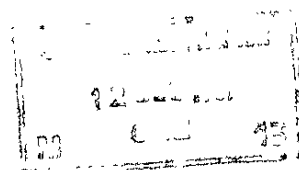

Report & Accounts

Ecclesiastical Holdings plc

28 February 1987



Report & Accounts

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Report & Accounts 28 February 1987

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Ecclesiastical Holdings plc

Notice of Meeting

NOTICE is hereby given that the Annual General Meeting of the company will be held at Beaufort House, Brunswick Road, Gloucester GL1 1JZ on Thursday, 8 October 1987 at 2.30 p.m. to transact the following ordinary business of the company:-

1. To consider the accounts, balance sheets and the reports of the directors and auditors and declare a dividend.
2. To re-elect directors.
3. To re-appoint the auditors and authorise the directors to fix their remuneration.

By Order of the Board

D. H. HAYDON

Secretary

Gloucester
4 August 1987

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.

Ecclesiastical Holdings plc
Beaufort House, Brunswick Road, Gloucester GL1 1JZ

Directors

C. Alan McLintock *Chairman*
M. R. Cornwall-Jones *Deputy Chairman*
J. C. Bracher
M. J. Burns
Dr. D. M. M. Carey *CBE*
The Very Revd. the Dean of Canterbury
The Ven. the Archdeacon of Cheltenham
B. V. Day *Managing*
The Rt. Revd. the Lord Bishop of Hull
The Revd. and Rt. Hon. the Lord Sandford *DSC*
W. H. Yates

Secretary

D. H. Haydon *FCA, FCIS*

Registered Office

Beaufort House, Brunswick Road, Gloucester GL1 1JZ

Registrar

National Westminster Bank PLC
37 Broad Street, Bristol BS99 7NH

**Trustee for the
Debenture Stock**

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

Ecclesiastical Holdings plc

Directors' Report and Review

The directors present their fourth annual report together with the audited accounts for the year ended 28 February 1987.

Principal Activity and Review

Ecclesiastical Holdings plc is a holding company for the Ecclesiastical Insurance Group comprising Ecclesiastical Insurance Office plc and its subsidiaries, particulars of which are given in note 1 to the accounts on page 14.

The principal activity of the group, which has not changed during the year, is the transaction of all major forms of insurance business except certain classes of marine and transport and aviation.

Results

Group gross written premiums increased by 26.9% to £72,054,000. The net written premiums increased by 30.9% to £54,449,000.

Group gross written premiums were (£000)

	1987	1986
General Business	58,800	45,779
Long Term	13,254	10,978
	<u>72,054</u>	<u>56,757</u>

Group net written premiums were (£000)

	1987	1986
General Business	41,336	30,721
Long Term	13,113	10,860
	<u>54,449</u>	<u>41,581</u>

After allowing for an increased underwriting loss of £3,817,000 against £2,403,000 last year the profit before taxation and charitable grants increased by 39.3% from £2,439,000 to £3,399,000 as follows:—

Results for the year (£000)

	1987	1986
Investment income and share of Associated company earnings	5,057	4,674
Realised investment gains	2,934	948
Life transfer	5	—
	<u>7,996</u>	<u>5,622</u>
Debt interest	(780)	(780)
Underwriting loss	(3,817)	(2,403)
	<u>3,399</u>	<u>2,439</u>

Long Term Business

Single premiums grew by 27.9% to £7,301,000 and Annual premiums grew by 12.9% to £5,953,000.

Mutual Funds:

A triennial valuation of the mutual funds was carried out at 28 February 1987. All profits of the non-proprietary long term business fund are for the benefit of participating policyholders. The strong performance of the life investment portfolio has made possible a further increase in capital bonuses and the record of a well performing life fund has been maintained.

Non-Mutual Funds:

The valuation shows a surplus in both funds. Allchurches Life continues to develop satisfactorily and Shareholders funds again made a substantial contribution to group investment income. A token transfer of £5,166 has been made to profit and loss account. The surplus of the Endowment Certain fund has been retained in the fund.

