	-	1,196
-	53,018	-	53,018

Fair value measurements based on level 3

Fair value measurements in level 3 consist of financial assets, analysed as follows

Group

At 31 December 2010

Opening balance

Total (losses)/gains recognised in profit or loss

Purchases

Disposal proceeds

Disposal of business

Closing balance

Total (losses)/gains for the period included in profit or loss for assets held at the end of the reporting period

Financial assets at fair value through profit and loss		
Equity securities	Debt securities	Total
£000	£000	£000
23,533	587	24,120
(872)	103	(769)
-	50	50
-	(134)	(134)
(97)	(321)	(418)
22,564	285	22,849
(872)	34	(838)

At 31 December 2009

Opening balance

Total gains/(losses) recognised in profit or loss

Purchases

Disposal proceeds

Transfers into level 3

Closing balance

Total gains/(losses) for the period included in profit or loss for assets held at the end of the reporting period

22,811	566	23,377
198	(43)	155
251	75	326
(276)	(11)	(287)
549	-	549
23,533	587	24,120
203	(43)	160

All the above gains or losses included in profit or loss for the period are presented within realised and unrealised gains in the profit and loss account

Allchurches Trust Limited

Notes to the Financial Statements

2 Financial risk and capital management (continued)

(c) Interest rate risk

The table below summarises the maturity dates for those assets and liabilities that are exposed to interest rate risk

Group	Maturing			Total £000
	Within 1 year £000	Between 1 & 5 years £000	After 5 years £000	
At 31 December 2010				
Assets				
Debt securities	173,363	256,054	129,685	559,102
Mortgage and other loans	5,870	1,329	11,327	18,526
Loans to related parties	390	-	-	390
Other assets including insurance receivables	30,882	-	-	30,882
Cash at bank and in hand	186,709	-	-	186,709
	397,214	257,383	141,012	795,609
Liabilities:				
13% Debenture Stock 2018	-	-	6,000	6,000
Finance lease obligations	249	1,846	-	2,095
Long term business technical provisions	3,771	14,976	63,153	81,900
	4,020	16,822	69,153	89,995
At 31 December 2009				
Assets:				
Debt securities	77,530	325,389	196,640	599,559
Mortgage and other loans	4,017	721	13,603	18,341
Loans to related parties	360	-	-	360
Non-profit reinsurers' share of long term business provisions	592	223	1,718	2,533
Other assets including insurance receivables	34,723	-	-	34,723
Cash at bank and in hand	178,010	-	-	178,010
	295,232	326,333	211,961	833,526
Liabilities				
13% Debenture Stock 2018	-	-	6,000	6,000
Finance lease obligations	355	1,533	-	1,888
Long term business technical provisions	1,531	1,622	139,999	143,152
Investment contract liabilities	3,587	6,143	42,092	51,822
	5,473	9,298	188,091	202,862

Those financial assets and liabilities that are measured at fair value and have fixed interest rates are subject to fair value interest rate risk. Those financial assets and liabilities with variable interest rates are subject to cash flow interest rate risk.

General business insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest bearing. Furthermore, these liabilities do not have maturity dates and hence are not included in the above tables.

Financial investments represent a significant proportion of the group's assets. Investment strategy is set in order to control the impact of interest rate risk on anticipated group cash flows and asset values. The fair value of the group's investment portfolio of debt and fixed income securities reduces as market interest rates rise, and vice versa. Interest rate risk concentration is reduced by the varied maturity profiles of the investments.

Allchurches Trust Limited

Notes to the Financial Statements

2 Financial risk and capital management (continued)

ELL has exposure to interest rate risk in respect of its long term insurance funeral plan business. The benefits payable to policyholders are independent of the returns generated by interest bearing assets. Therefore the interest rate risk on the invested assets supporting these liabilities is borne by ELL. This risk can be eliminated by purchasing fixed interest investments with durations that precisely match the profile of the liabilities. For funeral plan policies, benefits are linked to the Retail Prices Index ("RPI"). Assets backing these liabilities are also linked to RPI, and include index-linked gilts and corporate bonds. For practical purposes it is not possible to exactly match the durations due to the uncertain profile of liabilities (e.g. mortality risk) and the availability of suitable assets. Some interest rate risk will persist. ELL monitors its exposure by comparing projected cash flows for these assets and liabilities and making appropriate adjustments to its investment portfolio.

Long term business interest rate risk in the prior year, relating to the disposed business

The remainder of part (c) of this note relates to prior year disclosure of risks of that part of the long term business that has been disposed of during the current year.

With-profit contracts

All contracts are held in a distinct fund. The surplus of assets over liabilities in this fund is available solely to provide future benefits for insurance policyholders. The group is not entitled to a share of this surplus. There is therefore no equity price, currency, credit, or interest rate risk to the group for these contracts under current circumstances. It is possible under some circumstances that guaranteed benefits will exceed the fund's assets and the group could be called upon to provide financial support to the fund. The nature of these guarantees is described in more detail in note 1(b).

Unit-linked contracts

For unit-linked contracts, the group matches all the assets on which the unit prices are based with assets in the portfolio. There is therefore no price, currency, credit, or interest rate risk to the group for these contracts.

(d) Credit risk

The group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the group is exposed to credit risk are:

- reinsurers' share of insurance liabilities (excluding provision for unearned premiums) and amounts due from reinsurers in respect of claims already paid,
- amounts due from insurance intermediaries and policyholders, and
- corporate bond counterparty default.

The carrying amount of financial and reinsurance assets represents the group's maximum exposure to credit risk. Collateral is held over loans secured by mortgages. The group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty. Limits on the level of credit risk are regularly reviewed.

Reinsurance is used to manage insurance risk. This does not, however, discharge the trading subsidiaries' liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the trading subsidiaries remain liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on a regular basis through the year by reviewing their financial strength. The Group Reinsurance Security Committee assesses, monitors and approves the creditworthiness of all reinsurers reviewing relevant credit ratings provided by the recognised credit rating agencies, as well as other publicly available data and market information. The committee also monitors the balances outstanding from reinsurers and maintains an approved list of reinsurers. Substantially all of the trading subsidiaries' reinsurance assets are due from reinsurers rated A or above.

The trading subsidiaries' credit risk policies detail prescriptive methods for the collection of premiums and control of intermediary and policyholder debtor balances. The level and age of debtor balances are regularly assessed via monthly credit management reports. These reports are scrutinised to assess exposure in more than one region in respect of aged or outstanding balances. Any such balances are likely to be major international brokers who are in turn monitored via credit reference agencies and considered to pose minimal risk of default.

The trading subsidiaries have no material concentration of credit risk in respect of amounts due from insurance intermediaries and policyholders due to the well-diversified spread of such debtors.

Allchurches Trust Limited

Notes to the Financial Statements

2 Financial risk and capital management (continued)

The fixed interest portfolio consists of a range of fixed interest instruments including government securities, local authority issues, corporate loans and bonds, overseas bonds, preference shares and other interest bearing securities. Limits are imposed on the credit ratings of the corporate bond portfolio and exposures regularly monitored.

(e) Liquidity risk

The trading subsidiaries are exposed to daily calls on their available cash resources mainly from claims arising from insurance contracts. Liquidity risk is the risk that funds may not be available to pay obligations when due. The trading subsidiaries have robust processes in place to manage liquidity risk and have access to funding in case of exceptional need. Sources of funding include available cash balances, other readily marketable assets and access to short term bank funding. This is not considered to be a significant risk to the group.

A maturity analysis for those non-derivative financial liabilities that are exposed to interest rate risk is included in part (c) of this note. Derivative financial liabilities of trading subsidiaries all mature within one year.

(f) Currency risk

The trading subsidiaries operate internationally and their main exposures to foreign exchange risk are noted below. Foreign operations generally invest in assets denominated in the same currencies as their insurance liabilities, which mitigates the foreign currency exchange rate risk for these operations. As a result, foreign exchange risk arises from recognised assets and liabilities denominated in other currencies and net investments in foreign operations.

The group exposure to foreign currency risk within the investment portfolios arises from purchased investments that are denominated in currencies other than sterling.

The foreign operations create two sources of foreign currency risk:

- the operating results of the foreign branches and subsidiaries in the consolidated financial statements are translated at the average exchange rates prevailing during the period, and
- the equity investment in foreign branches and subsidiaries is translated into sterling using the exchange rate at the financial statement year end date.

The largest currency exposures with reference to net assets/(liabilities) are shown below, representing effective diversification of resources.

	2010	2009
	£000	£000
Group		
Aus \$	52,454	41,925
Can \$	35,328	31,266
Euro	34,597	59,089
US \$	(12,041)	8,276
Hong Kong \$	11,247	14,656

(g) Equity price risk

The group is exposed to equity price risk because of financial investments held by the group and stated at fair value through profit and loss. The group mitigates this risk by holding a diversified portfolio across geographical regions and market sectors, and through the use of options and futures contracts from time to time which would limit losses in the event of a fall in equity markets.

