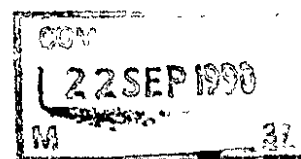
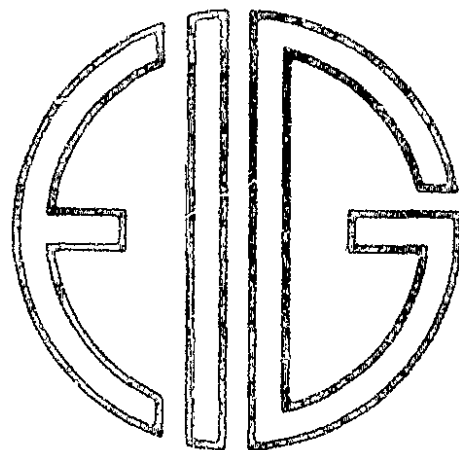




# ECCLESIASTICAL INSURANCE GROUP PLC



REPORT & ACCOUNTS 28 FEBRUARY 1990

# Report & Accounts 28 February 1990

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# Notice of Meeting

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NOTICE is hereby given that the Annual General Meeting of the company will be held at Beaufort House, Brunswick Road, Gloucester GL1 1JZ on Wednesday, 11 July 1990 at 12.45 p.m. to transact the following ordinary business of the company:—

1. To consider the accounts and the reports of the directors and auditors for the year ended 28 February 1990 and declare a dividend.
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, pass the following Resolution which will be proposed as a Special Resolution:  
THAT the Articles of Association of the company be amended by inserting an additional paragraph 90(3)(h) following the existing paragraph 90(3)(g):—  
“90(3)(h) any proposal concerning the arrangement or purchase of any insurance policy under which he may benefit.”

By Order of the Board

D. H. HAYDON

Secretary

Gloucester  
14 June 1990

The additional Article 90(3)(h) will permit the company to arrange Directors' and Officers' Liability insurance cover for directors.

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. A proxy need not also be a member.

There are no service contracts with the directors.

This Notice is sent for information to the holders of the 13% Debenture Stock 2018.

# Directors and Group Management

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## Directors

C. Alan McLintock *CA Chairman*  
M. R. Cornwall-Jones *MA, ACIS Deputy Chairman*  
J. C. Bracher *FCA, FCT*  
M. J. Burns *MA, FIA*  
B. V. Day *BA, LLB, FCI Managing Director*  
The Very Revd. T. E. Evans *MA the Dean of St Paul's*  
J. D. McArdell *ACII Deputy Managing Director*  
D. R. W. Silk *JP, MA*  
The Very Revd. J. A. Simpson *MA the Dean of Canterbury*  
The Rt. Revd. D. G. Snelgrove *DD, MA the Lord Bishop of Hull*  
W. H. Yates *FRI, FCS*

## Group Management

B. V. Day *BA, LLB, FCI Managing Director*  
J. D. McArdell *ACII Deputy Managing Director*  
D. W. Stapleton *FCII General Manager*  
C. B. Thomson *JP General Manager*  
D. H. Haydon *FCA, FCIS Deputy General Manager and Secretary*  
G. V. Doswell *FCII Assistant General Manager*  
G. A. Prescott *BA, FCA Assistant General Manager*  
P. C. Sparkhall *FIA Actuary*

## Registered and Head Office

Beaufort House, Brunswick Road,  
Gloucester GL1 1JZ  
Tel: 0452 28533

## Principal London and Investment Office

19/21 Billiter Street,  
London EC3M 2RY  
Tel: 071 528 7363

## Auditors

BDO Binder Hamlyn  
8 St. Bride Street, London EC4A 4DA

## Registrar

National Westminster Bank PLC  
Caxton House, PO Box 82, Redcliffe Way, Bristol BS99 7NH

## Trustee for the Debenture Stock

The Law Debenture Trust Corporation p.l.c.  
Estates House, 66 Gresham Street,  
London EC2N 7HX

## Directors



**C. A. McLintock**  
Chairman

Appointed to the Board in 1972, becoming Chairman in 1981. He is Chairman of the Woolwich Building Society and of a number of Investment Trusts and a director of M & G Group PLC. A member of the National Westminster Bank plc UK Advisory Board.

**M. R. Cornwall-Jones**  
Deputy Chairman

Appointed to the Board in 1979, becoming Deputy Chairman in 1983. He is a director of Govett Oriental Investment Trust plc and Deputy Chairman of the Association of Investment Trust Companies. He also serves on the Boards of the Halifax Building Society, Century Oils plc and other companies.



**R. V. Day**  
Managing Director

Joined the Group in 1975 and became Chief Executive in 1977. A past president of the Chartered Insurance Institute. His other directorships include St. Andrew Trust PLC and URC Insurance Co. Ltd.

**J. C. Bracher**

Appointed to the Board in 1985. Formerly Finance Director and Deputy Chairman of Dowty Group PLC. A past President of the Association of Corporate Treasurers.



**M. J. Burns**

Appointed to the Board in 1987. Formerly General Manager of Equity & Law Life Assurance Society plc. He is a director of the National Home Loans Holdings plc.

**T. E. Evans**  
The Dean of St. Paul's

Appointed to the Board in 1979 when he was the Archdeacon of Cheltenham. The Dean is a Governor of Cheltenham Ladies' College. He is a member of the Board of Governors of the Church Commissioners and a former Chairman of the Council of the Care of Churches.



**J. D. McArdell**

Appointed to the Board in 1988. Mr. McArdell's whole career has been with the Ecclesiastical Group becoming General Manager in 1985 and Deputy Managing Director in 1988. He is a director of Westonbirt School Ltd.

**D. R. W. Silk**

Appointed to the Board in 1988. Mr. Silk has been Warden of Radley College since 1968.



**J. A. Simpson**  
The Dean of Canterbury

Appointed to the Board in 1983, when he was Archdeacon of Canterbury.

**D. G. Snelgrove**  
The Bishop of H.J.

Appointed to the Board in 1978, when he was Archdeacon of the East Riding. A member of the Central Board of Finance of the Church of England and director of The Church Schools Company Limited, York Diocesan Board of Finance Ltd and Yorkshire T.V. Telethon Trust Ltd



**W. H. Yates**

Appointed to the Board in 1985. A Senior Partner in Knight Frank & Rutley. A director of K. F. & R. Ltd. Knight Frank & Rutley (Nominees) Ltd. A director of the Woolwich Building Society. Honorary Treasurer of Save the Children Fund.

## Group Structure

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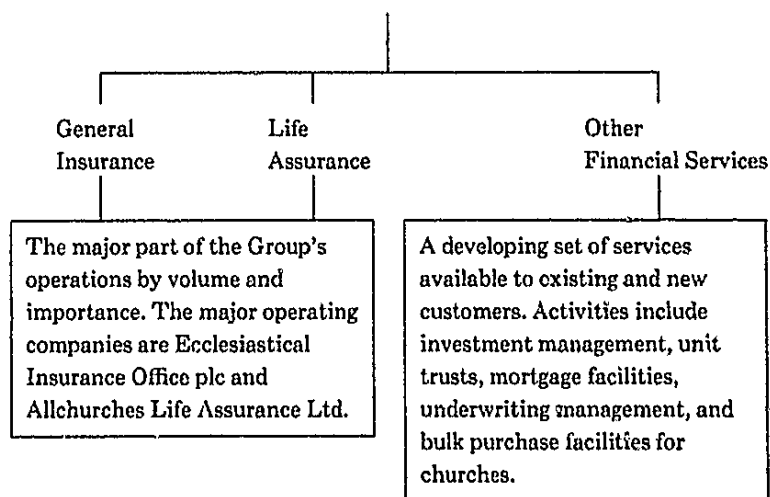
### ALLCHURCHES TRUST LIMITED

Allchurches Trust has the legal status of a charitable company limited by guarantee and is the legal owner of the group. It takes no part in the management but receives dividends and covenants for charitable distribution. The Trust's other main tasks are to approve the Group's corporate mission and preserve its independence in the service of the Church.

### ECCLESIASTICAL INSURANCE GROUP PLC

This company defines and implements the Group's mission and corporate strategies. It oversees the operations of all subsidiary and associated companies.

### THE MAJOR FUNCTIONS



# Summary of Group Results



|   | 1990<br>£000   | 1989<br>£000   |
|---|----------------|----------------|
| <b>Premium Income</b>                     |                |                |
| General Insurance                         | 99,098         | 83,518         |
| Long Term Insurance                       | 36,990         | 24,567         |
|   | <u>136,088</u> | <u>108,085</u> |
| <b>General Insurance Result</b>           | (152)          | 8,606          |
| <b>Profit before taxation</b>             | <u>4,085</u>   | <u>8,163</u>   |
| <b>Shareholders' Capital and Reserves</b> | <u>41,230</u>  | <u>35,509</u>  |

## Territorial Analysis

|                                | 1990                      |                             | 1989                      |                             |
|--------------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|
|                                | Premium<br>Income<br>£000 | Insurance<br>Result<br>£000 | Premium<br>Income<br>£000 | Insurance<br>Result<br>£000 |
| <b>General Insurance</b>       |                           |                             |                           |                             |
| Great Britain                  | 72,120                    | (1,423)                     | 63,193                    | 7,020                       |
| Overseas Branches and Agencies | 13,925                    | 626                         | 11,324                    | 496                         |
| Reinsurance and London Market  | 13,053                    | 645                         | 9,001                     | 1,090                       |
|                                | <u>99,098</u>             | <u>(152)</u>                | <u>83,518</u>             | <u>8,606</u>                |
| <b>Long Term Insurance</b>     |                           |                             |                           |                             |
| United Kingdom                 | 36,990                    | —                           | 24,567                    | —                           |
|                                | <u>136,088</u>            | <u>(152)</u>                | <u>108,085</u>            | <u>8,606</u>                |





A successful insurance organisation must marry prudence to enterprise. The insurer seeks to develop the business vigorously but, when disaster strikes, must exhibit unquestioned strength, security and speed of response to the policyholder. Two years ago I reported that in our centenary year we had come successfully through what climatologists regarded as the worst United Kingdom storm for 200 years. I did not then anticipate the imminent arrival of an even greater challenge or that, in such circumstances, the group would emerge bigger and stronger. Yet that is precisely what has happened in our 1989-90 financial year.

