

1043742

ALLCHURCHES TRUST LIMITED

REPORT AND ACCOUNTS
YEAR ENDED 31 DECEMBER 1993



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Report and Accounts 31 December 1993

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Directors and Officials

Directors

C. Alan McLintock CA Chairman
The Right Hon. the Viscount Churchill MA (appointed on 30 June 1994)
M. R. Cornwall-Jones MA, ACIS
The Very Revd. T. E. Evans MA the Dean of St Paul's
The Rt. Revd. D. G. Snelgrove TD, MA the Lord Bishop of Hull

Company Secretary

J. E. Willisroft MBA, BA, FCIS

Registered Office

Beaufort House,
Brunswick Road,
Gloucester,
GL1 1JZ
Tel: 0452 528533

Company Registration Number

1043742

Auditors

BDO Binder Hamlyn,
20 Old Bailey,
London,
EC4M 7BH

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year in which the balance sheet of the parent company gives a true and fair view of the state of its affairs and complies with the Companies Act 1985 and financial statements of the group which comply with the provisions of the Companies Act 1985 applicable to insurance companies. In preparing those financial statements, the directors are required to:

- (1) select suitable accounting policies and then apply them consistently;
- (2) make judgements and estimates that are reasonable and prudent;
- (3) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- (4) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Directors' Report and Review

The directors present their report and review together with the audited accounts for the year ended 31 December 1993.

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

Principal activities

The principal activities of the trading subsidiaries throughout and at the end of the year remain the transaction of most forms of general and long term insurance and the provision of other financial services.

A list of the company's subsidiary and associated undertakings is given on page 23.

Results and review

The income and charitable distributions of the Trust are shown in its profit and loss account on page 8.

The United Kingdom general insurance business again showed a satisfactory underwriting profit. The international businesses collectively also returned a much improved result, with underwriting losses sharply reduced.

The long term insurance funds grew by 17% and gross premiums by 15%, pension plan sales being particularly strong.

Investment performance was equally strong as both equity and fixed interest securities adjusted to the implications of lower inflation and interest rates. The most significant investment event of the year was our successful bid for majority control in St. Andrew Trust.

Donations

During the course of the year charitable distributions amounting to £1.5m were paid by the company. During the last five years a total of £7.0m has been provided by group companies for church and charitable purposes.

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

Directors

The names of the present directors are shown on page 2.

In accordance with the Articles of Association Mr M. R. Cornwall-Jones retires by rotation and, being eligible, offers himself for re-election

at the forthcoming annual general meeting. The Right Hon. the Viscount Churchill was appointed a director on 30 June 1994. In accordance with the Articles of Association he will retire at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

A statement of directors' interests appears on page 22.

Directors' and Officers' Liability Insurance Policy

The company has maintained cover for its directors and certain officers, and those of its subsidiary undertakings, as permitted under section 137 of the Companies Act 1989.

Employees

The company has no direct employees.

The average number of persons employed in the United Kingdom each week by its subsidiaries was 673 (680) and their aggregate remuneration was £10,134,000 (£10,263,000).

It is the group's policy to employ disabled persons on its standard terms of employment having regard to their particular aptitudes and abilities. Where possible, employment of persons who become disabled is continued and the necessary retraining provided to allow continuing service with the company. Opportunities for training and career development are available to all staff.

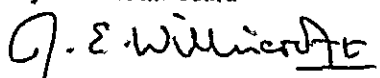
The group recognises the importance of employee communication and aims to keep employees informed about its affairs. Regular meetings are held and discussion encouraged.

Under the procedural agreement with the recognised trade union, meetings are held on topics raised by either party.

Auditors

A resolution will be proposed at the annual general meeting to re-appoint BDO Binder Hamlyn as auditors of the company.

By order of the board



J. E. WILLISCROFT

Secretary

30 June 1994

Auditors' Report

To the members of Allchurches Trust Limited

We have audited the financial statements on pages 6 to 23 which have been prepared on the basis of the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion, the balance sheet of the parent company gives a true and fair view of the state of affairs of the company at 31 December 1993 and has been properly prepared in accordance with the Companies Act 1985, and the financial statements of the group have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance companies.