The concentration of equity price risk by geographical listing, before the mitigating effect of derivatives, to which the group is exposed is as follows:

	2010	2009
	£000	£000
Group		
UK	227,904	119,310
Europe	25,758	55,598
Hong Kong	10,905	15,054
USA	3,484	6,604
Other	17,539	27,384
Total	285,590	223,950

Allchurches Trust Limited

Notes to the Financial Statements

2 Financial risk and capital management (continued)

(h) Market risk sensitivity analysis

The sensitivity of profit and other reserves to movements on market risk variables (comprising interest rate, currency and equity price risk), each considered in isolation, is shown in the following table

Variable	Change in variable	Potential increase/ (decrease) in profit		Potential changes in other reserves	
		2010	2009	2010	2009
		£000	£000	£000	£000
<i>Group</i>					
Interest rate risk	-100 basis points	8,555	10,461	164	136
	+100 basis points	(8,270)	(9,834)	(158)	(134)
Currency risk	-5%	1,837	3,930	4,724	4,012
	+5%	(1,745)	(3,733)	(4,487)	(3,811)
Equity price risk	+/-5%	10,438	11,198	-	-

The following assumptions have been made in preparing the above sensitivity analysis

- the value of fixed income investments will vary inversely with changes in interest rates, and all territories experience the same interest rate movement,
- currency gains and losses will arise from a change in the value of sterling against all other currencies moving in parallel,
- equity prices will move by the same percentage across all territories,
- the above analysis is based only on exposures borne by the group, and thus excludes those of with profit and unit-linked business in the prior year, and
- change in profit is stated net of tax at the standard rate of 28% (2009 28%)

(i) Capital management

The group's objectives when managing capital are

- to comply with the regulators' capital requirements of the markets in which the trading subsidiaries operate, and
- to safeguard the group's ability to continue to meet stakeholders' expectations, in accordance with the charitable objectives of ATL

The trading subsidiaries are subject to insurance solvency regulations in all the territories in which they issue insurance and investment contracts, and capital is managed and evaluated on the basis of regulatory capital

The UK regulated subsidiaries are required to comply with rules issued by the Financial Services Authority (FSA), and submit FSA returns detailing levels of regulatory capital held. Regulatory capital should be in excess of the higher of two amounts. The first is an amount which is calculated by applying fixed percentages to premiums and claims (general insurance business) or by applying fixed percentages to insurance liabilities and applying stress testing (long term business). The second is an economic capital assessment by the regulated entity, which the FSA reviews and may amend by issuing Individual Capital Guidance (ICG). Internal capital standards are set above the FSA's minimum requirement. For overseas business the relevant capital requirement is the minimum requirement under the local regulatory regime. All regulated entities within the group have complied with all externally imposed capital requirements throughout the current and prior year.

Regulated subsidiaries are restricted in the amount of cash dividends they transfer to the parent entity, in order for them to meet their individual minimum capital requirements.

The group's available capital resource is disclosed in note 23(b) part (iv).

Allchurches Trust Limited

Notes to the Financial Statements

3 Exchange rates

The principal rates of exchange used for translation are

	2010		2009	
	Average	Closing	Average	Closing
Canada	C\$ 1.60	C\$ 1.56	C\$ 1.78	C\$ 1.69
Republic of Ireland	€ 1.16	€ 1.17	€ 1.12	€ 1.13
Australia	A\$ 1.69	A\$ 1.53	A\$ 1.99	A\$ 1.80
New Zealand	NZ\$ 2.15	NZ\$ 2.00	NZ\$ 2.48	NZ\$ 2.22

4 Group segmental analysis

(a) General business premiums

	2010		2009	
	Gross £000	Net £000	Gross £000	Net £000
Direct				
Accident	13,434	12,261	7,108	6,753
Motor	32,415	30,461	28,960	27,233
Property	265,569	126,868	236,994	111,720
Liability	98,221	87,214	88,155	77,864
	<u>409,639</u>	<u>256,804</u>	<u>361,217</u>	<u>223,570</u>
Reinsurance accepted and London market	64,767	46,519	66,481	45,030
Total	<u>474,406</u>	<u>303,323</u>	<u>427,698</u>	<u>268,600</u>

Geographical analysis - on the basis of location of office

United Kingdom	336,540	225,346	312,181	201,688
Australia and New Zealand	96,331	47,858	80,539	41,298
Canada	29,145	20,813	23,615	16,991
Ireland	12,390	9,306	11,363	8,623
Total	<u>474,406</u>	<u>303,323</u>	<u>427,698</u>	<u>268,600</u>

(b) Long term business premiums

Geographical analysis - on the basis of location of office

All long term business premiums were generated from offices within the United Kingdom and Republic of Ireland

The analysis of long term business premiums written before reinsurance is

	2010 £000	2009 £000
<i>Continuing operations</i>		
Life insurance - funeral plan business		
- Single premiums	13,302	9,157
- Regular premiums	219	131
<i>Discontinued operations</i>		
Other life insurance business		
- Single premiums	247	1,190
- Regular premiums	2,152	2,589
Annuity business		
- Single premiums	2,187	3,747
Pension business		
Non-linked contracts		
- Single premiums	1,448	1,880
- Regular premiums	784	1,356
Permanent health insurance	<u>63</u>	<u>73</u>
	<u>20,402</u>	<u>20,123</u>
Gross new annualised regular premiums		
Life insurance - discontinued operations	333	379
Pensions - discontinued operations	488	352
	<u>821</u>	<u>731</u>

No gross new annualised regular premiums are in respect of the continuing business

Allchurches Trust Limited

Notes to the Financial Statements

4 Group segmental analysis (continued)

(c) Profit before taxation	2010 £000	2009 £000
United Kingdom	37,389	58,449
Australia and New Zealand	4,120	5,951
Canada	970	2,298
Other overseas	(7)	2,547
Total	42,472	69,245
(d) Net assets		
United Kingdom	293,611	262,927
Australia and New Zealand	51,215	43,125
Canada	34,835	31,303
Other overseas	3,699	3,952
Total	383,360	341,307

The directors of the trading subsidiaries are of the opinion that no meaningful analysis of profit or loss before taxation and net assets can be prepared by class of business

(e) Total assets

Of the total assets shown on page 19, £67.9 million (2009 £335.2 million) are attributable to ELL's long term business fund

5 Investment return

	2010		2009	
	General business £000	Long term business £000	General business £000	Long term business £000
<i>Group</i>				
Land and buildings	1,607	62	1,904	299
Income on financial assets not at fair value through profit and loss	3,746	351	1,985	1,039
Income on financial assets at fair value through profit and loss	31,363	8,610	33,070	12,167
Income from associated undertaking	1,580	-	970	-
Realised investment gains	-	20,204	-	-
Investment income	38,296	29,227	37,929	13,505
Investment expenses and charges				
Interest payable on financial liabilities, at amortised cost	909	390	999	353
Other investment management expenses	2,625	426	1,786	664
Total investment management expenses, including interest	3,534	816	2,785	1,017
Realised investment losses	1,923	-	9,529	2,715
Investment expenses and charges	5,457	816	12,314	3,732
Net investment return	32,839	28,411	25,615	9,773

Included within income on financial assets not at fair value through profit and loss are exchange gains of £620,000 (2009 £949,000 losses) for the general business, and exchange losses of £2,000 (2009 £39,000 losses) for the long term business

Interest payable on financial liabilities includes debenture interest payable of £780,000 (2009 £780,000)

Allchurches Trust Limited

Notes to the Financial Statements

6 Long term business continuing and discontinued operations

ELL's long term business (excluding its retained funeral plan business) was disposed of on 30 November 2010. The operating loss in relation to the discontinued business is included within the long term business technical account, as follows

	2010		2009	
	Continuing £000	Discontinued £000	Continuing £000	Discontinued £000
Earned premiums, net of reinsurance	13,521	(95,048)	9,289	9,598
Investment income	4,166	25,061	1,372	12,133
Unrealised gains on investments	-	-	1,418	23,470
Total technical income	17,687	(69,987)	12,079	45,201
Claims incurred, net of reinsurance	4,296	16,408	3,527	24,783
Change in other technical provisions, net of reinsurance	13,731	(104,616)	9,144	9,648
Net operating expenses	2,685	2,662	2,542	2,540
Investment expenses and charges	427	389	315	3,417
Unrealised (gains)/losses on investments	(1,604)	12,828	-	-
Tax attributable to long term business	1,673	(1,319)	373	267
Transfer to the fund for future appropriations	-	4,004	-	5,615
Total technical charges	21,208	(69,644)	15,901	46,270
Balance on the technical account for long term business	(3,521)	(343)	(3,822)	(1,069)

The non-profit fund discontinued operations were 100% reinsured with effect from 1 January 2010 until 30 November 2010 in order to transfer the risks and rewards in the reinsured business to the purchaser in preparation for the sale. The reinsurance agreement resulted in the inclusion of £101.4 million outward reinsurance premiums, and a £98.4 million increase in reinsurance recoveries. The net difference between these items is due to movements in gross insurance reserves.