Profit and Distributions

	£
Net Profit after taxation was	2,125,000
Charitable grants and dividends (paid and proposed) are as follows:—	
Covenants (net)	512,000
Preference dividends of subsidiary company	307,000
Ordinary dividends Interim—Paid	40,000
—Final—Proposed	130,000
	<u>989,000</u>
The retained profit is	<u>1,136,000</u>

Ownership

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

Charitable Grants

The total amount allocated for charitable purposes is £1,026,000 being £792,000 covenants and £234,000 gross ordinary dividends.

Nothing was given for political purposes.

Status

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

Ecclesiastical Holdings plc

Directors' Report and Review

Directors

Mr. M. J. Burns was appointed to the Board on 8 January 1987. He retires in accordance with the Articles of Association at the forthcoming annual general meeting and, being eligible, offers himself for re-election. The other directors shown on page 3 all served throughout the year.

The Honourable F. F. Fisher also served on the Board until his death on 27 November 1986.

Of the three directors who retire by rotation at the forthcoming annual general meeting Mr. M. R. Cornwall-Jones and The Venerable the Archdeacon of Cheltenham, both being eligible, offer themselves for re-election. Dr. D. M. M. Carey is not standing for re-election.

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 28.2.1987	Interest at 1.3.1986 (or, if later, date of appointment)
C. Alan McIntock	500	500
M. R. Cornwall-Jones	500	500
J. C. Bracher	500	500
M. J. Burns	500	500
Dr. D. M. M. Carey	500	500
The Very Revd. the Dean of Canterbury	500	500
The Ven. the Archdeacon of Cheltenham	2,900	2,900
B. V. Day	2,970	2,970
The Rt. Revd. the Lord Bishop of Hull	700	700
The Revd. and Right Honourable the Lord Sandford	540	540
W. H. Yates	500	500

No director had an interest at any time during the year in the shares or debentures of the company or in the share capital of any of the company's subsidiary companies other than that shown above. No change has taken place 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.

Employees

The company has no employees.

The average number of persons employed in the United Kingdom each week by the Ecclesiastical Insurance Office plc and its subsidiaries was 507 and their aggregate remuneration was £4,790,619.

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

With effect from 1 May 1987, the company's auditors, Dearden Farrow, merged their practice with that of Binder Hamlyn.

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

For and on behalf of the Board

BERNARD DAY

Managing Director

4 August 1987

Ecclesiastical Holdings plc
Consolidated Profit and Loss Account
for the year ended 28 February 1987

	Notes	1987		1986	
		£000	£000	£000	£000
Investment Income	9		4,545		4,221
Share of Associated Company's Earnings			512		453
Realised Investment Profits			2,934		948
Transfer from Non Mutual Long Term Funds			5		—
			<u>7,996</u>		<u>5,622</u>
<i>Less:</i>					
Debenture Interest		780		780	
Insurance Subsidiary: Underwriting loss	15	<u>3,817</u>		<u>2,403</u>	
			4,597		3,183
Profit before Taxation and Charitable Grants			<u>3,399</u>		<u>2,439</u>
Taxation	7		<u>1,274</u>		<u>862</u>
Profit after Taxation			<u>2,125</u>		<u>1,577</u>
Charitable Grants		792		703	
<i>Less: Tax relief thereon</i>		<u>280</u>		<u>283</u>	
			512		420
Profit after Taxation and Charitable Grants			<u>1,613</u>		<u>1,157</u>
Dividends					
Preference Dividends of Subsidiary Company		307		307	
Ordinary Dividends		<u>170</u>		<u>155</u>	
			477		462
Retained Profit	3		<u>1,136</u>		<u>695</u>
Parent Company			29		13
Subsidiary Companies			1,088		646
Associated Company			<u>19</u>		<u>36</u>
			<u>1,136</u>		<u>695</u>

Ecclesiastical Holdings plc

Balance Sheet 28 February 1987

	Notes	1987 £000	1986 £000
Fixed Assets			
Investments:			
Shares in group companies	2	9,001	9,000
Current Assets	5	375	441
Less: Creditors			
Amounts falling due within one year	5	<u>247</u>	<u>341</u>
Net Current Assets		<u>128</u>	<u>100</u>
Total Assets less Current Liabilities		9,129	9,100
Less: Creditors			
Amounts falling due after more than one year	5	<u>6,000</u>	<u>6,000</u>
Net Assets		<u><u>3,129</u></u>	<u><u>3,100</u></u>
Represented by:			
Capital and Reserves	3	<u><u>3,129</u></u>	<u><u>3,100</u></u>