BDO Binder Hamlyn
Chartered Accountants
Registered Auditors

20 Old Bailey
London
EC4M 7BH

30 June 1994.

Accounting Policies

a Accounting and disclosure requirements

The accounts of the group are drawn up in accordance with Section 255A and Schedule 9 of the Companies Act 1985. The balance sheet of the parent company is drawn up in accordance with Section 226 and Schedule 4 of the Companies Act 1985. The accounting policies continue to reflect United Kingdom Statements of Standard Accounting Practice appropriate to an insurance company.

b Basis of consolidation

The assets, liabilities and results of subsidiaries and the share of results of the associated undertakings are included in the consolidated accounts on the basis of accounts made up to 31 December.

Investments in subsidiary and associated undertakings are stated at the lower of net asset value or directors' valuation.

c Exchange rates

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

d Insurance funds

Unearned premiums represent the proportion of general business premiums written in the year which relate to cover provided thereafter. An allowance is made for deferred acquisition costs according to the class of business. In addition to unearned premiums amounts are set aside, when considered necessary, for unexpired risks to meet future claims on business in force at the end of the year. Outstanding claims are calculated by reference to individual cases and include amounts for claims incurred but not reported, an allowance for claims handling expenses and the balances of the 'open years' accounts for London Market and inwards reinsurance business. United Kingdom liability classes of outstanding claims are provided for on a discounted basis. A claims equalisation reserve has been set up to offset any technical deficit or above average claims ratios arising in any class of business.

e Value of long term insurance business

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

f Investment income and return

In the consolidated profit and loss account investment income, comprising dividends, interest and rent, is stated after charging investment expenses and is credited in the year in which received.

Income from fixed interest securities of an investment trust subsidiary is accounted for under the provisions of the Accrued Income Scheme.

In the long term insurance revenue account investment return comprising net realised gains, dividends, interest and rent is stated after charging investment expenses and is credited in the year in which received.

Dividends from subsidiary undertakings are dealt with on an accruals basis.

g Pensions

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

h Premiums written

Net written premiums comprise gross direct business and reinsurance accepted (on determined years) after taking into account reinsurance ceded and portfolio transfers.

i Reinsurance accepted and London Market operations

London Market and certain other reinsurance which, due to the nature of the business, is subject to delayed receipt of accounts, is carried forward in an 'open year' fund until fully reported. It is included in outstanding claims in the balance sheet. Where appropriate this is closed at the end of the second or third year of account following the year of account to which that business relates.

j Fixed assets and depreciation

Capital expenditure on premises, computer equipment, motor vehicles, furniture and office equipment is capitalised and depreciated over the estimated useful lives of the assets. Land is not depreciated.

Accounting Policies

k 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.

l Revaluation and other reserves

This comprises surpluses on revaluation of investments and gains less losses on movements in exchange, together with non-distributable realised gains and losses of an investment trust subsidiary.

m Taxation

UK and overseas taxation charged in the consolidated profit and loss and long term insurance revenue accounts is based on profits and income of the year as determined in accordance with the relevant tax legislation. Provision is not made on unrealised appreciation of investments at the the balance sheet date.

Deferred tax is calculated on the liability method and consists of the estimated relief which is expected to arise in the foreseeable future from material timing differences.

n Goodwill

Goodwill arising on the acquisition of subsidiary and associated undertakings is written off directly to reserves.

Parent Company Profit and Loss Account

for the year ended 31 December 1993

	1993 £000	1992 £000
Income		
From subsidiary undertakings:		
Gift aid	2,000	—
Dividends	—	1,067
Deposit interest	2,000	1,067
	52	100
	2,052	1,167
Expenditure		
Charitable distributions	1,455	1,367
Expenses	£	5
	1,463	1,372
Surplus/(deficit) for the year	589	(205)
Balance brought forward	1,090	1,295
Balance carried forward	1,679	1,090

Consolidated Profit and Loss Account

for the year ended 31 December 1993		1993 £000	1992 £000
	Notes		
Investment income	5	9,779	8,225
Realised investment gains	5	2,038	81
Underwriting result	2	2,738	(805)
Other operations	3	180	50
Transfer from non mutual long term funds		—	4
		14,735	7,555
Debt interest		780	780
Profit attributable to:			
Continuing operations		10,688	6,775
Acquisitions		3,267	—
Profit on ordinary activities before taxation		13,955	6,775
Taxation	6	3,601	1,546
Profit on ordinary activities after taxation		10,354	5,229
Minority interest		1,634	335
Profit for the financial year		8,720	4,894
Charitable grants		1,455	1,397
Retained profit for the financial year	7	7,265	3,497