Net assets disposed of, the related sale proceeds and the impact on group cash flows were as follows

	2010 £000
Investments	121,761
Reinsurers' share of technical provisions	91,830
Reinsurers' share of investment contract liabilities	57,687
Debtors	303
Other assets	2,456
Prepayments and accrued income	2,501
Fund for future appropriations	(25,493)
Technical provisions	(187,236)
Investment contract liabilities	(55,827)
Provisions for other risks	(4,006)
Creditors	(797)
Accruals and deferred income	(584)
Net assets disposed of	2,595
Loss on disposal of discontinued operations	(940)
Add back selling costs	1,973
Sale proceeds, satisfied in cash	3,628
Cash received, net of selling costs paid	1,869
Cash at bank and in hand sold	(2,456)
Net cash outflow in respect of the sale	(587)

Allchurches Trust Limited

Notes to the Financial Statements

7 Expenses	2010		2009	
	General business £000	Long term business £000	General business £000	Long term business £000
<i>Group</i>				
(a) Net operating expenses				
Commission paid on direct business	68,352	855	58,136	1,314
Other acquisition costs	25,747	2,281	23,215	2,238
Change in deferred acquisition costs	(3,159)	598	(3,111)	(98)
Administrative expenses	55,629	1,983	57,299	2,297
Reinsurance commissions and profit participation	(44,707)	(370)	(42,555)	(669)
	101,862	5,347	92,984	5,082
(b) Other charges				
Amortisation of goodwill and other intangibles	4,091	-	3,581	-
Other expenses	2,346	-	3,211	-
	6,437	-	6,792	-

Parent

Governance costs of the charity amounted to £104,000 (2009 £3,000). During the year, legal and professional fees were incurred in respect of a review of the charity's affairs and appointing a new director. In addition, increased costs reflect a strengthening of the grant advisory and administration services in support of the charity's increased level of distributions.

8 Group operating profit or loss	2010		2009	
	General business £000	Long term business £000	General business £000	Long term business £000
Operating profit or loss has been arrived at after charging/(crediting)				
Net foreign exchange (gains)/losses	(620)	2	949	39
Depreciation	3,523	26	3,401	72
- owned assets				
- leased assets	398	-	389	4
Fair value gains on investments designated at fair value through profit and loss	(28,461)	(10,193)	(40,410)	(28,263)
Fair value losses on financial instruments held for trading	1,255	1,706	9,644	6,518
Interest payments under lease purchase contracts	125	-	195	5

9 Auditors' remuneration	2010		2009	
	General business £000	Long term business £000	General business £000	Long term business £000
Fees payable to the company's auditor for the audit of the company's annual accounts	3	-	3	-
Fees payable to the company's auditor and its associates for other services				
The audit of the company's subsidiaries, pursuant to legislation	420	28	378	44
	423	28	381	44
Other services pursuant to legislation	85	46	106	71
Tax services	14	-	23	(9)
Corporate finance services	216	-	-	-
All other services	132	-	41	-
Total auditors' remuneration	870	74	551	106

Other services pursuant to legislation represents FSA and Other regulatory audit work

Allchurches Trust Limited

Notes to the Financial Statements

9 Auditors' remuneration (continued)

Fees payable to the company's auditor in respect of the audit of the trading subsidiaries' associated pension schemes amounted to £17,000 (2009 £17,000)

10 Employee information

The company has no employees (2009 nil) The average monthly number of employees, including executive directors, employed by the trading subsidiaries during the year, by geographical location was as follows

	2010		2009	
	General business	Long term business	General business	Long term business
	No	No	No	No
United Kingdom	855	31	859	35
Australia and New Zealand	174	-	167	-
Canada	58	-	57	-
Republic of Ireland	23	-	19	-
	1,110	31	1,102	35

	2010	2009
	£000	£000
Wages and salaries	48,298	50,449
Social security costs	3,531	4,176
Pension costs - defined contribution plans	2,239	1,564
Pension costs - defined benefit plans	6,729	5,412
Other post-employment benefits	708	(1,115)
	61,505	60,486

Where employees of subsidiary undertakings provide services to ATL, it is impracticable to identify the share of all costs involved, and the total of such costs would be immaterial

11 Directors' emoluments

No director received emoluments from ATL during the current or prior year Reimbursed expenses met by the charity amounted to £6,000 (2009 £nil) primarily in respect of travel expenses of five directors (2009 n/a) Certain directors receive emoluments in their capacity as non-executive directors of subsidiary undertakings, as follows

	2010	2009
	£000	£000
The aggregate emoluments of the directors in respect of services as non-executive directors of subsidiary undertakings	91	34

No director of ATL was a member of the trading subsidiaries' defined benefit pension schemes during the current or prior year

Allchurches Trust Limited

Notes to the Financial Statements

12 Taxation	Long term business technical account		Non-technical account	
	2010	2009	2010	2009
Group	£000	£000	£000	£000
UK corporation tax for the current financial year	904	40	316	8,291
Overseas tax	-	-	2,238	3,212
	904	40	2,554	11,503
Deferred tax	(550)	600	6,033	7,325
	354	640	8,587	18,828

The non-technical account current tax charge for the year includes a charge of £480,000 (2009 £290,000) in respect of the group's associated undertaking, and a credit of £97,000 (2009 n/a) in respect of the loss on disposal of discontinued operations, which also gave rise to a deferred tax charge of £900,000 (2009 n/a)

UK corporation tax in the long term business technical account has been calculated at rates between 20% and 28% (2009 20% and 28%) in accordance with the rates applicable to long term insurance business

Deferred tax has been provided for at 27% (2009 28%) being the rate that was substantively enacted on 20 July 2010, to become effective from 1 April 2011. Subsequently, on 29 March 2011 a revised rate effective from 1 April 2011 of 26% was substantively enacted. Further planned reductions of 1% per annum over 3 years (such that the standard rate reaches 23% from April 2014) have not yet been substantively enacted, but would reduce the group's net provision for deferred tax by £5,292,000 had they been substantively enacted at the year end date

The tax assessed for the year in the non-technical account differs from the standard rate of corporation tax for the reasons set out in the following reconciliation

	Non-technical account	
	2010	2009
	£000	£000
Profit on ordinary activities before tax	42,472	69,245
Tax on profit on ordinary activities at standard rate	11,892	19,389
<i>Factors affecting charge for the year</i>		
Unrealised investment movements and other timing differences	(5,383)	(8,328)
Dividends received	(1,551)	(1,843)
Expenses not deductible for tax purposes	1,256	666
Tax paid at non-standard rates	2,446	3,621
Adjustments to tax charge in respect of prior years	(6,106)	(2,002)
Total actual amount of current tax	2,554	11,503

13 Charitable distributions

An analysis of current year charitable distributions by company and group is given below

	Company		Group	
	£000	No	£000	No
Dioceses	5,830	120	5,835	125
Cathedrals	1,128	158	1,128	158
Panshes and other charities	1,304	825	1,568	1,001
Educational charities	96	5	626	93
	8,358	1,108	9,157	1,377

Due to their extensive nature, further analyses of company distributions are included in a separate publication which has been submitted to the Charity Commission. A list of individual grants to panshes and other charities can be obtained by writing to the company secretary at the address of the registered office shown on page 2. During the last ten years a total of £87.5 million (2009 £71.2 million) has been provided by group companies for church and charitable purposes

Allchurches Trust Limited

Notes to the Financial Statements

14 Intangible assets Group

	Goodwill	Other intangible assets	Total
	£000	£000	£000
Cost			
At 1 January 2010	21,468	3,918	25,386
At 31 December 2010	21,468	3,918	25,386
Amortisation			
At 1 January 2010	7,163	1,130	8,293
Provided in the year	1,729	593	2,322
At 31 December 2010	8,892	1,723	10,615
Net book value			
At 31 December	12,576	2,195	14,771
At 1 January	14,305	2,788	17,093

Goodwill arose on the acquisition of subsidiary undertakings

Other intangible assets consist of acquired customer and distribution relationships, which have an overall remaining useful life of 4 years on a weighted average basis

None of the intangible assets noted above relate to the parent company, or to ELL's long term business