The storms of January and February 1990 were not as intense as the October 1987 hurricane, but they were longer and more widespread. Over 20,000 weather claims were generated, about twice the 1987 total and the cost is expected to exceed that of a normal winter by almost £40 million, reduced by reinsurance to £3 million. No praise can be too high for our claims handlers and their colleagues in other departments who responded so devotedly to the exceptional demands on their services, demands which called for speedy as well as sympathetic handling.

Faced by winter weather of such severity, together with higher subsidence claims following a very dry summer, we did not expect to match the previous year's record profits. Nevertheless, pre-tax profits in excess of £4 million represent a creditable out-turn and will help continue the underlying uptrend in covenants and dividends to the governing charity, Allchurches Trust. Adequate profitability is essential if we are to meet Ecclesiastical's financial objectives - to keep increasing charitable distributions in real terms, while simultaneously building a stronger capital base to support an expanding and diverse business.

Ecclesiastical continued to grow strongly in 1989, with gross turnover up from £108 million to £136 million. For some years now we have sought to expand and diversify in the belief that, while new ventures can involve heavy financial commitments at the outset, they will more than pay their way in the long run. The good overall performance of our International division for the second successive year was particularly welcome at a time when results from our core business in the United Kingdom were adverse.

Sound investment performance is another important factor in the overall performance of the group. Despite the prevailing uncertainty in the equity and property markets we were able to secure useful increases in investment income and in both realised and unrealised capital gains.

The growth in our business was not confined to general insurance. Demand for Life division products, particularly the single premium contracts, offered through our subsidiary Allchurches Life increased dramatically. The more traditional life portfolio underwritten by "the EIO", in which all profits are reserved for policyholders, grew slowly in the face of intense competition. Setting bonuses for life assurance policies calls for fine judgement in current investment conditions but we were pleased, nevertheless, to be able to maintain both reversionary and capital bonuses at their present high level.

Every year the Ecclesiastical Group sets in hand new developments which are designed to offer additional or improved service. Some have service to the church or church people as their primary objective, others are general commercial ventures. All are characterised by the desire to offer excellent value for money but, equally, all must be conducted with financial prudence. Two current ventures may be of special interest to members of the church. For several years two organisations have been offering discount purchasing schemes to parishes. One, the Churches Purchasing Scheme, originally promoted by the Central Board of Finance, was run jointly by Ecclesiastical and another organisation. The other, Exon, was privately owned. It became apparent to us that there would be advantages in combining the two services. Having the necessary resources we therefore acquired full ownership of both schemes. We intend to give the merged organisation adequate finance and a fair run so that Anglican and other church bodies can have an opportunity of purchasing various goods and services on favourable terms. This venture has already been launched and we hope it will have general support.

The second venture concerns clergy mortgages, where Ecclesiastical already runs a scheme for

## Chairman's Statement



Welsh clergy in response to a request from The Representative Body of the Church in Wales. We now propose to make mortgages available to clergy in England and Scotland. Many English clergy are, of course, eligible for assistance with retirement housing from the Church of England Pensions Board. The Ecclesiastical scheme will be operated so that conflict between the two schemes is avoided.

These are modest but exciting new initiatives which we believe will be of direct help to the church and its clergy. Our dominant business, however, remains insurance in its manifold forms. Last year we decided to extend our international insurance interests, partly as a response to EEC developments, by setting up a joint underwriting management company in the London international insurance market. Our partner in this new enterprise is the Church & General Insurance Company, which began life as a specialist underwriter of Irish Catholic insurances and then, like Ecclesiastical, diversified. This is not our first ecumenical insurance venture; we manage the URC Insurance Company on behalf of the United Reformed Church and enjoy friendly business relationships with many other denominational insurers, at home and abroad.

An organisation as dynamic as the Ecclesiastical must constantly review its working practices in the search for efficiency. Last year I explained our new operating division structure and the steps taken to strengthen the management team. This year we have reviewed some financial aspects of the group. Two important changes concern the group's capital structure and its financial year-end. The market expects modern insurance companies to demonstrate capital strength in line with their growth of business and we have therefore increased the issued capital of the major group companies by capitalising reserves. In particular, we have raised the capital of EIO to £21.25 million and Allchurches Life to £10 million.

Ever since its inception in 1887, Ecclesiastical's financial year has ended on the last day of February. We have been reluctant to abolish this fiscal curiosity, though aware that the organisation has outgrown it. Almost all major insurers have a calendar year-end and, in some countries, we are constrained to do so by insurance regulations. We have therefore decided, not without regret, that Ecclesiastical should adjust to the market norm and we intend to make the transition by closing

the current year at 31 December 1990. Obviously, the ten month accounts will have no direct comparatives, especially as they will this year omit the two main winter months of January and February. We shall be accounting life assurance and most United Kingdom general insurance for ten months and our international business for twelve months. One important effect is on life assurance where ten months is really too short a period to declare life bonuses. The next bonus declaration will, therefore, be at 31 December 1991. Special provision is being made to ensure that life policies which mature in the interim receive full and fair treatment and we shall be writing individually on this topic to all with profits life policyholders.

Despite many new and interesting developments (or perhaps, to some extent, because of them) it has not been an easy year for management and staff. Our general management team have, as always, applied themselves with devotion and skill to the progress and standing of the group through the prudent acceptance and spreading of risk, on which our prosperity depends. The non-executive members of the board would wish me to record our appreciation of the firm and imaginative leadership of Bernard Day, so ably backed by John McArdell and the members of management, as well as of the staff at all levels. We are indeed fortunate to be served by such a committed group of people, amongst whom the claims section already referred to are but an outstanding example this year. We are grateful to them all.

I hope my comments have presented to you a picture of an energetic, diverse and, despite the winter's storms, thriving organisation. We do not know from year to year - or, indeed, sometimes from day to day - what elemental force must be withstood in this risk business. So far as human endeavour can manage, we believe the group has the strength and skill to serve you well in whatever uncertain future lies ahead. I do not imply that we are the cheapest - cheapness in insurance is rarely synonymous with value - but we do try constantly to give very good value for money. You also know, of course, that whatever we can prudently spare from the group's profits will be made available for church and charitable use. For these reasons we seek to enlist your continued support.

ALAN McLINTOCK  
*Chairman*

# Review of Group Operations

## Introduction

The Group continued the vigorous development pattern set in previous years and gross turnover increased by 25.9% to reach £136 million. We were not able to maintain the exceptional underwriting margins of the 1988-89 year, especially in the face of the violent storms experienced in the United Kingdom, which remains our principal area of general insurance operations. In the circumstances we were pleased to achieve a pre-tax profit of £4.1 million, almost exactly half last year's figure.

We allocated covenants and dividends to provide the governing charity (Allchurches Trust) with an income of almost £2 million. Retained profits and unrealised capital appreciation raised the group's net worth from £35.5 million to £41.2 million. The capital and free reserves of the main insurance operating company, Ecclesiastical Insurance Office plc, are approximately £49.6 million, on the valuation basis prescribed by the Department of Trade & Industry, representing 79% of net general insurance premiums. We were thus able to maintain a strong solvency ratio despite vigorous growth.

## General Insurance – Great Britain

Competition in this market continued to increase, with the major composite insurers leading the way downwards in commercial insurance rates as volume was preferred to profit. In these circumstances we did well to defend our existing portfolio and increase gross premiums by 14.1% to £72.1 million.

At the close of the calendar year we hoped to achieve a modest underwriting profit on a soundly rated portfolio, notwithstanding an increase in subsidence claims following the dry summer. Sadly, the unprecedented series of storms which hit the United Kingdom and other parts of Northern Europe during January and February plunged the account into underwriting loss, despite extensive reinsurance protection. An underwriting loss of £4.66 million was only partially offset by income on technical funds. This was particularly disappointing when our patient and unremitting efforts to encourage risk improvement in our core portfolio were showing some positive signs in the reduction of fire losses, though major church fires occurred at St. George's, Bickley and St. Martin's, Brasted.

The future is hard to foretell. Logic calls for higher rating levels, but a weak market seems content to await further evidence of any fundamental change in weather patterns. We shall continue our traditional methods – seeking to maintain sound and adequate rating levels, chasing markets neither up nor down, and providing the best possible levels of service to help develop our business.

## General Insurance – International

The International Division is responsible for Ecclesiastical's reinsurance and 'London market' portfolios, as well as general insurance operations outside Great Britain. The division again made excellent progress, with turnover up by 32.7% to £27 million. Underwriting results were not as good

as the previous year but an operating ratio of 101.7% leading to an underwriting loss of only £325,000 enabled the division to achieve an insurance profit of £1.27 million, after allowing for income on technical funds.

Our portfolios in Canada, Ireland and Malta are written on the traditional one-year basis. In Canada we again found growth difficult in a very soft market, but our cautious stance was rewarded with an underwriting profit. Our small account in Malta, managed by our agents, S. Mifsud and Sons Ltd, also yielded a profit, in only its second full year of operation. Results from Ireland were again disappointing with a substantial underwriting loss; the core portfolio is sound but, following a detailed review, steps have been taken to divest some of the less satisfactory business.

The remainder of our International Division business is written under the deferred accounting convention which enables the results to be included when sufficient time has elapsed to form a reliable view.

The main Inwards Reinsurance account, much of which is written in reciprocity for EIG's direct business, sustained a moderate underwriting loss, on a static premium volume.