Statement of Total Recognised Gains and Losses

for the year ended 31 December 1993	1993 £000	1992 £000
Profit for the financial year	8,720	4,894
Discount on acquisition of shares in a subsidiary undertaking	1,089	—
Unrealised surplus on revaluation of investments	15,369	8,660
Realised investment gains of an investment trust subsidiary	3,399	—
Revaluation of long term insurance business	(1,500)	—
	27,077	13,554
Currency translation differences	(261)	1,152
Total recognised gains and losses for the financial year	26,816	14,706

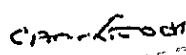
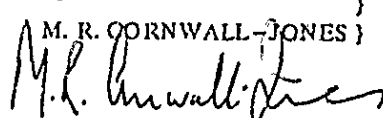
Consolidated Balance Sheet

at 31 December 1993

	Notes	1993 £000	1992 £000
Reserves			
Revaluation and other reserves		48,833	29,054
General reserve		10,000	8,000
Retained profits		12,473	7,391
Long term insurance business reserve		5,000	6,500
	7	<u>76,306</u>	<u>50,945</u>
Minority interests	9	56,439	3,371
Insurance funds	10	103,158	92,129
Other liabilities			
due within one year	12	27,951	25,401
due after more than one year		21,257	18,340
		<u>49,208</u>	<u>43,741</u>
Long term insurance accounts (see separate balance sheet page 11)		271,255	231,069
		<u>556,366</u>	<u>421,255</u>
Investments	13	195,013	68,011
Associated undertakings	14	3,211	35,703
Fixed assets		7,644	8,095
Value of long term insurance business		5,000	6,500
Other assets	12	74,243	71,877
Long term insurance accounts (see separate balance sheet page 11)		271,255	231,069
		<u>556,366</u>	<u>421,255</u>

Parent Company Balance Sheet

at 31 December 1993		1993 £000	1992 £000
	Notes		
Fixed assets			
Investments:			
Shares in group undertakings	14	74,677	49,905
Current assets	12	1,633	1,042
Creditors			
Amounts falling due within one year	12	4	2
Net current assets		1,629	1,040
Net assets		76,306	50,945
Represented by:			
Reserves	7		
Revaluation reserve		74,627	49,855
Retained profits		1,679	1,090
		76,306	50,945


 C. A. McLINTOCK }
 M. R. CORNWALL-JONES } Directors


Long Term Business Balance Sheet

at 31 December 1993		1993 £000	1992 £000
	Notes		
Life funds and reserves	10	268,648	229,232
Other liabilities	12	2,607	1,837
		271,255	231,069
Investments	13	263,185	219,524
Fixed assets		1,088	1,065
Other assets	12	6,982	10,480
		271,255	231,069

Cash Flow Statement

for the year ended 31 December 1993 (excluding long term insurance business)

	Notes	1993 £000	1992 £000
Net cash inflow from operating activities		23,165	17,531
Servicing of finance			
Charitable grants and covenants paid		(1,455)	(1,397)
Dividends paid		(1,824)	(306)
Interest paid		(1,786)	(862)
Net cash outflow from servicing of finance		(5,065)	(2,565)
Taxation		1,104	192
Investing activities			
Purchases of liquid investments		(80,440)	(13,077)
Sales of liquid investments		67,709	9,875
Purchases of tangible fixed assets		(310)	(794)
Sales of tangible fixed assets		109	1,091
Purchase of an investment trust subsidiary	17	(6,152)	-
Reduction in minority interests		(133)	-
Net cash outflow from investing activities		(19,217)	(2,905)
Net cash (outflow)/inflow before financing		(13)	12,253
Financing activities			
Increase in borrowings		2,600	7,450
Capital element of lease purchase rental payments		(215)	(14)
Net cash inflow from financing		2,385	7,436
Increase in cash and cash equivalents		2,372	19,689