15 Investments

	2010			2009		
Group	General business	Long term business	Total	General business	Long term business	Total
	£000	£000	£000	£000	£000	£000
Freehold land and buildings						
- occupied by the group	3,309	325	3,634	3,226	350	3,576
- other	24,641	-	24,641	19,950	4,782	24,732
	27,950	325	28,275	23,176	5,132	28,308
Interest in associate	18,818	-	18,818	16,348	-	16,348
Other financial investments						
<i>Financial investments at fair value through profit and loss</i>						
Equity securities						
- listed	259,426	3,600	263,026	216,517	131,303	347,820
- unlisted	22,564	-	22,564	23,437	96	23,533
Debt securities						
- government bonds	315,161	28,116	343,277	281,046	104,767	385,813
- listed	182,320	33,220	215,540	144,089	69,069	213,158
- unlisted	285	-	285	294	294	588
	779,756	64,936	844,692	665,383	305,529	970,912
<i>Loans and receivables</i>						
Loans secured by mortgages	12,657	-	12,657	14,292	9,167	23,459
Other loans	5,890	-	5,890	4,009	60	4,069
	18,547	-	18,547	18,301	9,227	27,528
Total other financial investments	798,303	64,936	863,239	683,684	314,756	998,440

Allchurches Trust Limited

Notes to the Financial Statements

15 Investments (continued)

Properties not occupied by the group, and certain properties held by subsidiaries and occupied by the group, were revalued at 31 December 2010. All other owner occupied properties were revalued at 31 December 2009. Valuations were carried out by Cluttons, an external firm of Chartered Surveyors, and were made on the basis of open market value.

The group's interest in associate arose during the prior year on acquiring a 40% stake in Lycetts Holdings Limited. On 30 April 2010, a further 8.6% was purchased at a cost of £3,403,000. The group's interest in associate includes total goodwill of £18,690,000 (2009 £15,693,000), and is stated after cumulative amortisation of £2,946,000 (2009 £1,177,000). The amortisation charge for the period has been charged to the non-technical account within other charges. Details of the shareholding in the group's associate are disclosed in note 32.

Included in equity securities of ELL's long term business for the prior year are options with a fair value of £2,596,000, that are classified as held for trading and are current. Those debt securities and loans and receivables maturing within one year are disclosed in note 2(c). All other financial investments are non-current. Equity and debt securities, excluding options, are designated by the group to be measured at fair value through profit and loss. The directors consider that the carrying value of loans and receivables approximates to their fair value. An analysis of other financial investments by FRS 26 measurement category is given in note 2(a).

Parent

Shares in subsidiary undertakings

	Unrestricted funds	
	2010	2009
	£000	£000
Cost		
At 1 January and 31 December	<u>50</u>	<u>50</u>
Revaluation		
At 1 January	<u>316,255</u>	<u>281,071</u>
Revaluation of group undertakings	<u>28,888</u>	<u>35,184</u>
At 31 December	<u>345,143</u>	<u>316,255</u>
Net book value		
At 31 December	<u>345,193</u>	<u>316,305</u>
At 1 January	<u>316,305</u>	<u>281,121</u>

The above investments are unlisted, and include £51,215,000 (2009 £43,125,000) relating to subsidiary undertakings outside the UK.

Other financial investments

	Endowment funds	
	2010	2009
	£000	£000
Cost		
At 1 January	<u>11,931</u>	<u>9,302</u>
Additions	<u>6,136</u>	<u>5,935</u>
Disposals	<u>(663)</u>	<u>(3,306)</u>
At 31 December	<u>17,404</u>	<u>11,931</u>
Revaluation		
At 1 January	<u>1,003</u>	<u>(703)</u>
Gains	<u>1,378</u>	<u>1,706</u>
At 31 December	<u>2,381</u>	<u>1,003</u>
Net book value		
At 31 December	<u>19,785</u>	<u>12,934</u>
At 1 January	<u>12,934</u>	<u>8,599</u>

Other financial investments are non-current, and consist of listed equity and debt securities, including £3,228,000 (2009 £2,727,000) relating to investments outside the UK.

Allchurches Trust Limited

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16 Group derivative financial instruments

The trading subsidiaries utilise non-hedge derivatives to mitigate equity price risk arising from investments held at fair value

Equity/Index contracts	2010			2009		
	Contract/ notional amount £000	Fair value asset £000	Fair value liability £000	Contract/ notional amount £000	Fair value asset £000	Fair value liability £000
<i>General business</i>						
Futures	-	-	-	27,504	-	(644)
<i>Long term business</i>						
Futures	-	-	-	23,574	-	(552)
Options	-	-	-	26,000	2,596	-
Totals at 31 December	-	-	-	77,078	2,596	(1,196)

The notional amounts above reflect the aggregate of individual derivative positions on a gross basis and so give an indication of the overall scale of the derivative transaction. They do not reflect current market values of the open positions.

Derivative fair value assets are recognised within other financial investments (note 15) and derivative fair value liabilities are recognised as creditors (note 27).

The contractual undiscounted cash flows in relation to prior year non-hedge derivative liabilities all mature within one year.

Included within group cash at bank and in hand are cash deposits of £nil (2009 £3,610,000) pledged as collateral by way of cash margins on open derivative contracts and cash to cover derivative liabilities. On closure of these contracts any derivative liability position is settled, and collateral pledged on the margin ceases.

17 Group debtors arising out of insurance operations

(a) Group debtors arising out of direct insurance operations

	2010			2009		
	General business £000	Long term business £000	Total £000	General business £000	Long term business £000	Total £000
Policyholders	26,977	8	26,985	21,838	514	22,352
Intermediaries	66,756	-	66,756	59,617	-	59,617
	93,733	8	93,741	81,455	514	81,969

(b) Group debtors and creditors arising out of reinsurance operations

Where there are legal rights of set off, reinsurance debtors and creditors within the same party have been netted off to show the net debtor or creditor that will actually be settled.

Allchurches Trust Limited

Notes to the Financial Statements

17 Group debtors arising out of insurance operations (continued)

(c) Impairment of debtors

The trading subsidiaries have recognised a credit of £265,000 (2009 charge of £326,000) in the profit and loss account for the impairment of insurance and other debtors during the year. Impairments are recognised within administrative expenses with the exception of impairment of investments which are recognised within other charges.

There has been no significant change in the credit quality of the group's debtors, for which no collateral is held. The directors consider that the amounts are recoverable at their carrying values, which are stated net of an allowance for doubtful debts, based on historic experience of credit losses.

Movement in the group allowance for doubtful debts

	2010 £000	2009 £000
Balance at 1 January	4,368	3,901
Movement in the year	(312)	467
Balance at 31 December	4,056	4,368

The group allowance for doubtful debts includes a provision of £656,000 (2009 £617,000) in respect of debtors that are individually determined to be impaired based on an assessment of their ageing profile and credit rating at the reporting date.

Included within insurance debtors is £4,508,000 (2009 £8,267,000) overdue but not impaired, of which £3,766,000 (2009 £6,834,000) is not more than three months overdue at the reporting date.

18 Tangible assets

Group	Computer equipment £000	Motor vehicles £000	Office equipment £000	Total £000
Cost				
At 1 January 2010	26,361	2,711	6,386	35,458
Additions	2,345	929	529	3,803
Exchange movements	773	-	238	1,011
Disposals	(374)	(864)	(748)	(1,986)
At 31 December 2010	29,105	2,776	6,405	38,286
Depreciation				
At 1 January 2010	19,835	910	4,111	24,856
Charge for the year	2,711	478	758	3,947
Exchange movements	584	-	126	710
Disposals	(349)	(539)	(463)	(1,351)
At 31 December 2010	22,781	849	4,532	28,162
Net book value at 31 December 2010				
General business	6,324	1,927	1,873	10,124
	6,324	1,927	1,873	10,124
Net book value at 1 January 2010				
General business	6,501	1,785	2,275	10,561
Long term business	25	16	-	41
	6,526	1,801	2,275	10,602

None of the tangible assets noted above relate to the parent company.

Allchurches Trust Limited

Notes to the Financial Statements

19 Pension asset and retirement benefit obligations

Defined benefit pension plans

The trading subsidiaries' main scheme is a non-contributory defined benefit scheme for UK employees. The assets of the scheme are held separately from those of the group by the Pension Scheme Trustee of the Ecclesiastical Insurance Office plc Staff Retirement Benefit Fund. An independent qualified actuary appointed by the Pension Scheme Trustee is responsible for undertaking triennial valuations which assess the financial position of the scheme. Pension costs for the scheme are determined by the Pension Scheme Trustee, having considered the advice of the actuary and having consulted with the Employer. The most recent triennial valuation was at 31 December 2007. Ansvar Insurance Company Limited 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. These schemes are registered with the Pensions Regulator. Pension liabilities for the Republic of Ireland branch are dealt with by payment to an Irish life office. Actuarial valuations have been reviewed and updated by the actuaries at 31 December 2010 for FRS 17 purposes. All schemes are now closed to new entrants.