Alan McIntock
Bernard Day

ALAN McLINTOCK }
 BERNARD DAY } Directors

Ecclesiastical Holdings plc
Consolidated Balance Sheet 28 February 1987

	Notes	1987 £000	1986 £000
Fixed Assets			
Investments	4	57,121	46,947
Associated Company	1	21,141	15,657
Tangible Assets		1,495	1,456
		<u>79,757</u>	<u>64,060</u>
Current Assets	5	41,588	31,248
Total General Business and Shareholders' Assets		<u>121,345</u>	<u>95,308</u>
Less: Creditors			
Amounts falling due within one year	5	19,653	14,115
Amounts falling due after more than one year	5	<u>6,000</u>	<u>6,000</u>
		25,653	20,115
		<u>95,692</u>	<u>75,193</u>
Long Term Funds Net Assets		<u>104,710</u>	<u>82,982</u>
		200,402	158,175
Less: Insurance Funds	6		
Long Term		104,710	82,982
General Business		<u>56,733</u>	<u>46,219</u>
		161,443	129,201
Net Assets		<u>38,959</u>	<u>28,974</u>
Represented by:			
Capital and Reserves	3	35,714	25,724
Minority Interests	16	3,245	3,250
		<u>38,959</u>	<u>28,974</u>

Ecclesiastical Holdings plc
Group Long Term Revenue Accounts
for the year ended 28 February 1987

		1987	1987	1987	1986	1986	1986
	Notes	Mutual £000	Non Mutual £000	Total £000	Mutual £000	Non Mutual £000	Total £000
Income							
Life Assurance and Endowment							
Certain premiums less reassurances		3,858	91	3,949	3,423	98	3,521
Consideration for annuities granted		2,340	4,642	6,982	1,456	4,023	5,479
Pension Fund premiums		2,182	—	2,182	1,860	—	1,860
		<u>8,380</u>	<u>4,733</u>	<u>13,113</u>	<u>6,739</u>	<u>4,121</u>	<u>10,860</u>
Investment income	9	3,975	1,861	5,836	3,468	1,493	4,961
Realised investment profits		1,945	122	2,067	1,494	168	1,662
		<u>14,300</u>	<u>6,716</u>	<u>21,016</u>	<u>11,701</u>	<u>5,782</u>	<u>17,483</u>
Expenditure							
Claims incurred		2,546	44	2,590	1,918	17	1,935
Surrenders		346	86	432	313	89	402
Annuities		2,320	1,913	4,233	2,058	1,372	3,430
		<u>5,212</u>	<u>2,043</u>	<u>7,255</u>	<u>4,289</u>	<u>1,478</u>	<u>5,767</u>
Expenses		1,423	397	1,820	1,096	336	1,432
Taxation	7	386	2	388	584	3	587
		<u>7,021</u>	<u>2,442</u>	<u>9,463</u>	<u>5,969</u>	<u>1,817</u>	<u>7,786</u>
Excess of Income over Expenditure		7,279	4,274	11,553	5,732	3,965	9,697
Transfer from Investment Reserve		2,500	—	2,500	—	—	—
Funds at beginning of year		<u>45,428</u>	<u>15,962</u>	<u>61,390</u>	<u>39,696</u>	<u>11,997</u>	<u>51,693</u>
		55,207	20,236	75,443	45,428	15,962	61,390
Transfer to Profit and Loss Account		—	(5)	(5)	—	—	—
Funds at end of year		<u>55,207</u>	<u>20,231</u>	<u>75,438</u>	<u>45,428</u>	<u>15,962</u>	<u>61,390</u>