The notes on page 13 are an integral part of the cash flow statement

Notes to the Cash Flow Statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	1993 £000	1992 £000
Operating profit	13,955	6,775
Depreciation	1,337	1,526
Realised investment gains	(2,038)	(81)
Profit on sale of tangible fixed assets	(71)	(70)
Increase in insurance funds and net outstanding claims	11,029	7,895
Tax on franked investment income	(549)	(630)
Movements in debtors less creditors	(2,427)	1,405
Retained earnings in associated companies	143	(151)
Interest payable	1,786	862
	<u>23,165</u>	<u>17,531</u>

(b) Analysis of changes in cash and cash equivalents and liquid investments during the year

	Cash and Cash Equivalents £000	Other Liquid Investments £000	Total £000
Balance 1 January 1993	37,506	103,714	141,220
Net cash inflow	2,372	—	2,372
Purchases of investments excluding cash deposits	—	80,440	80,440
Sales of investments excluding cash deposits	—	(67,709)	(67,709)
Investments of a subsidiary undertaking acquired	—	52,977	52,977
Changes in market values and other non-cash items	—	29,201	29,201
Movements on exchange	138	(399)	(261)
Balance 31 December 1993	<u>40,016</u>	<u>198,224</u>	<u>238,240</u>

(c) Analysis of the balances of cash and cash equivalents and liquid investments as shown in the balance sheet

	1993 £000	1992 £000	Change in year £000
Cash at bank	40,043	37,560	2,483
Bank overdraft	(27)	(54)	27
	<u>40,016</u>	<u>37,506</u>	<u>2,510</u>
Other liquid investments	198,224	103,714	94,510
	<u>238,240</u>	<u>141,220</u>	<u>97,020</u>

(d) Analysis of changes in financing during the year

	Loans and Lease Contracts 1993 £000	Loans and Lease Contracts 1992 £000
Balance 1 January 1993	11,517	6,000
Cash (outflow)/inflow from financing	(215)	4,986
Inception of lease contracts	614	531
Balance 31 December 1993	<u>11,916</u>	<u>11,517</u>

Notes to the Accounts

1 Exchange rates

The principal rates of exchange used for translation are:

	1993	1992
United States of America	US\$1.48	US\$1.52
Canada	C\$1.96	C\$1.93
Republic of Ireland	IR£1.05	IR£0.93

2 Insurance subsidiaries: underwriting results

(a) General insurance

	1993 £000	1992 £000
Gross written premiums	152,444	134,220
Less: Reinsurance	53,387	47,368
Net written premiums	99,057	86,852
Increase in unearned premiums	5,359	3,048
Net earned premiums	93,698	83,804
Claims incurred	62,351	57,267
Expenses and commission	28,609	27,342
	90,960	84,609
Underwriting result	2,738	(805)

Discounting has been applied to United Kingdom liability classes of direct business at the rate of 3.5% (5%) per annum over their mean terms of between two and five years. The effect of discounting is to reduce group profit before taxation by £0.1m (£0.3m) and to reduce outstanding claims by £1.0m (£1.1m). Included in outstanding claims is a claims equalisation reserve of £3m (Nil).

(b) Long term insurance

Premiums less reinsurance	22,876	19,886
Investment return	19,229	19,231
	42,105	39,117
Claims and surrenders	10,795	8,171
Annuities	17,165	16,387
Expenses and commission	3,038	3,054
Taxation	387	677
	31,385	28,289
Excess of income over expenditure	10,720	10,828
Transfer from revaluation reserve	13,153	9,092
Transfer to shareholders' funds	-	(4)
Funds at beginning of year	197,412	188,237
Restatement	-	(10,741)
Funds at end of year	221,285	197,412

The presentation of accounts for the non mutual fund of a subsidiary undertaking has been aligned to that of the mutual fund. Prior year figures have been restated where necessary.