The trading subsidiaries also operate a number of defined contribution pension schemes, for which contributions by the group are disclosed in note 10.

	2010 £000	2009 £000
<i>Group</i>		
The amounts recognised in the balance sheet are determined as follows		
Present value of funded obligations	(213,740)	(190,985)
Fair value of plan assets	237,440	205,628
Surplus	23,700	14,643
Related deferred tax liability	(6,432)	(4,237)
Net asset in the balance sheet	17,268	10,406

The amounts recognised in the consolidated profit and loss account are as follows

Current service costs	6,405	4,916
Past service costs	324	496
Total, included in net operating expenses	6,729	5,412
Expected return on scheme assets	13,733	10,282
Interest cost on scheme liabilities	(10,856)	(9,067)
Total, included in other finance income	2,877	1,215

The amounts recognised in the consolidated statement of total recognised gains and losses are as follows

Total actuarial gains/(losses)	6,316	(15,081)
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The actual return on pension plan assets was a gain of £30,844,000 (2009: £35,005,000 gain)

The principal actuarial assumptions (expressed as weighted averages) were as follows

	2010	2009
Discount rate	5.40%	5.70%
Inflation	3.50%	3.50%
Expected return on plan assets	6.70%	6.00%
Future salary increases	5.00%	5.00%
Future pension increases	3.50%	3.50%

Allchurches Trust Limited

Notes to the Financial Statements

19 Pension asset and retirement benefit obligations (continued)

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

Mortality rate

The average life expectancy in years of a pensioner retiring at age 65, at the balance sheet date, is as follows

	2010	2009
Male	24.0	23.9
Female	26.4	26.3

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date, is as follows

	2010	2009
Male	26.0	25.9
Female	28.3	28.3

Plan assets are comprised as follows

	2010 £000	2009 £000
Equities	142,293	100,921
Bonds	77,680	75,819
Cash	5,145	19,981
Other	12,322	8,907
	<u>237,440</u>	<u>205,628</u>

The movements in the fair value of scheme assets and the defined benefit obligation over the year are as follows

	2010 £000	2009 £000
<i>Scheme assets</i>		
As at 1 January	205,628	170,374
Pension benefits paid and payable	(5,501)	(6,348)
Contributions paid	6,563	6,780
Expected return on scheme assets	13,733	10,282
Actuarial gains	17,111	24,723
Exchange differences	(94)	(183)
As at 31 December	<u>237,440</u>	<u>205,628</u>
<i>Defined benefit obligation</i>		
As at 1 January	190,985	143,282
Current service cost	6,405	4,916
Past service cost	324	496
Pension benefits paid and payable	(5,501)	(6,348)
Interest cost	10,856	9,067
Actuarial losses	10,795	39,804
Exchange differences	(124)	(232)
As at 31 December	<u>213,740</u>	<u>190,985</u>

Allchurches Trust Limited

Notes to the Financial Statements

19 Pension asset and retirement benefit obligations (continued)

<i>History of group experience gains and losses</i>	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Present value of defined benefit obligations	(213,740)	(190,985)	(143,282)	(164,458)	(151,433)
Fair value of scheme assets	237,440	205,628	170,374	189,880	172,365
Surplus	23,700	14,643	27,092	25,422	20,932
Experience adjustments on scheme liabilities	3,046	(516)	3,417	7,379	(1,472)
Experience adjustments on scheme assets	17,111	24,723	(35,820)	3,471	11,171

The cumulative amount of actuarial losses recognised in the consolidated statement of total recognised gains and losses since the 2002 financial year is £19,019,000 (2009 £25,335,000)

The contribution expected to be paid by the trading subsidiaries during the year ending 31 December 2011 is £6.5 million

Post-employment medical benefits

The trading subsidiaries operate a post employment medical benefit scheme. The method of accounting, assumptions and the frequency of valuation are similar to those used for the defined benefit pension scheme.

The amounts recognised in the balance sheet are determined as follows	2010	2009
	£000	£000
Present value of unfunded obligations	8,652	6,115
Related deferred tax asset	(2,336)	(1,712)
Net obligations in the balance sheet	6,316	4,403

The amounts recognised in the consolidated profit and loss account are as follows

Past service cost	708	-
Gain on settlement	-	(1,115)
Total, included in net operating expenses	708	(1,115)

Interest cost on scheme liabilities, netted against other finance income	349	277
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The amounts recognised in the consolidated statement of total recognised gains and losses are as follows

Total actuarial losses	(1,758)	(2,093)
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The movements in the obligations over the year are as follows

At 1 January	6,115	5,021
Past service cost	708	-
Benefits paid	(278)	(161)
Other finance income	349	277
Gain on settlement	-	(1,115)
Actuarial losses	1,758	2,093
At 31 December	8,652	6,115

The main actuarial assumption is a long term increase in medical costs of 12.0% (2009 12.0%)

The effect of a 1% movement in the assumed medical cost trend is as follows

	Increase	Decrease
	£000	£000
Effect on the aggregate of the current service cost and interest cost	163	(122)
Effect on the medical benefit obligation	2,199	(1,680)

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Notes to the Financial Statements

20 Reserves

	Translation reserve £000	Profit and loss account £000	Endowment funds £000	Total £000
<i>Group</i>				
Balance at 1 January	18,342	308,607	14,358	341,307
Currency translation differences	10,172	-	-	10,172
Actuarial gains relating to pension asset	-	6,316	-	6,316
Movement on deferred tax relating to pension asset	-	(1,821)	-	(1,821)
Actuarial losses relating to other retirement benefits	-	(1,758)	-	(1,758)
Movement on deferred tax relating to other retirement benefits	-	473	-	473
Gross transfers between funds	-	(10,000)	10,000	-
Transfer from profit and loss account	-	26,322	2,349	28,671
Balance at 31 December	28,514	328,139	26,707	383,360

	Unrestricted funds		Endowment funds £000	Total £000
	Income funds £000	Revaluation reserve £000		
<i>Parent</i>				
Balance at 1 January	10,694	316,255	14,358	341,307
Incoming resources	9,285	-	10,669	19,954
Outgoing resources	(8,469)	-	(72)	(8,541)
Revaluation of group undertakings	-	28,888	-	28,888
Other investment gains	-	-	1,752	1,752
Balance at 31 December	11,510	345,143	26,707	383,360

Endowment funds are expendable endowments

21 Reconciliation of movements in group shareholders' funds

	2010 £000	2009 £000
Profit for the financial year	28,671	45,203
Other recognised gains and losses relating to the year	13,382	(5,662)
Net movement in shareholders' funds	42,053	39,541
Opening shareholders' funds	341,307	301,766
Closing shareholders' funds	383,360	341,307

22 Minority interests

Minority interests comprise 8 625% Non-Cumulative Irredeemable Preference shares in Ecclesiastical Insurance Office plc. The increase of £40,000,000 in the year (2009 movement of £nil) resulted from that subsidiary issuing 40,000,000 additional 8 625% Non-Cumulative Irredeemable Preference Shares of £1 each on 16 December 2010.

Allchurches Trust Limited

Notes to the Financial Statements

23 Insurance liabilities and reinsurance assets

	2010	2009
<i>Group</i>	£000	£000
Gross		
Claims outstanding	668,091	522,570
Unearned premiums	236,555	214,496
Long term business provision (including technical provision for linked liabilities)	60,663	242,252
Equalisation provision	18,679	21,674
Total gross insurance liabilities	983,988	1,000,992
Recoverable from reinsurers		
Claims outstanding	217,950	124,769
Unearned premiums	68,244	66,531
Long term business provision (including technical provision for linked liabilities)	-	2,591
Total reinsurers' share of insurance liabilities	286,194	193,891
Net		
Claims outstanding	450,141	397,801
Unearned premiums	168,311	147,965
Long term business provision (including technical provision for linked liabilities)	60,663	239,661
Equalisation provision	18,679	21,674
Total net insurance liabilities	697,794	807,101

The equalisation provision, established in accordance with the Prudential sourcebook for Insurers, is required by Schedule 3 to SI2008/410 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 £18,679,000 (2009 £21,674,000) and increased both the balance on the general business technical account and the profit before taxation for the year by £2,995,000 (2009 decrease of £3,662,000).

(a) General business insurance contracts

(i) Reserving methodology

Reserving for non-life insurance claims is a complex process and the trading subsidiaries adopt recognised actuarial methods, and, where appropriate, other calculations and statistical analysis. Actuarial methods used include chain ladder, the Bornhuetter-Ferguson and average cost methods.