Our non-proportional reinsurance account, underwritten through the NWRe organisation, closed the 1987 year of account with an underwriting profit. The progress made by this business since commencement in 1986 has been very satisfactory. The 1988 account promises well, but in the wake of hurricane Hugo and other natural disasters we have provided an additional £400,000 from taxed reserves for the 1989 account.

We also closed the initial 1987 year of our participation in the Admiral professional indemnity syndicate. Great care is taken in establishing technical reserves for this medium to long-tail business, where claims development continues well beyond the opening three-year period. Nevertheless, an underwriting profit has emerged from the 1987 account.

## Long Term Business

The growth of single premium business was once again the dominant factor in an increase in the Life Division's turnover from £24.6 million to £37 million. Allchurches Life, our proprietary life subsidiary, achieved strong progress in sales of annuity policies, up by 72.2% at £27.1 million, with Home Income plans more than compensating a downturn in school fees contracts. The company also made a sound start in sales of unit-linked personal pensions.

In previous years the rapid growth of Allchurches has required capital support in the form of transfers into the policyholders' fund but no additional support has been necessary this year. The directors have nevertheless elected to increase the capital base of Allchurches Life in order to underpin the continued growth of business.

# Review of Group Operations



Following a valuation by the Appointed Actuary the directors of Allchurches Life have carried out their triennial review of bonuses on with profits policies. They have maintained the level of reversionary bonus but increased the rates of capital bonus payable at maturity.

With the major new business thrust directed towards Allchurches Life the main EIO life portfolio increased only modestly in very competitive markets. In this fund the directors declared unchanged reversionary and capital bonuses, apart from some minor technical adjustments to maintain equity between different policyholders, in accordance with the Actuary's recommendations. Thus EIO with profits policies continue to represent very good value for money. This is no small achievement in view of current uncertainty in stock markets, the heavy administrative costs visited on life insurers by compliance with financial services legislation and the Government's determination to impose higher taxation on policyholders' funds.

## Investment and Financial Services

Each of our funds showed a strong advance in investment income during the year. In part, this is due to growth in the funds under management but strong increases in dividends from equity investments and the higher yields available on money have underpinned the overall growth.

Except where the matching of technical liabilities requires otherwise, we remain strongly committed

to a long-term capital growth strategy, with money directed into equities and property rather than fixed interest securities. Naturally, in times of uncertainty, as at present, we allow liquidity to rise, aiming to secure high-quality investments at the right buying opportunity. Our commitment to equity investment led us to acquire a further interest in St. Andrew Trust, where we now own nearly 40% of the shares.

These strategies have brought us well through a difficult year. Each fund has benefited from capital gains, by trading or writing up, while unrealised capital appreciation remains substantial. In the general fund we allocated part of the unrealised surplus to strengthen the capital structure of operating companies.

Our small unit trust operation made further progress, with a useful net inflow of money, though much progress has yet to be made before this enterprise becomes self-supporting. The Amity Fund, our ethical unit trust, again performed well, both in its specialist class and in comparison with the general category of United Kingdom growth funds.

As indicated in the Chairman's Statement, we sought further progress in mortgage business, both as a direct supplier of mortgage finance, and in connection with Home Income Plans. In the aggregate the group's mortgage business has reached almost £36 million.

B. V. DAY  
*Managing Director*

## Flavor Wrought

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Above: St. Margaret's Church, Starston,  
Harleston, Norfolk.



Left: Floods at Towyn,  
North Wales.

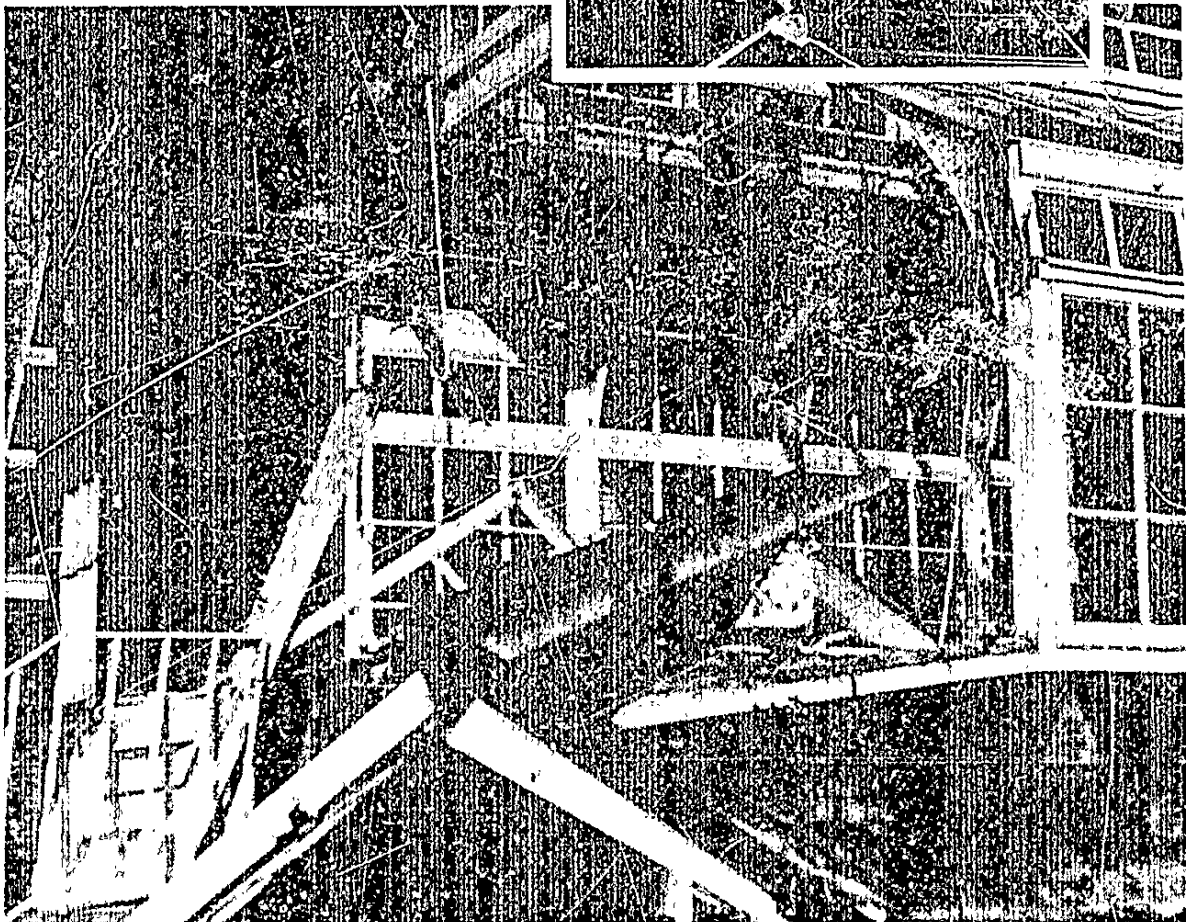


## ... By Winter Storms



Right: St. John the Baptist Church,  
Hatherleigh, Devon.

Below: A residential nursing home  
in Hartley, Kent.



# Directors' Report

The directors present their annual report together with the audited accounts for the year ended 28 February 1990.

## Principal Activities

The principal activity of the company is that of an investment holding company. Its principal subsidiary is Ecclesiastical Insurance Office plc. That company and its insurance subsidiary transact most forms of general and long term insurance.

A list of the company's subsidiary companies is given on page 28.

## Results

The results of the group for the year and the appropriations are shown in the consolidated profit and loss account on page 18.

## Ownership

The entire equity capital of the company is owned by Allchurches Trust Limited.

## Covenants and Distributions

Charitable distributions amount to £1,988,000, comprising £188,000 covenants and £1,800,000 gross ordinary dividends.

|  |                 |
|--|-----------------|
| Charitable covenants were:                 | £               |
| Representative Body of the Church in Wales | 22,000          |
| Church of England Pensions Board           | 26,000          |
| Allchurches Trust Limited                  | 100,000         |
| Beaufort House Trust Limited               | 40,000          |
|  | <u>£188,000</u> |

Dividends are as follows:

|  |                   |
|--|-------------------|
| Preference dividends of subsidiary company | £                 |
|  | 307,000           |
| Ordinary shares—Interim paid               | 450,000           |
| —Final proposed                            | 900,000           |
|  | <u>1,350,000</u>  |
|  | <u>£1,657,000</u> |

The gross equivalent of the ordinary dividends to the parent company available for charitable purposes amounts to £1,800,000.

In the past five years over £6.5 million has been provided for Church and charitable purposes.

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

## Directors

The Very Revd. T. E. Evans, the Dean of St. Paul's, Mr. M. R. Cornwall-Jones and Mr. M. J. Burns, retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting. The Revd. and the Right Honourable Lord Sandford served on the Board until 6 July 1989.

## Capital and Reserves

In February 1990 the issued Ordinary share capital was increased from £3,050,000 to £20,000,000 by the issue of 16,950,000 new shares paid up by the capitalisation of reserves. Details appear in note 9 on the accounts.

## Status

The close company provisions of the Income and Corporation Taxes Act 1970 do not apply to the company.

## Employees

The average number of persons employed in the United Kingdom each week by the company and its subsidiaries was 708 and their aggregate remuneration was £8,663,124.

It is the company'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 company 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

D. H. HAYDON  
Secretary

14 June 1990

# Auditors' Report

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## Auditors' Report to the Members of Ecclesiastical Insurance Group plc

We have audited the financial statements on pages 15 to 28, in accordance with Auditing Standards.

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 28 February 1990 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

A handwritten signature in dark ink, appearing to read 'BDO Binder Hamlyn', written in a cursive style.

London  
14 June 1990



# Accounting Policies

## **a Accounting and Disclosure Requirements**

The consolidated accounts are prepared under the provisions of Part VII, Chapter II, of the Companies Act 1985 relating to special category accounts and utilise certain of the exemptions from the disclosure requirements that are available to a group with insurance subsidiaries. The balance sheet of the company is prepared under the provisions of Part VII, Chapter I, of the Companies Act 1985. As permitted by Section 228 of the Act a separate profit and loss account for the company is not presented. Certain supplementary information is provided in notes 4, 5 and 6 in accordance with the statement of recommended practice on accounting issued by the Association of British Insurers.