3 Other operations

	1993 £000	1992 £000
Unit trust management	27	(23)
Underwriting management	34	95
Churches purchasing scheme	22	(22)
Mortgage lending	97	-
	180	50

Notes to the Accounts

4 Segmental analysis	1993 £000	1992 £000
(a) Class of business		
Turnover		
General business	152,444	134,220
Long term business	23,191	20,146
	<u>175,635</u>	<u>154,366</u>
Profit/(loss) before taxation		
General business and subsidiary undertakings	14,098	6,844
Associated undertaking	(143)	(69)
	<u>13,955</u>	<u>6,775</u>
Net assets		
General business and subsidiary undertakings	81,685	53,641
Long term business reserve	5,000	6,500
Associated undertaking	621	1,804
Central financing	(11,000)	(11,000)
	<u>76,306</u>	<u>50,945</u>
(b) Geographical turnover		
The tables have been compiled on the basis of location of office.		
Turnover		
United Kingdom	164,274	144,821
Canada	9,368	7,563
Other overseas	1,993	1,982
	<u>175,635</u>	<u>154,366</u>
Profit/(loss) before taxation		
United Kingdom	12,770	5,345
Canada	1,203	1,094
Other overseas	(18)	336
	<u>13,955</u>	<u>6,775</u>
Net assets		
United Kingdom	68,141	42,767
Canada	7,857	7,738
Other overseas	308	446
	<u>76,306</u>	<u>50,945</u>

Notes to the Accounts

5 Investment income and return

	Long Term Business				General Business	
	Mutual		Non Mutual		Business	
	1993	1992	1993	1992	1993	1992
	£000	£000	£000	£000	£000	£000
Investment income	7,719	8,193	8,551	8,206	10,481	7,263
Associated undertakings	-	-	-	-	2	1,319
Expenses	(271)	(254)	(57)	(63)	(704)	(357)
	<u>7,448</u>	<u>7,939</u>	<u>8,494</u>	<u>8,143</u>	<u>9,779</u>	<u>8,225</u>
Realised investment gains	2,037	1,897	1,250	1,252	2,038	81
	<u>9,485</u>	<u>9,836</u>	<u>9,744</u>	<u>9,395</u>	<u>11,817</u>	<u>8,306</u>

General business expenses include £316,000 (Nil) incurred by St. Andrew Trust plc.

6 Taxation

The charges for the year and any adjustments for prior years are:

	Long Term Business				General Business	
	Mutual		Non Mutual		Business	
	1993	1992	1993	1992	1992	1992
	£000	£000	£000	£000	£000	£000
UK corporation tax	-	127	-	146	3,107	990
Overseas taxation	29	24	-	-	336	238
	<u>29</u>	<u>151</u>	<u>-</u>	<u>146</u>	<u>3,443</u>	<u>1,228</u>
Less relief for overseas taxation	20	24	-	-	336	235
	<u>9</u>	<u>127</u>	<u>-</u>	<u>146</u>	<u>3,107</u>	<u>993</u>
Tax credit on franked investment income	430	581	-	8	480	107
Share of associated undertakings' taxation	-	-	-	-	36	269
Deferred taxation	-	-	-	-	-	275
	<u>439</u>	<u>708</u>	<u>-</u>	<u>154</u>	<u>3,623</u>	<u>1,644</u>
Prior years	(52)	(181)	-	(4)	(22)	(98)
	<u>387</u>	<u>527</u>	<u>-</u>	<u>150</u>	<u>3,601</u>	<u>1,546</u>

The long term funds are charged to tax on the bases applicable to life assurance and annuity business. General business corporation tax is a charge of £3,107,000 at 33% (32.4%)

Capital gains

If the investments of the group were realised at the amounts at which they are included in the accounts a liability to corporation tax of approximately £31.1m (£15.5m) would arise. Of this £18.5m (£7.9m) would relate to the shareholders' funds and £12.6m (£7.6m) to the long term funds.

Notes to the Accounts

7 Reserves

	1993		1992	
	Group £000	Parent £000	Group £000	Parent £000
Revaluation and other reserves				
Balance 1 January 1993	29,054	49,855	19,895	29,841
Foreign exchange (losses)/gains	(78)	—	499	—
Discount on acquisition of shares in a subsidiary undertaking	1,089	—	—	—
Surplus arising from revaluation of investments	15,369	—	8,660	20,014
Realised investment gains of an investment trust subsidiary	3,399	24,772	—	—
Balance 31 December 1993	<u>48,833</u>	<u>74,627</u>	<u>29,054</u>	<u>49,855</u>
General reserve				
Balance 1 January 1993	8,000	—	6,000	—
Transfer from retained profits	2,000	—	2,000	—
Balance 31 December 1993	<u>10,000</u>	<u>—</u>	<u>8,000</u>	<u>—</u>
Retained profits				
Balance 1 January 1993	7,391	1,090	5,241	1,295
Foreign exchange (losses)/gains	(183)	—	653	—
Transfer to general reserve	(2,000)	—	(2,000)	—
Profit for the financial year	7,265	589	3,497	(205)
Balance 31 December 1993	<u>12,473</u>	<u>1,679</u>	<u>7,391</u>	<u>1,090</u>
Long term insurance business reserve				
Balance 1 January 1993	6,500	—	6,500	—
Movement in year	(1,500)	—	—	—
Balance 31 December 1993	<u>5,000</u>	<u>—</u>	<u>6,500</u>	<u>—</u>
Total reserves	<u>76,306</u>	<u>76,306</u>	<u>50,945</u>	<u>50,945</u>