Ecclesiastical Holdings plc
Group Long Term Balance Sheet 28 February 1987

	Notes	1987		1986	
		£000	£000	£000	£000
Fixed Assets					
Investments	4		102,089		81,072
Tangible Assets			810		825
			<u>102,899</u>		<u>81,897</u>
Current Assets	5	2,404		1,634	
Less: Creditors					
Amounts falling due within one year	5	<u>593</u>		<u>549</u>	
Net Current Assets			<u>1,811</u>		<u>1,085</u>
Net Long Term Fund Assets			<u>104,710</u>		<u>82,982</u>
Represented by:					
Long Term Funds	6		<u>104,710</u>		<u>82,982</u>

Ecclesiastical Holdings plc
Group Statement of Source and Application of Funds
(excluding Long Term Business)
Year ended 28 February 1987

	1987	1986
	£000	£000
Source of Funds		
Profit before taxation	3,399	2,439
Profit retained in associated company	(26)	(51)
Depreciation	195	340
Canadian dollar loan repaid	—	(281)
Adjustments for movements in:		
Exchange rates	(34)	(979)
Insurance funds and outstanding claims	10,514	(6,711)
Creditors	5,237	(139)
Debtors	(9,259)	12,147
Total generated from operations	<u>10,026</u>	<u>6,785</u>
 Application of Funds		
Charitable grants	792	703
Preference dividends paid by subsidiary company	307	307
Dividends paid	165	165
Tax paid	183	202
	<u>1,447</u>	<u>1,377</u>
Funds available for investment	<u>8,579</u>	<u>5,408</u>
 Change in Investments and Liquid Funds		
Fixed interest securities	2,071	2,593
Ordinary stocks and shares	3,883	1,730
Properties	187	—
Other investments	(111)	100
Fixed assets	234	605
Acquisition of interest in associated company	726	137
Cash at bank and in hand	1,589	243
	<u>8,579</u>	<u>5,408</u>

Ecclesiastical Holdings plc

Accounting Policies

The principal accounting policies are:—

a Basis of Accounting

The accounts have been prepared under the historical cost convention as modified by the revaluation of investments.

b 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.

c Subsidiary Companies and Overseas Branches

Subsidiary companies have a year end of the last day of February. Overseas branch trading results for the year ended 31 December are incorporated into the United Kingdom results for the financial year ending on the last day of February of the following year.

d Associated Company

The appropriate proportion of the latest published results of the associated company are included in the consolidated profit and loss account.

In the consolidated balance sheet it is included at net asset value as shown by the previous 31 December balance sheet, the surplus of net assets over cost being added to group reserves.

e Exchange Rates

Assets and liabilities in overseas currencies relating to overseas branches or reinsurance are translated at the rate ruling on the previous 31 December. Revenue in overseas currencies is stated at the rate 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 reserves as being outside the company's normal trading activities. Exchange

profits or losses which arise from normal trading activities are included in the consolidated profit and loss account.

f Unearned Premiums

This represents 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.

g Investment Income

Investment income and net rents are after charging investment expenses and are credited in the year in which received.

h 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. Liabilities which relate to past service are being dealt with over a period of years.

i Outstanding Claims

The provision includes outstanding claims calculated by reference to individual cases and includes amounts for claims incurred but not reported.

Outstanding claims on reinsurance accepted contracts are included with amounts due to other insurance companies.

Outstanding claims recoverable on reinsurance ceded contracts are included with amounts due from other insurance companies.

j Premiums Written

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

k Reinsurance Accepted

The results of treaty inwards reinsurance business 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.

Some treaty reinsurance which, due to the nature of the business, is subject to delayed receipt of accounts from ceding companies, is carried forward in an 'open year' fund until fully reported.

Some fire and casualty proportional reinsurance business is dealt with on a funded basis being closed at the end of the second or third year of account following the year of account to which that business relates.

Ecclesiastical Holdings plc

Accounting Policies

l Capital Expenditure

Expenditure on fixtures and fittings, office equipment, and computer ancillary equipment is written off over two years. Expenditure on motor cars is written off in the year of acquisition.

Expenditure on computers and telecommunications equipment is written off over four years.