## **b Subsidiary Companies and Overseas Branches**

The accounting date of subsidiary companies is the last day of February. Overseas branch trading results for the year ended 31 December are incorporated into the group results for the financial year ending on the last day of February of the following year.

## **c Associated Company**

The appropriate proportions of the latest published earnings and net assets are included in the accounts. The surplus of net assets over cost is added to investment reserves.

## **d Exchange Rates**

Assets and liabilities in overseas currencies relating to overseas branches and reinsurance are translated at the rates ruling on the previous 31 December. Revenue in overseas currencies is stated at the rates ruling on 31 December in the year in which each revenue transaction was recorded or, where appropriate, at the actual rate obtained on exchanging each currency remittance for sterling. Assets and liabilities of the overseas subsidiary and revenue for the year are translated at the rate ruling on the last day of February. 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 or losses which arise from normal trading activities are taken to distributable reserves net of taxation.

## **e 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. Outstanding claims are calculated by reference to individual cases and include amounts for claims incurred but not reported and the balances of the 'open years' accounts for London Market and inwards reinsurance business.

## **f Investment Income and Return**

In the general insurance revenue account and 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.

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.

## **g Pensions**

United Kingdom and Eire pension liabilities are dealt with by payment to the Ecclesiastical Insurance Office plc Staff Retirement Benefit Fund in accordance with actuarial recommendations. Canadian pension liabilities are dealt with by payment to a Canadian Trustee Fund.

## **h Premiums Written**

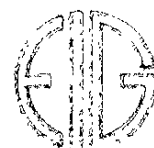
Net written premiums comprise gross direct business and reinsurance accepted (on determined years) after taking into account reinsurance ceded and portfolio transfers.

## **i Reinsurance Accepted and London Market Operations**

The results of reinsurance accepted and London Market operations are determined as at 31 December and incorporated into the accounts for the financial year ending on the last day of February of the following year. London Market and certain 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 and included in outstanding claims in the balance sheet, where appropriate this being closed at the end of the second or third year of account following the year of account to which that business relates.

# Accounting Policies

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## **j Depreciation**

Capital expenditure on premises, computer equipment, vehicles, furniture and office equipment is capitalised and depreciated over the estimated useful lives of the assets. The rates of depreciation are periodically reviewed and amounts capitalised are currently written off over the following periods:

|   |                    |
|---|--------------------|
| Freehold Buildings                                  | : 100 years        |
| Leases of less than 50 years                        | : Unexpired period |
| Plant and machinery; computers and office equipment | : 5 years          |
| Motor Vehicles                                      | : 2 years          |

Land is not depreciated.

## **k Revaluation Reserve**

This comprises surplus on revaluation of investments and gains less losses on movements in exchange.

## **l Taxation**

UK and overseas tax is charged in the 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 balance sheet date.

## Consolidated Revenue Accounts

for the year ended 28 February 1990

|  |              | 1990    | 1989   |
|--|--------------|---------|--------|
|  |              | £000    | £000   |
| <b>General Insurance</b>                     | <b>Notes</b> |         |        |
| Gross written premiums                       | 4a           | 99,098  | 83,518 |
| Less: Reinsurance                            |              | 36,651  | 28,418 |
| Net written premiums                         |              | 62,447  | 55,100 |
| Increase in unearned premiums                |              | 2,793   | 2,791  |
| Net earned premiums                          | 4b           | 59,654  | 52,309 |
| Claims incurred                              | 4c           | 43,403  | 28,595 |
| Expenses and commission                      |              | 21,240  | 19,113 |
|  |              | 64,643  | 47,708 |
| Underwriting result                          |              | (4,989) | 4,601  |
| Investment Income on General Insurance Funds | 6            | 4,837   | 4,005  |
| <b>Insurance Result</b>                      |              | (152)   | 8,606  |

### Long Term Insurance

|   |    |        |        |
|---|----|--------|--------|
| Premiums less reinsurance                               | 5a | 36,769 | 24,387 |
| Investment Return on Long Term Funds                    |    | 11,829 | 9,064  |
|   | 5  | 48,598 | 33,451 |
| <i>Less:</i>  |    |        |        |
| Claims and surrenders                                   |    | 5,173  | 5,614  |
| Annuities   |    | 9,499  | 6,833  |
| Expenses and commission                                 |    | 3,481  | 3,029  |
| Taxation  | 7  | 694    | 677    |
|   | 5  | 18,847 | 16,153 |
| <b>Excess of Income over Expenditure</b>                |    | 29,751 | 17,298 |
| Transfer from investment reserve                        |    | 2,750  | 3,250  |
| Transfer (to)/from consolidated profit and loss account |    | (4)    | 2,000  |
| <b>Increase in Funds</b>                                |    | 32,497 | 22,548 |



# Consolidated Profit and Loss Account

for the year ended 28 February 1990

|   |       | 1990         | 1989         |
|---|-------|--------------|--------------|
|   | Notes | £000         | £000         |
| Investment Income on Shareholders' Funds                        | 6     | 2,268        | 1,664        |
| Realised Investment Gains                                       | 6     | 3,063        | 770          |
| General Insurance Result  |       | (152)        | 8,606        |
| Other Operations  | 3     | (320)        | (97)         |
| Transfer from/(to) Policyholders' Funds of a subsidiary company |       | 6            | (2,000)      |
|   |       | <u>4,865</u> | <u>8,943</u> |
| Less: Debenture Interest  |       | 780          | 780          |
| <b>Profit before Taxation</b>                                   |       | <u>4,085</u> | <u>8,163</u> |
| Taxation  | 7     | 1,423        | 3,855        |
| <b>Profit after Taxation</b>                                    |       | <u>2,662</u> | <u>4,308</u> |
| Less:   |       |              |              |
| Transfer to General Reserve                                     |       | —            | 1,500        |
| Preference dividends of a subsidiary company                    |       | 306          | 307          |
| Dividends to parent company                                     |       | 1,350        | 1,460        |
| Charitable covenants net of tax relief                          |       | 122          | 122          |
|   |       | <u>1,778</u> | <u>3,389</u> |
| <b>Retained Profit</b>  | 2     | <u>884</u>   | <u>919</u>   |

## Movements in reserves

|  | 1990          |               | 1989          |               |
|--|---------------|---------------|---------------|---------------|
|  | Group         | Parent        | Group         | Parent        |
|  | £000          | £000          | £000          | £000          |
| <b>Retained Profits</b>                            |               |               |               |               |
| Balance 1 March 1989                               | 1,207         | 917           | 263           | 84            |
| Foreign exchange gains/(losses) net of taxation    | (115)         | —             | 25            | —             |
| Transfer to 'open year' funds                      | (400)         | —             | —             | —             |
| Retained profit for the year                       | 884           | 508           | 919           | 833           |
| <b>Balance 28 February 1990</b>                    | <u>1,576</u>  | <u>1,425</u>  | <u>1,207</u>  | <u>917</u>    |
| <b>General Reserve</b>                             |               |               |               |               |
| Balance 1 March 1989                               | 1,500         | —             | —             | —             |
| Transfer from consolidated profit and loss account | —             | —             | 1,500         | —             |
| <b>Balance 28 February 1990</b>                    | <u>1,500</u>  | <u>—</u>      | <u>1,500</u>  | <u>—</u>      |
| <b>Revaluation Reserve</b>                         |               |               |               |               |
| Balance 1 March 1989                               | 29,752        | 31,542        | 24,352        | 24,531        |
| Foreign exchange gains                             | 826           | —             | 412           | —             |
| Surplus arising from revaluation of investments    | 4,526         | 5,213         | 4,988         | 7,011         |
| Amount capitalised                                 | (16,950)      | (16,950)      | —             | —             |
| <b>Balance 28 February 1990</b>                    | <u>18,154</u> | <u>19,805</u> | <u>29,752</u> | <u>31,542</u> |
| <b>Total Reserves</b>                              | <u>21,230</u> | <u>21,230</u> | <u>32,459</u> | <u>32,459</u> |

# Consolidated Balance Sheet

at 28 February 1990

|   | Notes | 1990<br>£000   | 1989<br>£000   |
|---|-------|----------------|----------------|
| <b>Share Capital</b>  |       | 20,000         | 3,050          |
| <b>Reserves</b>   |       |                |                |
| Revaluation Reserve   |       | 18,154         | 29,752         |
| General Reserve   |       | 1,500          | 1,500          |
| Retained Profits  |       | 1,576          | 1,207          |
|   | 9     | 41,230         | 35,509         |
| <b>Minority Interests</b>   | 10    | 3,331          | 3,225          |
| <b>Insurance Funds</b>  | 4d, e | 68,485         | 54,498         |
| <b>Other Liabilities</b>  |       |                |                |
| due within one year   | 13    | 25,724         | 28,026         |
| due after more than one year  | 15    | 6,000          | 6,000          |
|   |       | 31,724         | 34,026         |
| <b>Long Term Insurance Accounts</b><br>(see separate balance sheet page 20) |       | 164,421        | 140,506        |
|   |       | <u>309,191</u> | <u>267,764</u> |
| <b>Investments</b>  | 12    | 62,802         | 57,844         |
| <b>Associated Company</b>   | 14    | 33,439         | 25,266         |
| <b>Fixed Assets</b>   |       | 4,414          | 3,010          |
| <b>Other Assets</b>   | 13    | 44,115         | 41,138         |
| <b>Long Term Insurance Accounts</b><br>(see separate balance sheet page 20) |       | 164,421        | 140,506        |
|   |       | <u>309,191</u> | <u>267,764</u> |