8 Reconciliation of movements in shareholders' funds

	1993 £000	1992 £000
Profit for the financial year	8,720	4,894
Other recognised gains and losses	18,096	9,812
Charitable grants	26,816 (1,455)	14,706 (1,397)
Net addition to shareholders' funds	25,361	13,309
Opening shareholders' funds	50,945	37,636
Closing shareholders' funds	<u>76,306</u>	<u>50,945</u>

Notes to the Accounts

9 Minority interests

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

	1993 £000	1992 £000
Ecclesiastical Insurance Office plc		
2.8% First Cumulative Preference shares of £1 each	212	210
10% Redeemable Second Cumulative Preference shares of £1 each	3,000	3,000
Ecclesiastical Underwriting Management Limited		
Ordinary shares of £1 each	—	161
St. Andrew Trust plc		
Ordinary shares of £1 each	52,769	—
5.25% Cumulative Preference stock	458	—
	<u>56,439</u>	<u>3,371</u>

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

Year of Redemption	Premium
1994 to 1997	7 1/2 per cent
1998 to 2002	5 per cent
2003 to 2007	2 1/2 per cent
2008 to 2012	Nil

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

10 Insurance funds

Insurance funds shown in the balance sheet as follows:

	1993 £000	1992 £000
General insurance		
Unearned premium	41,900	35,547
Outstanding claims	69,020	63,286
Deferred acquisition costs	(7,762)	(6,704)
	<u>103,158</u>	<u>92,129</u>
Long term insurance		
Mutual funds	116,805	102,493
Non mutual funds	104,480	94,919
	<u>221,285</u>	<u>197,412</u>
Revaluation reserves	47,363	31,820
	<u>268,648</u>	<u>229,232</u>

11 Lease commitments

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

	1993		1992	
	Premises £000	Equipment £000	Premises £000	Equipment £000
Expiring:				
Within 1 year	7	—	—	—
Between 2 and 5 years	92	100	36	11
Over 5 years	787	—	797	—
	<u>886</u>	<u>100</u>	<u>833</u>	<u>11</u>

Notes to the Accounts

12 Other assets and liabilities

	1993			1992		
	Long Term £000	Consol- idated £000	Parent Company £000	Long Term £000	Consol- idated £000	Parent Company £000
Current assets						
Agents and other insurance debts	2,453	30,934	—	1,990	30,978	—
Other debtors	1,808	2,477	—	612	2,493	—
Taxation	502	789	250	1,175	846	167
Cash at bank and in hand	2,219	40,043	1,383	6,703	37,560	375
Proposed dividend	—	—	—	—	—	500
	<u>6,982</u>	<u>74,243</u>	<u>1,633</u>	<u>10,480</u>	<u>71,877</u>	<u>1,042</u>

Creditors:

Amounts falling due within one year:

Outstanding claims	886	—	—	640	—	—
Due to other insurance companies	17	19,261	—	55	21,430	—
Other creditors	701	4,115	4	492	3,476	2
Lease purchase contracts	78	259	—	58	177	—
Taxation	738	3,453	—	336	257	—
Proposed dividend	—	836	—	—	7	—
Bank overdraft	—	27	—	85	54	—
	<u>2,420</u>	<u>27,951</u>	<u>4</u>	<u>1,666</u>	<u>25,401</u>	<u>2</u>

Creditors:

Amounts due after more than one year:

Debtenture stock	—	6,000	—	—	6,000	—
Corporate business loans	—	14,600	—	—	12,000	—
Lease purchase contracts	187	657	—	171	340	—
	<u>187</u>	<u>21,257</u>	<u>—</u>	<u>171</u>	<u>18,340</u>	<u>—</u>

The £6,000,000 13% Debtenture stock 2018 is secured on the assets of subsidiary undertakings. 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.