Chain ladder methods extrapolate paid amounts, incurred amounts (paid claims plus case estimates), the number of claims or average cost of claims, to ultimate claims based on the development of previous years. This method assumes that previous patterns are a reasonable guide to future developments. Where this assumption is felt to be unreasonable, adjustments are made or other methods such as Bornhuetter-Ferguson or average cost are used. The Bornhuetter-Ferguson method places more credibility on expected loss ratios for the most recent loss years. For smaller portfolios the materiality of the business and data available may also shape the methods used in reviewing reserve adequacy.

The selection of results for each accident year and for each portfolio depends on an assessment of the most appropriate method. Sometimes a combination of techniques is used.

Allchurches Trust Limited

Notes to the Financial Statements

(ii) Calculation of uncertainty margins

To reflect the uncertain nature of the outcome of the ultimate settlement cost of claims an uncertainty margin is added to the best estimate. The addition for uncertainty is assessed primarily by the Thomas Mack actuarial method, based on at least the 75th percentile confidence level for each portfolio. For smaller portfolios where the Thomas Mack method cannot be applied, provisions have been calculated at a level intended to be equally prudent. Where the standard methods cannot allow for changing circumstances then additional uncertainty margins are added and are typically expressed as a percentage of outstanding claims. This approach generally results in a favourable release of provisions in the current financial year, arising from the settlement of claims relating to previous financial years, as shown in part (c) of the note.

(iii) Calculation of special provisions for latent claims

The trading subsidiaries adopt commonly used industry methods including those based on claims frequency and severity and benchmarking.

(iv) Assumptions

The trading subsidiaries follow a process of reviewing their reserves for outstanding claims on a quarterly basis. This involves an appraisal of each portfolio with respect to ultimate claims liability for the recent exposure period as well as for earlier periods, together with a review of the factors that have the most significant impact on the assumptions used to determine the reserving methodology. The work conducted on each portfolio is subject to an internal peer review and management sign-off process.

The most significant assumptions in determining general insurance reserves are the anticipated number and ultimate settlement cost of claims, and the extent to which reinsurers will share in the cost. Factors which influence decisions on assumptions include legal and judicial changes, significant weather events, other catastrophes, subsidence events, exceptional claims or substantial changes in claims experience and developments in older or latent claims. Significant factors influencing assumptions about reinsurance are terms of the reinsurance treaties, the anticipated time taken to settle a claim and the incidence of large individual and aggregated claims.

(v) Change in assumptions

There are no significant changes in assumptions.

(vi) Sensitivity of results

The ultimate amount of claims settlement is uncertain and the aim is to reserve at a prudent level.

If final settlement of insurance claims reserved for at the year end turns out to be 10% higher or lower than that included in these financial statements, the following pre-tax group loss or profit will be realised:

		2010		2009	
		Gross £000	Net £000	Gross £000	Net £000
Liability	- UK	20,500	18,200	19,300	17,100
	- Overseas	9,600	9,100	9,300	7,600
Property	- UK	8,300	5,100	6,400	3,900
	- Overseas	19,300	4,900	9,500	4,400
Motor	- UK	2,900	2,300	3,000	2,200
	- Overseas	300	100	300	100

Allchurches Trust Limited

Notes to the Financial Statements

23 Insurance liabilities and reinsurance assets (continued)

(vii) Claims development tables

The nature of liability classes of business is that claims may take a number of years to settle and before the final liability is known. The table below shows the development of the estimate of ultimate gross and net claims cost for these classes across all territories

Group

Estimate of gross ultimate claims

	2001 £000	2002 £000	2003 £000	2004 £000	2005 £000	2006 £000	2007 £000	2008 £000	2009 £000	2010 £000	Total £000
At end of year	37,105	37,794	42,800	42,503	46,155	45,688	50,840	56,420	74,742	84,476	
One year later	38,410	35,255	38,919	40,075	32,998	45,900	47,307	53,552	59,807		
Two years later	37,494	33,978	36,741	35,645	35,001	40,092	43,270	47,643			
Three years later	33,385	29,817	33,859	33,431	30,365	36,168	35,510				
Four years later	31,165	26,322	32,361	31,870	26,835	30,791					
Five years later	29,159	25,183	32,517	25,912	25,860						
Six years later	28,679	27,319	31,855	25,713							
Seven years later	29,120	27,654	32,067								
Eight years later	29,401	28,998									
Nine years later	29,697										
Current estimate of ultimate claims	29,697	28,998	32,067	25,713	25,860	30,791	35,510	47,643	59,807	84,476	400,562
Cumulative payments to date	(26,636)	(23,963)	(28,858)	(20,861)	(17,895)	(17,046)	(14,298)	(11,071)	(5,635)	(1,405)	(167,668)
Outstanding liability	3,061	5,035	3,209	4,852	7,965	13,745	21,212	36,572	54,172	83,071	232,894
Liability in respect of earlier years											68,635
Total gross liability (for liability classes) included in insurance liabilities in the balance sheet											301,529

Estimate of net ultimate claims

	2001 £000	2002 £000	2003 £000	2004 £000	2005 £000	2006 £000	2007 £000	2008 £000	2009 £000	2010 £000	Total £000
At end of year	32,882	34,480	34,483	35,349	39,528	41,007	46,235	51,795	64,476	73,218	
One year later	32,098	29,269	30,253	34,867	32,780	40,976	43,107	48,432	53,700		
Two years later	27,680	26,140	29,791	29,447	31,287	35,783	38,979	44,498			
Three years later	26,476	24,934	28,897	28,486	28,641	33,145	34,180				
Four years later	24,423	21,787	26,142	27,840	25,665	30,283					
Five years later	23,011	20,393	25,018	24,560	25,391						
Six years later	22,562	21,103	23,375	24,482							
Seven years later	23,405	21,378	23,300								
Eight years later	24,006	21,793									
Nine years later	24,463										
Current estimate of ultimate claims	24,463	21,793	23,300	24,482	25,391	30,283	34,180	44,498	53,700	73,218	355,308
Cumulative payments to date	(21,797)	(18,158)	(20,120)	(19,654)	(17,607)	(16,888)	(14,053)	(11,015)	(5,597)	(1,302)	(146,191)
Outstanding liability	2,666	3,635	3,180	4,828	7,784	13,395	20,127	33,483	48,103	71,916	209,117
Liability in respect of earlier years											63,869
Total net liability (for liability classes) included in insurance liabilities in the balance sheet											272,986

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Notes to the Financial Statements

23 Insurance liabilities and reinsurance assets (continued)

(b) Long term insurance and group life yearly renewable contracts

(i) Assumptions

The most significant assumptions in determining long term business reserves are as follows

Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract

Investment returns

Projected investment returns are based on actual yields for each asset class less an allowance for credit risk. The risk adjusted yields after allowance for tax and investment expenses for the current valuation are

	2010		2009	
	With-profit	Non-profit	With-profit	Non-profit
UK & overseas government bonds non-linked	n/a	n/a	2.18%	3.09%
UK government index-linked	n/a	-0.30%	n/a	0.35%
Corporate debt instruments non-linked	n/a	n/a	3.59%	3.72%
Corporate debt instruments index linked	n/a	0.17%	n/a	0.39%
Equities and collective investment vehicles	n/a	n/a	5.25%	n/a
Loans secured by mortgages	n/a	n/a	n/a	6.05%
Cash and deposits	n/a	n/a	0.23%	0.19%
Land & buildings	n/a	n/a	4.33%	4.87%

A weighted average rate of investment return is derived by combining different proportions of the above financial assets in model portfolios, which are assumed to back each major class of liabilities. For index-linked assets the real yield is shown.

Funeral plan business renewal expense level and inflation

Numbers of policies in force and both projected and actual expenses have been considered when setting the base renewal expense level. The unit renewal expense assumption for this business is £19.00 per annum (2009: £11.50 per annum), including all long term business overheads following the part-disposal disclosed in note 6.

Expense inflation is set with reference to the index-linked UK government bond rates of return, and published figures for earnings inflation, and is assumed to be 3.28% per annum (2009: 4.60%).

Tax

It has been assumed that current tax legislation and rates continue unaltered.

Long term business reserves assumptions in the prior year, relating to the disposed business

The remainder of part b(i) of this note relates to prior year disclosure of assumptions for that part of the long term business that has been disposed of during the current year.

Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract. For contracts insuring survivorship, an allowance is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies.

Morbidity

No allowance is made for recovery from disability when setting reserves for claims in payment.

Renewal expense level

The unit renewal expense assumption for third-party administered term assurance business in the prior year was £11.50 per annum. The base unit renewal expense assumption for other business in the prior year increased to £73.00 per annum. The unit renewal expense assumption for overseas term assurance business in the prior year was €28.00 per annum. The level of unit renewal expenses charged to the with-profit fund is set. The non-profit fund bears any surplus or deficit.