## Parent Company Balance Sheet

at 28 February 1990

|  | Notes | 1990<br>£000 | 1989<br>£000 |
|--|-------|--------------|--------------|
| <b>Fixed Assets</b>                          |       |              |              |
| Investments:                                 |       |              |              |
| Shares in group companies                    | 14    | 46,842       | 41,199       |
| <b>Current Assets</b>                        | 13    | 1,410        | 1,523        |
| <b>Less: Creditors</b>                       |       |              |              |
| Amounts falling due within one year          | 13    | 1,022        | 1,213        |
| <b>Net Current Assets</b>                    |       | 388          | 310          |
| <b>Total Assets less Current Liabilities</b> |       | 47,230       | 41,509       |
| <b>Less: Creditors</b>                       |       |              |              |
| Amount falling due after more than one year  | 15    | 6,000        | 6,000        |
| <b>Net Assets</b>                            |       | 41,230       | 35,509       |
| <b>Represented by:</b>                       |       |              |              |
| Capital and Reserves                         | 9     | 41,230       | 35,509       |

*C. A. McLintock*  
*B. V. Day*

C. A. McLINTOCK  
B. V. DAY

} Directors

## Long Term Business Balance Sheet

at 28 February 1990

|                          | Notes | 1990<br>£000 | 1989<br>£000 |
|--------------------------|-------|--------------|--------------|
| <b>Life Fund</b>         | 11    | 163,239      | 139,539      |
| <b>Other Liabilities</b> | 13    | 1,182        | 967          |
|                          |       | 164,421      | 140,506      |
| <b>Investments</b>       | 12    | 157,593      | 133,178      |
| <b>Fixed Assets</b>      |       | 855          | 772          |
| <b>Other Assets</b>      | 13    | 5,973        | 6,556        |
|                          |       | 164,421      | 140,506      |

# Group Statement of Source and Application of Funds

for the year ended 28 February 1990 (excluding Long Term Business)

|   | 1990          | 1989         |
|---|---------------|--------------|
|   | £000          | £000         |
| <b>Source of Funds</b>                            |               |              |
| Profit before taxation                            | 4,085         | 8,163        |
| Transfer to 'open year' funds                     | (400)         | —            |
| Profit retained in associated company             | (60)          | (24)         |
| Depreciation                                      | 814           | 896          |
| Minorities  | 110           | —            |
| Adjustments for movements in:                     |               |              |
| Exchange rates                                    | 711           | 438          |
| Insurance funds and outstanding claims            | 13,987        | 2,431        |
| Creditors   | (812)         | (4,319)      |
| Debtors   | (1,666)       | 2,377        |
| <b>Total generated from operations</b>            | <b>16,769</b> | <b>9,962</b> |
| <br><b>Application of Funds</b>                   |               |              |
| Charitable Grants                                 | 188           | 188          |
| Preference dividends paid by subsidiary company   | 306           | 307          |
| Dividends paid                                    | 1,550         | 360          |
| Tax paid  | 2,434         | 960          |
|   | <b>4,478</b>  | <b>1,815</b> |
| <b>Funds available for investment</b>             | <b>12,291</b> | <b>8,147</b> |
| <br><b>Change in Investments and Liquid Funds</b> |               |              |
| Fixed interest securities                         | 3,008         | (668)        |
| Ordinary stocks and shares                        | 3,004         | 1,343        |
| Properties  | 278           | 391          |
| Other investments                                 | 1,196         | (274)        |
| Fixed assets                                      | 2,218         | 1,504        |
| Acquisition of interest in associated company     | 1,065         | 928          |
| Cash at bank and in hand                          | 1,522         | 4,923        |
|   | <b>12,291</b> | <b>8,147</b> |

# Notes on the Accounts



## 1 Exchange Rates

The principal rates of exchange used for translation are:

|                     | 1990    | 1989    |
|---------------------|---------|---------|
| Canada              | C\$1.87 | C\$2.15 |
| Republic of Ireland | IR£1.04 | IR£1.20 |

## 2 Retained Profits

Retained profits have been dealt with in the following accounts:

|                      | £000       | £000       |
|----------------------|------------|------------|
| Parent Company       | 508        | 833        |
| Subsidiary Companies | 316        | 62         |
| Associated Company   | 60         | 24         |
|                      | <u>884</u> | <u>919</u> |

## 3 Other Operations

|                            | £000         | £000        |
|----------------------------|--------------|-------------|
| Unit Trust Management      | (120)        | (97)        |
| Underwriting Management    | (134)        | —           |
| Churches Purchasing Scheme | (66)         | —           |
|                            | <u>(320)</u> | <u>(97)</u> |

## 4 General Insurance Business

In the consolidated revenue account premiums and claims are made up as follows:

|  | £000          | £000          |
|--|---------------|---------------|
| (a) Gross written premiums             |               |               |
| Property Damage                        | 65,010        | 56,225        |
| Other Classes                          | 34,088        | 27,293        |
|  | <u>99,098</u> | <u>83,518</u> |
| (b) Premiums earned                    |               |               |
| Premiums written less reinsurance      | 62,447        | 55,100        |
| Increase in unearned premiums          | (3,454)       | (3,464)       |
| Increase in deferred acquisition costs | 661           | 673           |
|  | <u>59,654</u> | <u>52,309</u> |
| (c) Claims incurred                    |               |               |
| Gross incurred                         | 96,560        | 42,312        |
| Reinsurance recoveries                 | (53,157)      | (13,717)      |
| Net incurred                           | <u>43,403</u> | <u>28,595</u> |

In the consolidated balance sheet insurance funds are made up as follows:

| (d) Unearned premiums      |               |               |
|----------------------------|---------------|---------------|
| Gross of reinsurance       | 40,098        | 34,728        |
| Reinsurance ceded          | (13,812)      | (12,228)      |
| Deferred acquisition costs | (4,928)       | (4,201)       |
|                            | <u>21,358</u> | <u>18,299</u> |
| (e) Outstanding claims     |               |               |
| Gross of reinsurance       | 103,145       | 58,905        |
| Reinsurance recoverable    | (56,018)      | (22,706)      |
|                            | <u>47,127</u> | <u>36,199</u> |
| Total Insurance Funds      | <u>68,485</u> | <u>54,498</u> |



## Notes on the Accounts

### 5 Long Term Insurance Business

In the consolidated revenue account the increase in the Mutual and Non Mutual Funds is made up as follows:

|                                       | Mutual        |               | Non Mutual    |               | Total          |                |
|---------------------------------------|---------------|---------------|---------------|---------------|----------------|----------------|
|                                       | 1990          | 1989          | 1990          | 1989          | 1990           | 1989           |
|                                       | £000          | £000          | £000          | £000          | £000           | £000           |
| <b>Income</b>                         |               |               |               |               |                |                |
| Life Assurance and Endowment          |               |               |               |               |                |                |
| Certain premiums                      | 5,236         | 4,738         | 149           | 92            | 5,385          | 4,830          |
| Consideration for annuities granted   | 1,905         | 1,983         | 27,073        | 15,124        | 28,978         | 17,707         |
| Pension Fund premiums                 | 1,776         | 1,835         | 630           | 15            | 2,406          | 1,850          |
|                                       | <u>8,917</u>  | <u>8,556</u>  | <u>27,852</u> | <u>15,831</u> | <u>36,769</u>  | <u>24,587</u>  |
| Investment return                     | 6,268         | 5,473         | 5,561         | 3,591         | 11,829         | 9,064          |
|                                       | <u>15,185</u> | <u>14,029</u> | <u>33,413</u> | <u>19,422</u> | <u>48,598</u>  | <u>33,451</u>  |
| <b>Expenditure</b>                    |               |               |               |               |                |                |
| Claims incurred                       | 3,998         | 4,849         | 176           | 34            | 4,174          | 4,883          |
| Surrenders                            | 826           | 539           | 173           | 192           | 999            | 731            |
| Annuities                             | 2,971         | 2,917         | 6,528         | 3,916         | 9,499          | 6,833          |
|                                       | <u>7,795</u>  | <u>8,305</u>  | <u>6,877</u>  | <u>4,142</u>  | <u>14,672</u>  | <u>12,447</u>  |
| Expenses                              | 1,907         | 2,016         | 1,574         | 1,013         | 3,481          | 3,029          |
| Taxation                              | 654           | 400           | 40            | 254           | 694            | 677            |
|                                       | <u>10,356</u> | <u>10,744</u> | <u>8,491</u>  | <u>5,409</u>  | <u>18,847</u>  | <u>16,153</u>  |
| Excess of Income over Expenditure     | 4,829         | 3,285         | 24,922        | 14,013        | 29,751         | 17,298         |
| Transfer from Investment Reserve      | 2,750         | 3,250         | —             | —             | 2,750          | 3,250          |
| Transfer (to)/from Shareholders Funds | —             | —             | (4)           | 2,000         | (4)            | 2,000          |
| Funds at beginning of year            | 69,843        | 63,308        | 43,530        | 27,517        | 113,373        | 90,825         |
| Funds at end of year (see note 11)    | <u>77,422</u> | <u>69,843</u> | <u>68,448</u> | <u>43,530</u> | <u>145,870</u> | <u>113,373</u> |
| <b>(a) Premiums Written</b>           |               |               |               |               |                |                |
| Gross written premiums                |               |               |               |               | 36,990         | 24,567         |
| Reassurance ceded                     |               |               |               |               | (221)          | (180)          |
|                                       |               |               |               |               | <u>36,769</u>  | <u>24,387</u>  |
| <b>(b) Class analysis</b>             |               |               |               |               |                |                |
| Life Policies—Single                  |               |               |               |               | —              | 10             |
| —Regular                              |               |               |               |               | 5,433          | 4,899          |
| Annuities —Single                     |               |               |               |               | 28,979         | 17,707         |
| Pensions —Single                      |               |               |               |               | 1,006          | 339            |
| —Regular                              |               |               |               |               | 1,448          | 1,542          |
| Endowment Certain                     |               |               |               |               | 124            | 70             |
|                                       |               |               |               |               | <u>36,990</u>  | <u>24,567</u>  |
| <b>(c) Claims and Surrenders</b>      |               |               |               |               |                |                |
| Gross of reinsurance                  |               |               |               |               | 5,173          | 5,617          |
| Reinsurance recoveries                |               |               |               |               | —              | (3)            |
|                                       |               |               |               |               | <u>5,173</u>   | <u>5,614</u>   |