Corporate business loans amounting to £14,600,000 (£12,000,000) are secured against the assets of subsidiary undertakings.

Notes to the Accounts

13 Investments

Listed investments are at mid-market value, properties are valued at net realisable value by independent chartered surveyors and other investments (mortgages and loans) are at valuation reflecting year end interest rates.

	1993		1992	
	Long Term £000	General £000	Long Term £000	General £000
British Government and British Government guaranteed securities	29,209	18,320	24,506	11,941
United Kingdom municipal, county and public boards securities	120	—	718	84
Government, provincial and municipal securities other than United Kingdom	4,083	9,700	3,431	8,949
Debentures and loan stocks	26,462	15,409	25,215	10,290
Preference shares	4,439	3,183	2,178	1,595
Ordinary stocks and shares	113,134	136,396	86,078	25,538
Other investments, including mortgages and loans	74,435	10,296	68,288	7,951
Freehold and leasehold properties	11,303	1,709	9,110	1,663
	<u>263,185</u>	<u>195,013</u>	<u>219,524</u>	<u>68,011</u>

Included in the Ordinary stocks and shares of the long term funds is an amount of £5,820,000 representing 5.8% of the issued Ordinary share capital of St. Andrew Trust plc, an investment trust subsidiary.

14 Subsidiary and associated undertakings

Shares in subsidiary undertakings are shown at net asset value in the parent company balance sheet. Shares in the associated undertaking are shown at directors valuation in the consolidated balance sheet.

15 Capital commitments

At 31 December 1993 outstanding contracts for capital expenditure amounted to £0.1m (£0.1m). There was no capital expenditure authorised by the directors but not contracted for (£Nil).

16 Pensions

The group's main scheme is a defined benefit scheme for UK employees. The assets of the scheme are held separately from those of the group by the Ecclesiastical Insurance Office plc Staff Retirement Benefit Fund. Pension costs for this scheme are determined, on the basis of triennial valuations, by a qualified actuary who is an employee of the group, using the aggregate method. The most recent valuation was at 31 August 1992. The assumptions which have the greatest effect on the valuation results are those related to the rate of return on investments and the rate of increase in salaries. It is assumed that there will be a margin of 2% between investment return and salary growth. Other than in respect of statutory pension increases no allowance was made for pension increases as these are separately funded by the group.

The most recent actuarial valuation showed that the market value of the scheme's assets was £22,245,000 and that the actuarial value of the assets was sufficient to cover 99.5% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contribution of the group to the fund will remain at 20% of pensionable salary, plus additional amounts in accordance with recommendations by the Appointed Actuary.

The scheme is registered with the Registry of Pension Schemes.

Canadian pension liabilities are dealt with by payment to a Canadian Trustee Fund.

Republic of Ireland pension liabilities are dealt with by payment to an Irish life office.

The total funding cost for the year was £2,426,000 (£1,933,000). Of this £2,390,000 (£1,862,000) related to the UK scheme.

Notes to the Accounts

17 Purchase of an investment trust subsidiary

With effect from 8 February 1993, the group gained control of St. Andrew Trust plc. This transaction has been accounted for as an acquisition. The fair values of the assets and liabilities acquired, as shown below, were consistent with their book values.

	1993 £000
Net assets acquired:	
Investments	86,826
Debtors	2,359
Cash at bank	7,567
Creditors	(3,355)
Minority interests	(44,740)
	<u>48,657</u>
Satisfied by:	
Investment in associated undertaking	33,849
Cash	13,719
Discount	1,089
	<u>48,657</u>

All figures in the consolidated profit and loss account relate to continuing operations. Continuing operations in 1993 include investment income of £3,267,000 relating to acquisitions. This amount is stated net of related investment expenses.

The profits of St. Andrew Trust plc for the periods prior to acquisition were as follows:

1 January 1993 to 7 February 1993	<u>367</u>
Year ended 31 December 1992	<u>2,575</u>

St. Andrew Trust plc contributed £2,378,000 to the group's net operating cash flow, paid £1,518,000 in respect of servicing of finance, received £171,000 in respect of taxation and utilised £8,556,000 for investing activities.