No depreciation is charged on investment properties. Beaufort House, the head office at Gloucester, and a small residential property are being amortised over a period of 50 years. The amortised properties, computer equipment and other capital items are included under the heading Fixed Assets in the balance sheet.

m Investment Reserve

This is comprised of surplus on revaluation of investments and gains on movements in exchange.

n Taxation

Taxation is provided on profits and income less reliefs. Deferred taxation is provided on the liability basis on those timing differences which are considered likely to materialise in the foreseeable future. Provision has not been made on earnings retained overseas or on unrealised appreciation of investments at the balance sheet date.

Ecclesiastical Holdings plc

Notes on the Accounts

1 Holding, Subsidiary and Associated Companies

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

The principal subsidiary is Ecclesiastical Insurance Office plc, a composite insurance company, registered and operating in England. The company owns 100% of the ordinary, deferred, redeemable third cumulative preference share capital and 2.1% of the first cumulative preference share capital.

The subsidiary companies of Ecclesiastical Insurance Office plc, the proportion of each class of shares held and their activities are as under:—

(i) Registered and operating in England:—

Blaisdon Properties Limited
Ordinary Shares of £1 each — 100%
Deferred Shares of £1 each — 100%
Property investment

Allchurches Life Assurance Limited
Ordinary Shares of £1 each — 100%
Deferred Shares of £1 each — 100%
Life assurance

Group Support Services Limited
Ordinary shares of £1 each — 55%
Catalogue publishing and distribution

In addition there are four 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 of IR £1 each — 100%
Property company

The Ecclesiastical Insurance Office plc holds 35.3% of the issued ordinary share capital and a minimal holding of preference shares in St Andrew Trust plc, an investment trust company, registered and operating in Scotland.

2 Investments in Subsidiary Company

The company's investment in Ecclesiastical Insurance Office plc is included at cost and is comprised:—

	£
Deferred Shares of £1 each	100
Ordinary Shares of £1 each	3,000,000
2.8% First Cumulative Preference Shares of £1 each	1,230
9.5% Redeemable Third Cumulative Preference Shares of £1 each	6,000,000
	<u>£9,001,336</u>

3 Capital and Reserves

The issued share capital and movements on reserves are as follows:—

	1987 £000	1986 £000
<i>Authorised, Allotted, Issued and Fully Paid</i>		
Ordinary Share Capital Shares of £1 each	<u>3,050</u>	<u>3,050</u>
Profit and Loss Account		
Balance 28 February 1986	50	37
Retained profit added this year	<u>29</u>	<u>13</u>
Balance 28 February 1987	<u>79</u>	<u>50</u>
Total Capital and Reserves	<u>3,129</u>	<u>3,100</u>
<i>Group</i>		
<i>Authorised, Allotted, Issued and Fully Paid</i>		
Ordinary Share Capital Shares of £1 each	<u>3,050</u>	<u>3,050</u>
Capital Reserve		
Balance 28 February 1986	21,352	16,836
Surplus arising from revaluation of investments	8,887	5,493
Deficit arising from re-alignment of exchange rates	<u>(33)</u>	<u>(977)</u>
Balance 28 February 1987	<u>30,206</u>	<u>21,352</u>
Profit and Loss Account		
Balance 28 February 1986	1,322	627
Retained profit added this year	<u>1,136</u>	<u>695</u>
Balance 28 February 1987	<u>2,458</u>	<u>1,322</u>
Total Capital and Reserves	<u>35,714</u>	<u>25,724</u>

Of the profit after taxation £1,613,000 (1986: £1,157,000) available for distribution, £199,000 (1986: £168,000) has been dealt with in the accounts of the parent company.

Notes on the Accounts

4 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.

	1987 Group	1987 General	1987 Parent Company	1986 Group	1986 General	1986 Parent Company
	Long Term £000	£000	£000	Long Term £000	£000	£000
British Government and British Government guaranteed securities	24,221	17,090	—	23,451	16,849	—
United Kingdom Municipal, County and Public Boards securities	1,289	287	—	1,050	53	—
Government, Provincial and Municipal securities other than United Kingdom	1,606	3,684	—	2,649	3,536	—
Debentures and loan stocks	14,776	6,302	—	10,056	4,434	—
Preference shares	923	3,274	—	253	3,538	—
Ordinary stocks and shares	47,238	24,540	—	33,980	16,644	—
Other investments, including mortgages and loans	1,926	486	—	1,119	513	—
Freehold and leasehold properties	10,110	1,458	—	8,514	1,240	—
	<u>102,089</u>	<u>57,121</u>	<u>—</u>	<u>81,072</u>	<u>46,947</u>	<u>—</u>