# Notes on the Accounts



## 6 Investment Income and Return

|                                      | Long Term Business |              |              |              | General Business |              |
|--------------------------------------|--------------------|--------------|--------------|--------------|------------------|--------------|
|                                      | Mutual             | Non Mutual   | Mutual       | Non Mutual   | Business         | Business     |
|                                      | 1990               | 1989         | 1990         | 1989         | 1990             | 1989         |
|                                      | £000               | £000         | £000         | £000         | £000             | £000         |
| Investment Income                    | 6,183              | 5,375        | 5,445        | 3,386        | 6,301            | 5,228        |
| Associated Company                   | —                  | —            | —            | —            | 1,089            | 824          |
| Realised Investment Gains            | 338                | 38           | 146          | 236          | 3,063            | 770          |
|                                      | <u>6,521</u>       | <u>5,770</u> | <u>5,591</u> | <u>3,622</u> | <u>10,453</u>    | <u>6,822</u> |
| Less Expenses                        | 253                | 297          | 30           | 31           | 285              | 383          |
|                                      | <u>6,268</u>       | <u>5,473</u> | <u>5,561</u> | <u>3,591</u> | <u>10,168</u>    | <u>6,439</u> |
| Allocated to:                        |                    |              |              |              |                  |              |
| Consolidated Revenue Accounts        | 6,268              | 5,473        | 5,561        | 3,591        | 4,837            | 4,005        |
| Consolidated Profit and Loss Account |                    |              |              |              |                  |              |
| Investment Income                    | —                  | —            | —            | —            | 2,268            | 1,664        |
| Realised Investment Gains            | —                  | —            | —            | —            | 3,063            | 770          |
|                                      | <u>6,268</u>       | <u>5,473</u> | <u>5,561</u> | <u>3,591</u> | <u>10,168</u>    | <u>6,439</u> |

Following a refinement of the allocation of investment income and gains between technical and shareholders' funds a re-allocation of comparative figures has been effected and this resulted in a transfer of £936,000 from General Business Revenue Account to the Consolidated Profit and Loss Account.

## 7 Taxation

Taxation charged in the Consolidated Profit and Loss Account is Corporation Tax at the rate of 35% (1989: 35%) based on the profit for the year and tax credit attributable to United Kingdom franked investment income received. The Long Term Funds are charged to tax on the bases applicable to Life Assurance and Annuity business.

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

|   | Long Term Business |            |           |            | General Business |              |
|---|--------------------|------------|-----------|------------|------------------|--------------|
|   | Mutual             | Non Mutual | Mutual    | Non Mutual | Business         | Business     |
|   | 1990               | 1989       | 1990      | 1989       | 1990             | 1989         |
|   | £000               | £000       | £000      | £000       | £000             | £000         |
| UK Corporation Tax                      | 208                | 145        | —         | 250        | 744              | 3,222        |
| Overseas taxation                       | 12                 | 13         | —         | —          | 330              | 304          |
|   | <u>220</u>         | <u>158</u> | <u>—</u>  | <u>250</u> | <u>1,074</u>     | <u>3,526</u> |
| Less relief for overseas taxation       | 12                 | 4          | —         | —          | 330              | 304          |
|   | <u>208</u>         | <u>154</u> | <u>—</u>  | <u>250</u> | <u>744</u>       | <u>3,222</u> |
| Tax credit on franked investment income | 481                | 123        | 41        | 6          | 416              | 368          |
| Share of Associated Company's taxation  | —                  | —          | —         | —          | 272              | 206          |
|   | <u>689</u>         | <u>277</u> | <u>41</u> | <u>256</u> | <u>1,432</u>     | <u>3,796</u> |
| Prior year adjustment                   | (35)               | 146        | (1)       | (2)        | (9)              | 59           |
|   | <u>654</u>         | <u>423</u> | <u>40</u> | <u>254</u> | <u>1,423</u>     | <u>3,855</u> |

## 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 £14.0m (1989: £16.0m) would arise. Of this £9.1m (1989: £9.2m) would relate to the Shareholders' Funds, £4.9m (1989: £6.8m) to the Long Term Funds.

## 8 Lease Commitments

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

|                        | 1990       | 1990      | 1989       | 1989      |
|------------------------|------------|-----------|------------|-----------|
|                        | Premises   | Equipment | Premises   | Equipment |
|                        | £000       | £000      | £000       | £000      |
| Expiring within 1 year | —          | 52        | —          | —         |
| Between 1-5 years      | 780        | —         | 391        | 52        |
|                        | <u>780</u> | <u>52</u> | <u>391</u> | <u>52</u> |

# Notes on the Accounts

## 9 Share Capital and Reserves

|  | Group<br>1990<br>£000 | Parent<br>1990<br>£000 | Group<br>1989<br>£000 | Parent<br>1989<br>£000 |
|--|-----------------------|------------------------|-----------------------|------------------------|
| Share Capital                                  |                       |                        |                       |                        |
| Authorised, Allotted, Issued and Fully Paid    |                       |                        |                       |                        |
| Ordinary Share Capital                         |                       |                        |                       |                        |
| 20,000,000 (1989: 3,050,000) Shares of £1 each | 20,000                | 20,000                 | 3,050                 | 3,050                  |
| Reserves                                       |                       |                        |                       |                        |
| Revaluation Reserve                            | 18,154                | 19,895                 | 20,752                | 31,542                 |
| General Reserve                                | 1,500                 | —                      | 1,500                 | —                      |
| Retained Profits                               | 1,576                 | 1,425                  | 1,207                 | 917                    |
|  | <u>41,230</u>         | <u>41,230</u>          | <u>35,509</u>         | <u>35,509</u>          |

The authorised share capital was increased during the year from £3,050,000 to £20,000,000 by the creation of a further 16,950,000 new Ordinary Shares of £1 each. These shares were paid up by the capitalisation of £16,950,000 standing to the credit of revaluation reserve.

## 10 Minority Interests

Minority interests comprise preference and ordinary share capital in subsidiary companies less attributable losses.

|   | 1990<br>£000 | 1989<br>£000 |
|---|--------------|--------------|
| Ecclesiastical Insurance Office plc                           |              |              |
| 2.8% First Cumulative Preference Shares of £1 each            | 221          | 225          |
| 10% Redeemable Second Cumulative Preference Shares of £1 each | 3,000        | 3,000        |
| Ecclesiastical Underwriting Management Limited                |              |              |
| Ordinary Shares of £1 each                                    | 110          | —            |
|   | <u>3,331</u> | <u>3,225</u> |

The subsidiary has the right to redeem all or any of the Redeemable Second Cumulative Preference Shares at par together with a premium, as follows:

| Year of Redemption | Premium |
|--------------------|---------|
| up to 1992         | 10%     |
| 1993 to 1997       | 7½%     |
| 1998 to 2002       | 5%      |
| 2003 to 2007       | 2½%     |
| 2008 to 2012       | Nil     |

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

## 11 Long Term Insurance Funds

Insurance Funds shown in the Long Term Business Balance Sheet are as follows:

|                     | 1990<br>£000   | 1989<br>£000   |
|---------------------|----------------|----------------|
| Mutual Funds        | 77,422         | 69,843         |
| Non Mutual Funds    | 68,448         | 43,530         |
|                     | <u>145,870</u> | <u>113,373</u> |
| Investment Reserves | 17,369         | 26,106         |
|                     | <u>163,239</u> | <u>139,539</u> |



## Notes on the Accounts

### 12 Investments

Investments are valued in accordance with the Insurance Companies Regulations. 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.

|   | 1990<br>Long<br>Term<br>£000 | 1990<br>General<br>£000 | 1990<br>Total<br>£000 | 1989<br>Long<br>Term<br>£000 | 1989<br>General<br>£000 | 1989<br>Total<br>£000 |
|---|------------------------------|-------------------------|-----------------------|------------------------------|-------------------------|-----------------------|
| British Government and British Government guaranteed securities           | 20,671                       | 12,461                  | 33,132                | 26,408                       | 12,728                  | 39,136                |
| United Kingdom Municipal, County and Public Boards securities             | 905                          | 262                     | 1,167                 | 991                          | 291                     | 1,282                 |
| Government, Provincial and Municipal securities other than United Kingdom | 2,492                        | 5,564                   | 8,056                 | 1,539                        | 5,799                   | 7,338                 |
| Debentures and loan stocks  | 20,430                       | 9,351                   | 29,781                | 20,903                       | 7,213                   | 28,116                |
| Preference shares   | 2,091                        | 2,218                   | 4,309                 | 1,817                        | 2,653                   | 4,470                 |
| Ordinary stocks and shares  | 64,197                       | 28,660                  | 92,857                | 56,071                       | 26,401                  | 82,472                |
| Other investments, including mortgages and loans                          | 34,066                       | 1,828                   | 35,894                | 13,853                       | 746                     | 14,599                |
| Freehold and leasehold properties   | 12,741                       | 2,458                   | 15,199                | 11,596                       | 2,013                   | 13,609                |
|   | <u>157,593</u>               | <u>62,802</u>           | <u>220,395</u>        | <u>133,178</u>               | <u>57,844</u>           | <u>191,022</u>        |