Allchurches Trust Limited

Notes to the Financial Statements

23 Insurance liabilities and reinsurance assets (continued)

(ii) Changes in assumptions

Projected investment returns have been revised in line with the changes in the actual yields of the underlying assets. As a result liabilities have increased by £2.6 million (2009: £2.8 million increase).

The effect on insurance liabilities of the changes to unit renewal expense assumptions (described in (i) above) for non-profit business, including funeral plan business, was a £1.1 million increase (2009: £0.5 million increase). For with-profit business in the prior year the effect was a £0.7 million increase.

Mortality assumptions have been adjusted in line with regulatory rules and have increased liabilities by £0.8 million (2009: £nil).

A reduction in projected investment expenses from 0.25% to 0.1% funds under management (2009: no change) has reduced liabilities by £0.5 million (2009: £nil).

(iii) Sensitivity analysis

The sensitivity of the result before tax to changes in the key assumptions used to calculate non-profit fund insurance liabilities is shown in the following table. No account has been taken of any correlation between the assumptions.

Variable	Change in variable	Potential increase/ (decrease) in profit	
		2010 £000	2009 £000
Deterioration in annuitant mortality	-10%	(300)	3,300
Improvement in annuitant mortality	+10%	300	(3,800)
Increase in fixed interest/cash yields	+1%pa	(1,100)	-
Decrease in fixed interest/cash yields	-1%pa	1,200	(100)
Decrease in equity and property values	-5%	-	(200)
Worsening of base renewal expense level	+10%	(400)	(2,000)
Improvement in base renewal expense level	-10%	400	1,800
Increase in expense inflation	+1%pa	(400)	(1,800)
Decrease in expense inflation	-1%pa	300	1,500

Changes to with-profit liabilities had no direct effect on total reserves.

Allchurches Trust Limited

Notes to the Financial Statements

23 Insurance liabilities and reinsurance assets (continued)

(iv) Available capital resources

	With-profit life fund £000	Non-profit life fund £000	Share- holders' fund £000	Total life business £000	Other activities £000	Group total £000
2010						
Total reserves	-	(6,746)	33,636	26,890	356,470	383,360
Adjustments to assets/liabilities	-	12,500	(12,500)	-	(25,702)	(25,702)
Adjustments to actuarial liabilities	-	(2,822)	-	(2,822)	-	(2,822)
Total available capital resources	-	2,932	21,136	24,068	330,768	354,836
<i>Policyholder liabilities</i>						
- other life insurance business	-	60,663	-	60,663		
Net actuarial liabilities on balance sheet	-	60,663	-	60,663		
2009						
Total reserves	-	(1,139)	30,697	29,558	311,749	341,307
Fund for future appropriations	21,489	-	-	21,489	(8,383)	13,106
Adjustments to assets/liabilities	(1,054)	193	-	(861)	(7,795)	(8,656)
Adjustments to actuarial liabilities	-	(4,782)	-	(4,782)	-	(4,782)
Group contingent loans	-	8,000	-	8,000	(8,000)	-
Total available capital resources	20,435	2,272	30,697	53,404	287,571	340,975
<i>Policyholder liabilities</i>						
- with-profit business	99,042	-	-	99,042		
- unit-linked business	-	48,909	-	48,909		
- other investment business	-	2,912	-	2,912		
- other life insurance business	-	140,620	-	140,620		
Net actuarial liabilities on balance sheet	99,042	192,441	-	291,483		

Total reserves of the non-profit fund represents the net profit or loss generated by this fund not transferred, to date, to the shareholders' fund. The life shareholders' fund is the balance of group reserves in the life business. The adjustments to assets/liabilities relate to both assets and liabilities which are not admissible for FSA solvency purposes. The adjustment for the with-profit fund in the prior year is the elimination of deferred acquisition costs. The adjustments to the non-profit fund net assets/(liabilities) are the elimination of both deferred acquisition costs and deferred income from investment contracts.

Other activities include the general insurance business of group companies, and consequently all group capital not required to meet the solvency requirements of the general business is available to meet the solvency requirements of the life business.

The available capital in the non-profit life fund, subject to the regulatory capital requirements of the fund itself, is available to meet requirements elsewhere in the group. The prior year fund for future appropriations is not available to meet requirements elsewhere in the group. The capital requirements of the life business are based on the FSA capital requirements.

The trading subsidiaries use both their Individual Capital Assessment and Individual Capital Guidance as tools for determining capital requirements and their sensitivity to various risks. These risks are managed by means of their underwriting strategy, reinsurance strategy, investment strategy, and management control framework.

Allchurches Trust Limited

Notes to the Financial Statements

23 Insurance liabilities and reinsurance assets (continued)

(v) Movements in life capital

	With-profit life fund £000	Non-profit life fund £000	Share- holders' fund £000	Total life business £000
2010				
Published capital resources as at 31 December 2009	20,435	2,272	30,697	53,404
Disposal of business	(20,435)	(4,625)	-	(25,060)
Effect of new business	-	(3,508)	-	(3,508)
Variance between actual and expected experience	-	212	-	212
Effect of changes to valuation process	-	162	-	162
Effect of changes to valuation interest rates	-	2,560	-	2,560
Effect of changes to unit renewal expense assumptions	-	(1,349)	-	(1,349)
Effect of change to inflation assumption	-	(12)	-	(12)
Effect of change to investment expense assumption	-	489	-	489
Effect of changes to mortality assumptions	-	(789)	-	(789)
Transfers between funds	-	12,500	(12,500)	-
Repayment of contingent loan	-	(4,372)	-	(4,372)
Other movements	-	(608)	2,939	2,331
Capital resources as at 31 December 2010	-	2,932	21,136	24,068

Assumptions, and the effect of changes in these assumptions on profit, are covered in sections b(i) to b(iii) of this note

Allchurches Trust Limited

Notes to the Financial Statements

30 Capital commitments

Group capital expenditure contracted for at the balance sheet date but not yet incurred is as follows

	2010 £000	2009 £000
Tangible assets	184	306

31 Non-adjusting events after the balance sheet date

Post year end insurance catastrophe events

The group has exposure to insurance risks located in Christchurch through its New Zealand Ansvar Insurance subsidiary, and expects to incur large gross losses as a result of the February 2011 earthquake. In addition, the group's London Market business insures some risks in Japan, which experienced a large earthquake in March 2011. At this early stage the magnitude of these tragic events has not yet been fully determined, and therefore an estimate of the financial effect has not been provided. Aside from possible reinsurance reinstatement costs, it is currently expected that the group's reinsurance programme will limit any financial exposure in excess of current retention limits.

32 Subsidiary and associate undertakings

The company's interest in group undertakings at 31 December 2010 is as follows

Subsidiary undertakings	Share capital	Holding of shares by	
		Parent	Subsidiary
<i>Incorporated and operating in Great Britain, engaged in investment, insurance and financial services or other insurance related business</i>			
Ecclesiastical Insurance Group plc	Ordinary shares	100%	-
Ecclesiastical Insurance Office plc	Ordinary shares	-	100%
	8 625% Non-Cumulative Irredeemable Preference Shares	-	5.6%
Ecclesiastical Underwriting Management Limited	Ordinary shares	-	100%
Ansvar Insurance Company Limited	Ordinary shares	-	100%
Ecclesiastical Financial Advisory Services Limited	Ordinary shares	-	100%
Ecclesiastical Investment Management Limited (formerly Ecclesiastical Insurance Management Services Limited)	Ordinary shares	-	100%
Ecclesiastical Life Limited	Ordinary shares	-	100%
South Essex Insurance Brokers Limited	Ordinary shares	-	100%
<i>Incorporated and operating in Great Britain, engaged in retail of goods and services</i>			
Ecclesiastical Services Limited	Ordinary shares	-	100%
<i>Incorporated and operating in Australia, engaged in insurance business</i>			
Ansvar Insurance Limited	Ordinary shares	-	100%
<i>Incorporated and operating in New Zealand, engaged in insurance business</i>			
Ansvar Insurance Limited	Ordinary shares	-	100%

Allchurches Trust Limited

Notes to the Financial Statements

23 Insurance liabilities and reinsurance assets (continued)

(d) Bonuses

In 2010, profits allocated by the with-profit fund in the form of discretionary benefits amounted to £1,637,000 (2009 £4,066,000)

24 Investment contract liabilities

ELL's investment contract liabilities in the prior year are financial liabilities at fair value through profit and loss

	2010 £000	2009 £000
Current	-	3,587
Non-current	-	48,235
Total	-	51,822

Investment contracts consist of unit-linked contracts and temporary annuities. The benefits offered under the unit-linked contracts are based on the return from selected equities and debt securities. Investment contracts were disposed of during the year.