5 Current Assets and Creditors

Current Assets

Sums due from policyholders, agents and insurance companies	90	36,357	—	89	26,663	—
Other Debtors	7	434	—	408	757	—
Subsidiary Company	—	—	154	—	—	—
Dividends from subsidiary	—	—	130	—	—	125
Taxation	557	101	—	117	720	25
Cash and Short Term Deposits	1,750	4,696	91	1,020	3,108	291
	<u>2,404</u>	<u>41,588</u>	<u>375</u>	<u>1,634</u>	<u>31,248</u>	<u>441</u>

Creditors: amounts falling due within one year

Due to other insurance companies	12	17,418	—	7	13,045	—
Other Creditors	581	1,772	117	542	908	121
Subsidiary Company	—	—	—	—	—	95
Proposed Dividend	—	137	130	—	132	125
Taxation	—	326	—	—	30	—
	<u>593</u>	<u>19,653</u>	<u>247</u>	<u>549</u>	<u>14,115</u>	<u>341</u>

Creditors: amounts falling due after more than one year

Debenture Stock (Note 17)	—	6,000	6,000	—	6,000	6,000
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6 Insurance Funds

Insurance funds shown in the consolidated balance sheet are as follows:—

	1987 £000	1986 £000
Long Term		
Mutual Funds	55,207	45,428
Non Mutual Funds	20,231	15,962
	<u>75,438</u>	<u>61,390</u>
Outstanding Claims	422	334
	<u>75,860</u>	<u>61,724</u>
Investment Reserves		
Mutual Funds	27,287	20,142
Non Mutual Funds	1,563	1,116
	<u>104,710</u>	<u>82,982</u>

General Business

Unearned premiums	12,938	9,492
Outstanding claims	40,339	34,383
Open Year Funds	3,456	2,344
	<u>56,733</u>	<u>46,219</u>

Total

	<u>161,443</u>	<u>129,201</u>
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7 Taxation

Taxation charged in the Consolidated Profit and Loss Account is 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:—

	1987 £000	1986 £000
General Business		
Charge for the year:		
UK Corporation Tax at 35.425%	1,052	643
Overseas taxation	212	36
	<u>1,264</u>	<u>679</u>
Less relief for overseas taxation	207	18
	<u>1,057</u>	<u>661</u>
Tax credit on franked investment income	131	133
Share of Associated Company's taxation	122	135
	<u>1,310</u>	<u>929</u>
Prior years adjustments	(36)	(67)
	<u>1,274</u>	<u>862</u>

7 Taxation continued
Mutual Long Term Fund
Charge for the year:

	1987 £000	1986 £000
UK Corporation Tax	113	133
Overseas taxation	10	9
	<u>123</u>	<u>142</u>
Less relief for overseas taxation	10	3
	<u>113</u>	<u>139</u>
Tax credit on franked investment income	352	364
	<u>465</u>	<u>503</u>
Prior years adjustments	(79)	81
	<u>386</u>	<u>584</u>

Non Mutual Long Term Fund

Charge for the year:

Tax credit on franked investment income	2	3
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The Inland Revenue have suggested that a proportion of general business claims reserves is not eligible for tax relief. No provision has been made for the possible disallowance of such relief as in the opinion of the directors it will not be material, nor has the company yet agreed to the suggestion.

There is no charge or credit in respect of deferred taxation as the amount is negligible. (1986: Nil).

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 £16.1m (1986: £11.3m) would arise. Of this £9.1m (1986: £6.6m) would relate to the Shareholders Funds, £7.0m (1986: 4.7m) to the Long Term Funds.