### 13 Other Assets and Liabilities

|                                   | 1990<br>Long<br>Term<br>£000 | 1990<br>Consoli-<br>dated<br>£000 | 1990<br>Parent<br>Company<br>£000 | 1989<br>Long<br>Term<br>£000 | 1989<br>Consoli-<br>dated<br>£000 | 1989<br>Parent<br>Company<br>£000 |
|-----------------------------------|------------------------------|-----------------------------------|-----------------------------------|------------------------------|-----------------------------------|-----------------------------------|
| <b>Current Assets</b>             |                              |                                   |                                   |                              |                                   |                                   |
| Agents and other insurance debts  | 502                          | 28,655                            | —                                 | 150                          | 29,298                            | —                                 |
| Other debtors, including taxation | 1,866                        | 2,394                             | —                                 | 1,191                        | 940                               | 201                               |
| Dividends from subsidiary         | —                            | —                                 | 1,050                             | —                            | —                                 | 1,250                             |
| Group balances                    | 27                           | 644                               | —                                 | 25                           | —                                 | —                                 |
| Cash at bank and in hand          | 3,578                        | 12,422                            | 360                               | 5,190                        | 10,900                            | 72                                |
|                                   | <u>5,973</u>                 | <u>44,115</u>                     | <u>1,410</u>                      | <u>6,556</u>                 | <u>41,138</u>                     | <u>1,523</u>                      |

#### Creditors: amounts falling due within one year

|                                     |              |               |              |            |               |              |
|-------------------------------------|--------------|---------------|--------------|------------|---------------|--------------|
| Outstanding claims                  | 540          | —             | —            | 567        | —             | —            |
| Due to other insurance companies    | 6            | 21,963        | —            | 16         | 22,679        | —            |
| Other creditors, including taxation | 636          | 2,854         | 113          | 384        | 4,240         | 113          |
| Group balances                      | —            | —             | 9            | —          | —             | —            |
| Proposed dividend                   | —            | 907           | 900          | —          | 1,107         | 1,100        |
|                                     | <u>1,182</u> | <u>25,724</u> | <u>1,022</u> | <u>967</u> | <u>28,026</u> | <u>1,213</u> |

# Notes on the Accounts

## 14 Shares in Group and Associated Companies

Shares in group companies are shown at net asset value in the parent company balance sheet.

Shares in the associated company St. Andrew Trust plc are shown at net asset value in the consolidated balance sheet.

## 15 Debenture Stock

The 6,000,000 13% Debenture Stock 2018 is secured on the assets of the company. 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.

## 16 Capital Commitments

At 28 February 1990 there were no outstanding contracts for capital expenditure (1989: nil). Capital expenditure authorised by the directors but not contracted for was £3.5m (1989: nil).

## 17 Directors' Emoluments

The aggregate emoluments of the directors of the group were:

|  | 1990           | 1989           |
|--|----------------|----------------|
|  | £              | £              |
| In respect of services as directors              | 74,654         | 64,622         |
| Other emoluments including pension contributions | 205,020        | 156,312        |
|  | <u>279,674</u> | <u>220,934</u> |

In addition an ex gratia payment of £25,000 was made to one retiring director (1989: nil).

Individual emoluments (excluding pension contributions) were:

|                           | 1990   | 1989   |
|---------------------------|--------|--------|
|                           | £      | £      |
| Chairman                  | 14,450 | 12,560 |
| Highest paid director     | 96,272 | 90,820 |
| Other directors by scale: | No.    | No.    |
| Up to £5,000              | 1      | 5      |
| £5,001 to £10,000         | 7      | 3      |
| £10,001 to £15,000        | 1      | 1      |
| £15,001 to £20,000        | —      | 1      |
| £20,001 to £25,000        | 1      | —      |

## 18 Employees' Emoluments

The number of group employees, excluding directors, who received remuneration exceeding £30,000 in the financial year was:

|                    | 1990 | 1989 |
|--------------------|------|------|
| £30,001 to £35,000 | 12   | 7    |
| £35,001 to £40,000 | 4    | 1    |
| £40,001 to £45,000 | 1    | 2    |
| £45,001 to £50,000 | 1    | —    |
| £50,001 to £55,000 | —    | 2    |
| £55,001 to £60,000 | 2    | 2    |
| £60,001 to £65,000 | 1    | —    |
| £65,001 to £70,000 | 2    | —    |

## 19 Pensions

The group's main scheme is a defined benefit scheme for UK and Eire 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 1989. The assumptions which have the greatest effect on the valuation results are those related to the rate of return on investment 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.

The most recent actuarial valuation showed that the market value of the scheme's assets was £19,881,000, representing 101.9% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contribution of the group to the Fund is 20% of pensionable salary.

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

## 20 Loans to Directors and Officers

No loans or quasi loans were made to directors or connected persons during the year. One person who was an officer of the group during the year ended 28 February 1990 had a loan outstanding at that date amounting to £328.

## 21 Auditors' Remuneration

The remuneration of the auditors of the group amounted to £87,145 (1989: £71,980).

## 22 Approval of Accounts

The accounts shown on pages 15 to 28 were approved by the directors and signed on 14 June 1990.

# Holding, Subsidiary and Associated Companies



## Holding Company

The company's ultimate holding company is Allchurches Trust Limited incorporated in England.

| Subsidiary Companies                               | Share Capital                                      | Holding of shares by: |            |
|--|--|-----------------------|------------|
|  |  | Parent                | Subsidiary |
| (i) Incorporated and operating in England:         |  |                       |            |
| Ecclesiastical Insurance Office plc                | Ordinary Shares                                    | 100%                  |            |
|  | 2.8% First Cumulative Preference Shares            | 11.6%                 |            |
|  | 9.5% Redeemable Third Cumulative Preference Shares | 100%                  |            |
|  |  |                       |            |
| Ecclesiastical Group Asset Management Limited      | Ordinary Shares                                    | 100%                  |            |
| The Churches Purchasing Scheme Limited             | Ordinary Shares                                    | 100%                  |            |
| Ecclesiastical Underwriting Management Limited     | Ordinary Shares                                    | 60%                   |            |
| Allchurches Investment Management Services Limited | Ordinary Shares                                    |                       | 100%       |
| Allchurches Life Assurance Limited                 | Ordinary Shares                                    |                       | 100%       |
| Blaisdon Properties Limited                        | Deferred Shares                                    |                       | 100%       |
|  | Ordinary Shares                                    |                       | 100%       |

In addition there are six other wholly-owned subsidiary companies whose assets and contribution to group income are not significant.

## (ii) Incorporated and operating in the Republic of Ireland:

|                         |                 |      |
|-------------------------|-----------------|------|
| Rei Investments Limited | Ordinary Shares | 100% |
|-------------------------|-----------------|------|

## Associated Company

Incorporated in Scotland:

|                      |                                    |       |
|----------------------|------------------------------------|-------|
| St. Andrew Trust plc | Ordinary Shares                    | 39.7% |
|                      | 3.675% Cumulative Preference Stock | 15.5% |
|                      |                                    |       |

## 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 appearing in the register maintained under the provisions of the Companies Act 1985 are as follows:

| Directors   | Interest at<br>28.2.1990 | Interest at<br>1.3.1989 |
|---|--------------------------|-------------------------|
| C. Alan McLintock . . . . .                                     | 500                      | 500                     |
| M. R. Cornwall-Jones . . . . .                                  | 500                      | 500                     |
| J. C. Bracher . . . . .   | 500                      | 500                     |
| M. J. Burns . . . . .   | 500                      | 500                     |
| B. V. Day . . . . .   | 2,970                    | 2,970                   |
| The Very Revd. T. E. Evans the Dean of St. Paul's . . . . .     | 2,900                    | 2,900                   |
| J. D. McArdell . . . . .  | 1,000                    | 1,000                   |
| D. R. W. Silk . . . . .   | 500                      | 500                     |
| The Very Revd. J. A. Simpson the Dean of Canterbury . . . . .   | 500                      | 500                     |
| The Rt. Revd. D. G. Snelgrove the Lord Bishop of Hull . . . . . | 700                      | 700                     |
| W. H. Yates . . . . .   | 500                      | 500                     |

No director was interested in any other shares or debentures of the group. There has been no change in these interests since the end of the financial year to the date of this report.

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

## Great Britain

## International



**Tom Lowrie,**  
Manager,  
Scottish Region;  
based Edinburgh.  
(031) 225 5422.

**EDINBURGH**

**John Coates,**  
Manager,  
Midland Region;  
based Birmingham.  
(021) 200 3200.

**HARROGATE**

**MANCHESTER**

**John Feltham,**  
Manager,  
Eastern Region;  
based Cambridge.  
(0223) 460611.

**BIRMINGHAM**

**CAMBRIDGE**

**CARDIFF**

**GLOUCESTER**

**LONDON**

**BRISTOL**

**EAST GRINSTEAD**

**SOUTHAMPTON**

**Tom Jump,**  
Manager,  
Western Region;  
based Bristol.  
(0272) 266211.

**Paul Godfrey,**  
Manager,  
Southern & City Regions;  
based East Grinstead.  
(0342) 410281  
City (071) 528 7363

**Desmond Campbell,**  
Manager for  
Ireland,  
based Dublin

**Bill McGrath,**  
Local Manager,  
N. Ireland,  
based Belfast

**Bill Breckles,**  
Manager for  
Canada,  
based Toronto.

In addition to an extensive international reinsurance account written at EIG Headquarters in Gloucester and in the London Market, Ecclesiastical Insurance Office plc is represented in all provinces of Canada under the control of its Canadian Chief Office in Toronto. In Ireland operations are controlled from its Chief Irish Office in Dublin with a Branch Office in Belfast. In Malta the Group is represented by SMS Insurance Agency Limited.