There has been no change in the carrying value of these liabilities resulting from their credit risk (2009 £nil)

The amount of the change in the fair value of these liabilities in the prior year not attributable to the change in the underlying assets was an increase of £1,200,000

The maturity value of these financial liabilities is determined by the fair value of the linked assets, at maturity date, or by the fair value of future benefits which will mature. At the maturity date there will be no difference between the carrying amount and the maturity amount.

25 Provisions for other risks

Group	Deferred tax £000	Regulatory levies £000	Restructuring and other provisions £000	Total £000
At 1 January 2010	29,434	13,081	1,149	43,664
Additional provisions	-	367	161	528
Used during year	-	(677)	(307)	(984)
Not utilised	-	(2,013)	(25)	(2,038)
Disposal of business	(3,450)	(556)	-	(4,006)
Exchange differences	-	-	47	47
Other movements	5,849	-	-	5,849
At 31 December 2010	31,833	10,202	1,025	43,060

Regulatory levies

The trading subsidiaries are required under the Financial Services Compensation Scheme to contribute towards any levies raised on UK general and life insurance business. The amount of the levy has historically been based on a proportion of UK written premium. The provision was increased in 2008, reflecting management's view of the impact of changes in the funding arrangements (such that insurers may also be required to contribute to levies arising from compensation paid to retail deposit holders) amid uncertainty regarding the extent of the banking crisis. The current year reduced provision reflects an updated assessment of the total potential levies.

Restructuring and other provisions

The provision for restructuring and other costs relates mainly to onerous lease costs arising from the restructure of EIO's UK operations.

Allchurches Trust Limited

Notes to the Financial Statements

26 Deferred tax

	2010 £000	2009 £000
<i>Group</i>		
The potential net provision for deferred tax provided in the financial statements is as follows		
Unrealised investment gains	32,774	33,333
Retirement benefit assets	4,096	2,525
Depreciation in excess of capital allowances	(1,133)	(886)
Other timing differences	(4,328)	(6,386)
Net provision for deferred tax	31,409	28,586
Movements in the net deferred tax provision are analysed as follows		
At 1 January	28,586	25,736
Charged to income	6,699	7,925
Credited to income - resulting from reduction in tax rate	(1,216)	-
Charged/(credited) to equity	1,233	(4,749)
Credited to equity - resulting from reduction in tax rate	115	-
Disposal of business	(3,450)	-
Exchange differences	(558)	(326)
At 31 December	31,409	28,586
The net provision for deferred tax is disclosed in the financial statements as follows		
Amount included in provisions for other risks	31,833	29,434
Amount included in other debtors	(4,520)	(3,373)
Amount included in net pension assets	6,432	4,237
Amount included in retirement benefit obligations	(2,336)	(1,712)
	31,409	28,586

The trading subsidiaries have unused tax loss relief of £2,274,000 (2009 £8,179,000) arising from life business deferred acquisition costs, pension business and capital transactions. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

27 Other creditors including taxation and social security

	2010 £000	2009 £000
<i>Group</i>		
<i>Amounts falling due within one year</i>		
Derivative liabilities	-	1,196
Other creditors	15,891	14,282
Taxation	2,714	7,327
	18,605	22,805
<i>Amounts falling due after more than one year</i>		
Debenture stock	6,000	6,000
Other creditors	1,401	4,036
	7,401	10,036
	26,006	32,841
Included in other creditors are obligations under lease purchase contracts due		
In 1 year or less	587	660
Between 1 and 5 years	1,311	1,036
	1,898	1,696

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.

Allchurches Trust Limited

Notes to the Financial Statements

27 Other creditors including taxation and social security (continued)

Parent

Creditor balances of the company primarily relate to donations approved for payment at the year end date, including those in the course of payment and accrued commitments for longer term funding of specific projects

28 Notes to the cash flow statement

(a) Reconciliation of group profit on ordinary activities before tax to net cash flow from operating activities

	2010 £000	2009 £000
Profit on ordinary activities before tax	42,472	69,245
Depreciation charges	3,921	3,790
Amortisation of goodwill and other intangibles	4,091	3,581
Share of profit of associate	(1,580)	(970)
Unrealised gains on investments	(29,940)	(39,773)
Increase in net general insurance technical provisions	52,928	10,691
Loss relating to long term business (including discontinued operations)	3,864	4,891
Loss on disposal of discontinued operations	940	-
Loan interest payable	780	780
Other interest payable	477	220
Realised investment loss	1,923	9,500
Loss on sale of tangible fixed assets	331	105
Movement in other debtors and creditors	(20,156)	(5,021)
Exchange and other non-cash movements	(1,807)	2,470
Net cash inflow from operating activities	58,244	59,509

(b) Movements in cash, portfolio investments and financing

	At 1 January 2010 £000	Cash flow £000	Changes in long term business £000	Exchange and other non-cash movements £000	At 31 December 2010 £000
<i>Group</i>					
Cash at bank and in hand	178,010	6,618	(2,699)	4,780	186,709
Shares and other variable yield securities	371,353	9,377	(127,800)	32,660	285,590
Fixed income securities	627,087	57,225	(122,020)	15,357	577,649
Land and buildings	28,308	4,524	(4,806)	249	28,275
	1,204,758	77,744	(257,325)	53,046	1,078,223
Loans due after one year	(6,000)	-	-	-	(6,000)
	1,198,758	77,744	(257,325)	53,046	1,072,223

Included in the changes in long term business is a reduction of £148,577,000 relating to investment assets transferred as consideration for entering into the reinsurance agreement referred to in note 6 (including the reinsurance of investment contract liabilities accounted for as balance sheet deposits). A further reduction of £124,217,000 relates to long term business investment assets and cash disposed of on 30 November 2010.

29 Operating leases

Group annual commitments and payments under non-cancellable operating leases were as follows

	2010		2009	
	Premises £000	Equipment £000	Premises £000	Equipment £000
<i>Commitments</i>				
Expiring				
Within 1 year	-	6	1	21
Between 2 and 5 years	1,850	27	1,718	22
Over 5 years	921	-	877	-
Total	2,771	33	2,596	43
Payments included in operating expenses	3,086	55	2,679	63

Allchurches Trust Limited

Notes to the Financial Statements

30 Capital commitments

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Ecclesiastical Insurance Office plc	Ordinary shares	-	100%
	8.625% Non-Cumulative Irredeemable Preference Shares	-	5.6%
Ecclesiastical Underwriting Management Limited	Ordinary shares	-	100%
Ansvar Insurance Company Limited	Ordinary shares	-	100%
Ecclesiastical Financial Advisory Services Limited	Ordinary shares	-	100%
Ecclesiastical Investment Management Limited (formerly Ecclesiastical Insurance Management Services Limited)	Ordinary shares	-	100%
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<i>Incorporated and operating in New Zealand, engaged in insurance business</i>			
Ansvar Insurance Limited	Ordinary shares	-	100%

Allchurches Trust Limited

Notes to the Financial Statements

32 Subsidiary and associate undertakings (continued)

Associate undertaking

*Incorporated and operating in Great Britain,
engaged in insurance broking business*

Lycetts Holdings Limited

Share capital	Holding of shares by	
	Parent	Subsidiary
Ordinary shares	-	49%
Group's share of	2010	2009
	£000	£000
Revenue	7,481	4,732
Expenses	(5,901)	(3,762)
Profit before tax	1,580	970
Tax charge	(480)	(290)
Profit after tax	1,100	680
Share of fixed assets	643	331
Share of current assets	10,159	6,955
Share of liabilities falling due within 1 year	(7,729)	(5,454)

In addition, at the year end there were four other wholly owned subsidiary undertakings whose assets and contribution to group income were not significant

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

The financial statements of Ecclesiastical Insurance Office plc and Ecclesiastical Insurance Group plc, the parent companies of the main trading groups, are publicly available therefore a detailed analysis of their results is not presented here. Copies of the financial statements are available from the registered office as shown on page 2

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

Related party transactions with the group's associated undertaking, Lycetts Holdings Limited, consisted of commission paid of £486,000 (2009 £333,000). At the balance sheet date a trading balance owed to the group by its associate was £346,000 (2009 £110,000 owed to the associate)

In addition, during the year £84,000 (2009 £53,000) school fee annuities were paid by the group to Beaufort House Trust Limited, an educational charity related by common control and registered at the same address. Of this, £nil (2009 £2,000) was prepaid at the balance sheet date, and is accounted for in the long term business technical account. The amount owed by the group to Beaufort House Trust Limited at the balance sheet date was £nil (2009 £68,000). In the prior year the group also made a donation to Beaufort House Trust Limited of £18,000 net of tax relief

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