8 Group Turnover

Gross written premiums for long term and for general business were:

	1987 £000	1986 £000
Long Term	13,254	10,978
General	58,800	45,779
	<u>72,054</u>	<u>56,757</u>

Ecclesiastical Holdings plc

Notes on the Accounts

9 Investment Income

Investment income £4,545,000 (1986: £4,221,000) credited to the Profit and Loss Account is after charging £13,000 (1986: £16,000), interest paid. Investment income £3,975,000 (1986: £3,468,000) credited to the Mutual Life Fund is after charging £4,000 (1986: £3,000), interest paid. Investment income credited to the Non Mutual Life Fund £1,861,000 (1986: £1,493,000), is after charging £3,000 (1986: £9,000), interest paid.

10 Directors' Emoluments

No director received emoluments from Ecclesiastical Holdings plc during the year.

The emoluments of the directors from subsidiary companies totalled £131,029 (1986: £110,454) including fees £54,282 (1986: £37,530). The emoluments of the chairman during the year were £10,865 (1986: £8,100).

The highest paid director received emoluments of £66,484 (1986: £63,242). Other directors were paid in the following bands:

	1987	1986
Up to £5,000	8	9
£5,001—£10,000	2	1

No ex gratia payment was made to any director during the year (1986: one director £6,000).

One director has waived his rights to receive fees amounting to £759.

11 Employees' Emoluments

The number of employees, excluding directors, who received remuneration exceeding £50,000 in the financial year was:

	1987	1986
£30,001 to £35,000	4	4
£35,001 to £40,000	3	1
£40,001 to £45,000	1	1

12 Auditors' Remuneration

The remuneration of the auditors of the group amounted to £57,670 (1986: £50,183).

13 Capital Commitments

At 28 February 1987 there were no outstanding contracts for capital expenditure (1986: nil) or capital expenditure authorised but not contracted for (1986: £250,000).

14 Loans to Directors and Officers

No loans or quasi loans were made to directors or connected persons during the year. There subsisted throughout the year an interest free loan of £6,000 to Mr. B. V. Day. This loan has been repaid since the end of the financial year.

Five persons who were officers of the company during the year ended 28 February 1987 had loans outstanding at that date amounting in aggregate to £10,599.

15 Insurance Subsidiary: Underwriting Result

	1987 £000	1986 £000
Income		
Gross Written Premiums	58,800	45,779
Less: Reinsurance	17,454	15,058
Net Written Premiums	41,336	30,721
Less: Increase in provision for unearned premiums	3,378	1,206
Net Earned Premiums	37,958	29,515
Expenditure		
Claims paid and outstanding less reinsurance recoveries	28,662	21,332
Agency commission and expenses of management	13,113	10,586
	41,775	31,918
Underwriting loss	(3,817)	(2,403)

Geographic Distribution of General Business

The geographic distribution of general insurance premiums written is as follows:—

	1987 £000	1986 £000
United Kingdom (including reinsurance accepted)	51,600	41,238
Eire	1,022	774
Canada	6,178	3,767
	58,800	45,779

16 Minority Interests

Minority interest is comprised of preference share capital in a subsidiary company.

	1987 £	1986 £
2.8% First Cumulative Preference Shares of £1 each	244,850	250,000
10% Redeemable Second Cumulative Preference Shares of £1 each	3,000,000	3,000,000
	<u>£3,244,850</u>	<u>£3,250,000</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 per cent
1993 to 1997	7½ per cent
1998 to 2002	5 per cent
2003 to 2007	2½ per cent
2008 to 2012	Nil

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

17 Debenture Stock

£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.

18 Approval of Accounts

These accounts were approved by the directors on 4 August 1987.

Ecclesiastical Holdings plc

Auditors' Report

Report of the Auditors to the Members of Ecclesiastical Holdings plc

We have audited the accounts on pages 6 to 18 in accordance with approved Auditing Standards.

In our opinion the balance sheet of Ecclesiastical Holdings plc as set out on page 7 and the related notes which have been prepared under the historical cost convention, give a true and fair view of the company's affairs at 28 February 1987 and comply with the Companies Act 1985. The consolidated accounts of the group as set out on pages 6, and 8 to 18 comply with the provisions of the Companies Act 1985 applicable to insurance companies.

Binder Hamlyn
Chartered Accountants
London
4 August 1987