Analysis of the net outflow of cash and cash equivalents in respect of the purchase

Cash consideration	13,719
Cash at bank and in hand acquired	(7,567)
Net outflow of cash and cash equivalents	<u>6,152</u>

Notes to the Accounts

18 Directors' interests

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

Directors	Interest at 31.12.1993	Interest at 31.12.1992
C. Alan McLintock	500	500
M. R. Cornwall-Jones	500	500
The Very Revd. T. E. Evans the Dean of St. Paul's	2,900	2,900
The Rt. Revd. D. G. Snelgrove the Lord Bishop of Hull	500	500

No director was interested in any other shares or debentures of the group.

No contract subsisted during or at the end of the financial year in which a director was or is materially interested.

19 Directors' emoluments

No director received emoluments from Allchurches Trust Limited during the year.

	1993 £	1992 £
Directors who are also directors of subsidiary undertakings received emoluments in respect of their services to those undertakings of:	49,250	48,750
Individual emoluments:		
Chairman	9,250	18,500
Highest paid director's fees	24,000	—
Other directors, excluding pension contributions:		
£5,001 to £10,000	2	2
£15,001 to £20,000	—	1

During the year an ex gratia payment of £30,000 was made to the chairman on his retirement from the main boards of subsidiary undertakings.

20 Auditors' remuneration

The remuneration of the auditors of the group for audit work amounted to £110,798 (£113,185). Other fees were £Nil (£85,000).

21 Approval of accounts

The accounts on pages 6 to 23 were approved by the directors and signed on 30 June 1994.

Subsidiary and Associated Undertakings

Subsidiary undertakings	Share capital	Holding of shares by	
		Parent	Subsidiaries
Incorporated in Great Britain, registered and operating in England, engaged in investment, insurance and financial services or other insurance related business.			
Ecclesiastical Insurance Group plc	Ordinary shares	100%	
Allchurches Mortgage Company Limited	Ordinary shares 6% Non-Cumulative Redeemable Preference shares	100%	100%
Ecclesiastical Group Asset Management Limited	Ordinary shares		100%
Allchurches Investment Management Services Limited	Ordinary shares		100%
The Churches Purchasing Scheme Limited	Ordinary shares		100%
Ecclesiastical Underwriting Management Limited	Ordinary shares		100%
Ecclesiastical Insurance Office plc	Ordinary shares 2.8% First Cumulative Preference shares 9.5% Redeemable Third Cumulative Preference shares	100%	12% 100%
Allchurches Life Assurance Limited	Ordinary shares		100%
Blaisdon Properties Limited	Deferred shares Ordinary shares		100% 100%
Eccint Limited	Ordinary shares		100%

Incorporated in Great Britain and registered in Scotland, engaged in investment trust business:

St. Andrew Trust plc	Ordinary shares	58.6%
	5.25% Cumulative Preference stock	30.7%

Of the 58.6% holding of Ordinary shares in St. Andrew Trust plc, 5.8% is held by the mutual life fund of Ecclesiastical Insurance Office plc.

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

Associated undertaking

Incorporated in the United States of America:

Chatham Holdings Inc.	Common stock	25%
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All the subsidiaries listed are included within the consolidated financial statements.

Notice of Meeting

NOTICE is hereby given that the Annual General Meeting of the company will be held at Church House, Dean's Yard, Westminster, London SW1P 3NZ on 28 July 1994 at 2.15 p.m. to transact the following business of the company.

1. To consider the accounts and reports of the directors and auditors for the year ended 31 December 1993.
2. To re-elect directors.
3. To re-appoint the auditors and to authorise the directors to fix their remuneration.
4. As Special Business, to consider and if thought fit, approve the following as an ordinary resolution:

That pursuant to the Articles of Association the following persons be admitted as members of the company:

Sir Michael Colman, Bt, LL.D
Mrs Margaret Laird, BA
The Hon. Nicholas Assheton
Mr Colin Menzies, MA
Mr Derek Stapleton
Mrs Sylvia Stapleton

By order of the board

J. E. WILLISCROFT
Secretary

Gloucester
30 June 1994

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him.