# Branches and Agencies

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## England and Wales

### London

*Regional Manager:* T. P. H. Godfrey ACII MIAS

*Manager of City Office:* D. S. Bullock ACII

*Regional Office:* 19/21 Billiter Street, London EC3M 2RY  
Tel. 071 528 7363

### Eastern

*Regional Manager:* J. M. Feltham ACII

*Assistant Regional Manager:* J. N. Farrow

*Regional Office:* Abbeygate House, 164-167 East Road, Cambridge CB1 1DB  
Tel. 0223 460611

### Midland

*Regional Manager:* J. M. Coates ACII

*Assistant Regional Manager:* P. T. Bloxham ACII

*Regional Office:* Berwick House, 35 Livery Street, Birmingham B3 2PB  
Tel. 021 627 0452

### Northern (including Isle of Man)

*Regional Manager:* D. J. Lewis ACII

*Deputy Regional Manager:* R. W. Marshall FCI

*Branch Manager (Manchester):* J. M. Lindsey

7 Cambridge Road, Harrogate,  
North Yorkshire HG1 1PB  
Tel. 0423 524221

Lincoln House, 1 Brazennose Street,  
Manchester M2 5FJ  
Tel. 061 832 2616

### Southern (including Channel Islands)

*Regional Manager:* T. P. H. Godfrey ACII MIAS

*Deputy Regional Manager:* S. F. Cakebread

*Branch Manager (Southampton):* D. M. F. Byrne FCI

Kings House, 13/21 Cantelupe Road,  
East Grinstead, Sussex RH19 3BE  
Tel. 0342 410281

Adyar House, 32 Carlton Crescent,  
Southampton SO1 2ZB  
Tel. 0703 634488

### Western (including Isles of Scilly)

*Regional Manager:* T. B. Jump FCI

*Deputy Regional Manager:* C. J. Langton

*Branch Manager (Cardiff):* P. March

Kings Court, King Street,  
Bristol BS1 4HW  
Tel. 0272 266211

Riverside House, 31 Cathedral Road,  
Cardiff CF1 9HB  
Tel. 0222 223983

### Scotland

*Regional Manager:* T. G. Lawrie ACII

*Assistant Regional Manager:* A. M. M. Fraser

*Regional Office:* 55 North Castle Street, Edinburgh EH2 3QA  
Tel. 031 225 5422



## Branches and Agencies

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### Ireland

65 Fitzwilliam Square, Dublin 2  
Tel. Dublin 687033

*Manager for Ireland:* D. E. Campbell

Friends' Provident Building, 58 Howard Street, Belfast BT1 6PH  
Tel. Belfast 233130

*Local Manager:* W. C. McGrath ACU

### Canada

*Chief Office:* 2300 Yonge Street, Toronto, Ontario M4P 1E4

*Advisory Board:* C. Alan McLintock, B. V. Day, D. W. Stapleton, P. C. Mangin,  
W. T. Breckles, M. E. T. Payne, Prof. W. Waters, D. Stovel

*Manager for Canada:* W. T. Breckles BSc(HONS), MBA

*Maritimes Office:* 255 Lacewood Drive, Halifax, Nova Scotia B3M 4G2

*Manager:* H. Meek

*British Columbia Office:* 545 Clyde Avenue, West Vancouver,  
British Columbia, V7T 1C5

*Manager:* Miss D. Burcham

*Newfoundland:* c/o R. C. Anthony Insurance Agency Inc., P.O. Box 8130,  
Kenmount Road, St. John's, Newfoundland, A1B 3N2

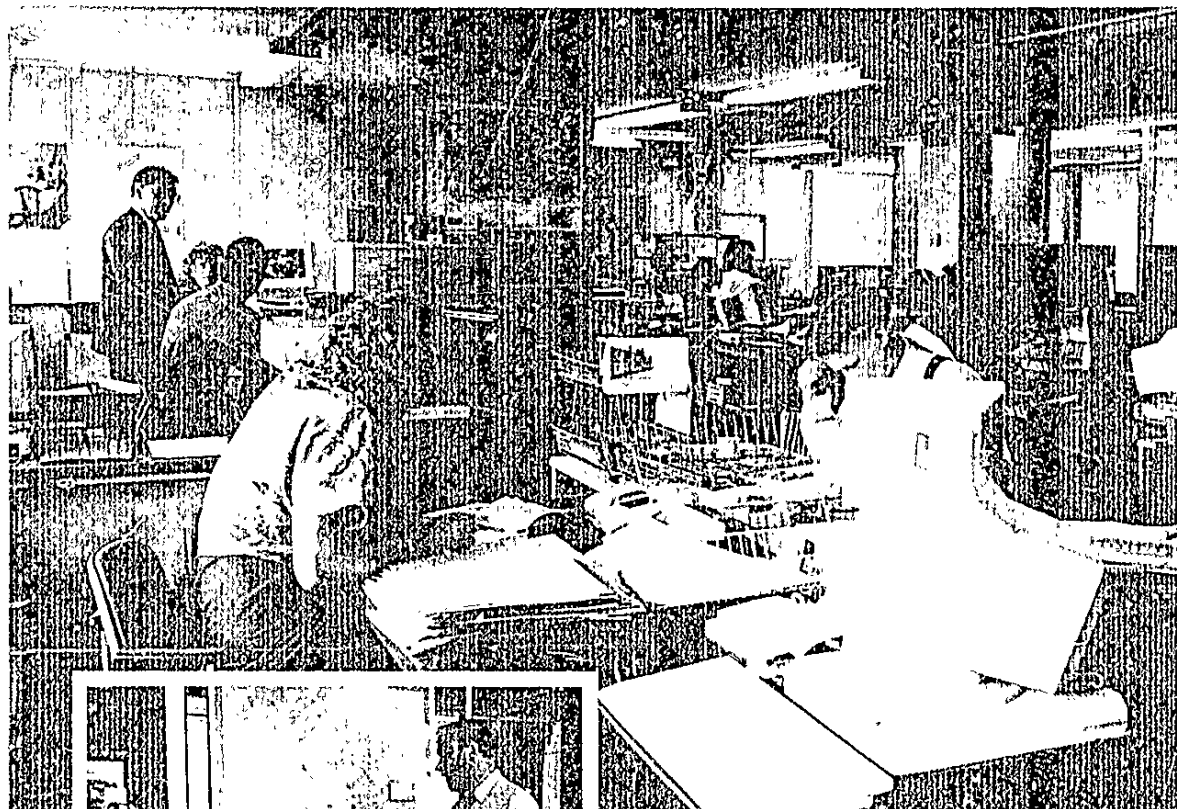
*Provincial General Agent:* R. C. Anthony

*Quebec:* c/o Société de Courtage Meloche Limitée, 500 René Levesque Blvd West,  
Montreal, Quebec, H2Z 1Y4

*Provincial General Agent:* Robert Di Marco

### Malta

*Underwriting Agents:* SMS Insurance Agency Ltd., 33 Tower Road, Sliema, Malta



The storms which affected much of England and Wales in January and February 1990 put heavy demands on the Group's Claims Department already used to dealing with upwards of 10,000 claims of all types each year

In the immediately ensuing period the department operated a seven day working week to deal with an additional 20,000 storm damage claims



## Branch Offices

The Group continued its expansion into large cities during the year by opening new offices in Cardiff and Southampton. In Bristol the Group office moved to the new, larger accommodation in the heart of one of the main financial areas of the city.



Cardiff, Riverside House.



Southampton, Adyar House.

Bristol, Kings Court.



## Five Year Summary

| Years to end of February               | 1990<br>£000   | 1989<br>£000   | 1988<br>£000   | 1987<br>£000   | 1986<br>£000   |
|--|----------------|----------------|----------------|----------------|----------------|
| <b>Premium Income</b>                  |                |                |                |                |                |
| Gross written premiums                 |                |                |                |                |                |
| General insurance                      | 99,098         | 83,518         | 68,737         | 58,800         | 45,779         |
| Long term insurance                    | 36,990         | 24,567         | 15,288         | 13,254         | 10,978         |
| <b>Total</b>                           | <b>136,088</b> | <b>108,085</b> | <b>84,025</b>  | <b>72,054</b>  | <b>56,757</b>  |
| Net written premiums                   |                |                |                |                |                |
| General insurance                      | 62,447         | 55,100         | 47,816         | 41,336         | 30,721         |
| Long term insurance                    | 36,769         | 24,387         | 15,107         | 13,113         | 10,860         |
| <b>Total</b>                           | <b>99,216</b>  | <b>79,487</b>  | <b>62,923</b>  | <b>54,449</b>  | <b>41,581</b>  |
| <b>Summary of Results</b>              |                |                |                |                |                |
| Profit/(Loss) before Taxation          | 4,085          | 8,163          | (318)          | 3,399          | 2,439          |
| Taxation                               | 1,423          | 3,855          | 21             | 1,274          | 862            |
| <b>Profit/(Loss) after Taxation</b>    | <b>2,662</b>   | <b>4,308</b>   | <b>(297)</b>   | <b>2,125</b>   | <b>1,577</b>   |
| Less:                                  |                |                |                |                |                |
| Transfer to General Reserve            | —              | 1,500          | —              | —              | —              |
| Preference dividends of a subsidiary   | 306            | 307            | 307            | 307            | 307            |
| Dividends to parent company            | 1,350          | 1,460          | 300            | 170            | 155            |
| Charitable covenants net of tax relief | 122            | 122            | 41             | 512            | 420            |
|  | <b>1,778</b>   | <b>3,389</b>   | <b>648</b>     | <b>989</b>     | <b>882</b>     |
| <b>Retained Profit/(Loss)</b>          | <b>884</b>     | <b>919</b>     | <b>(945)</b>   | <b>1,136</b>   | <b>695</b>     |
| <b>Capital and Reserves</b>            | <b>41,230</b>  | <b>35,509</b>  | <b>27,665</b>  | <b>35,714</b>  | <b>25,724</b>  |
| <b>Insurance Funds</b>                 |                |                |                |                |                |
| General Business                       | 68,485         | 54,498         | 52,067         | 41,107         | 31,018         |
| Long Term (Mutual)                     | 104,587        | 97,939         | 86,043         | 82,494         | 65,570         |
| Long Term (Non Mutual)                 | 58,652         | 41,600         | 29,479         | 21,794         | 17,078         |
|  | <b>231,724</b> | <b>194,037</b> | <b>167,589</b> | <b>145,395</b> | <b>113,666</b> |