00006369

Contents

Methodist Insurance PLC specialises in the insurance of properties belonging to the Methodist Church and its associated organisations and is broadening its base to serve a wider public.

The Company aims to provide a first class service to all its clients, to satisfy their needs and expectations and to deal promptly and responsibly with their claims.

As part of its Christian witness, the Company's investment portfolio is constructed on a basis consistent with the moral stance and teachings of the Methodist Church.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the one hundred and thirty-second Annual General Meeting of the Company will be held at the Company's offices, Brazennose House, Brazennose Street, Manchester, on Thursday 22 April 2004 at 12.00 noon to transact the following ordinary business:

1. To receive and adopt the Report of the Directors and the Accounts for the year ended 31 December 2003.
2. To consider the declaration of a dividend.
3. To approve the directors' recommended distribution of charitable grants amounting to £500,000 to Methodist funds and organisations.
4. To re-elect the following directors who retire by rotation in accordance with Article 93 of the Company's Articles of Association and who, being eligible, offer themselves for re-election:

   Colin H. Boothman

   Rev. Martin V. Caldwell

   Graham V. Doswell
5. To re-appoint KPMG Audit Plc as auditors and to authorise the directors to fix their remuneration.
6. To transact any other ordinary business.

By Order of the Board,
Mrs R. J. Hall
31 March 2004.

A member of the Company entitled to attend and vote at this Meeting may appoint a proxy to attend and, on a poll, vote on his behalf. A proxy need not be a Member of the Company.

Directors and Officers

Directors

Christopher F. Nock, A.C.I.I.	Chairman.
Michael A. H. Willett, F.I.A.	Deputy Chairman.
Colin H. Boothman, F.R.I.C.S., M.A.Cost E.	
Rev. Martin V. Caldwell.	
Graham V. Doswell, F.C.I.I.	
Andrew G. Gibbs, M.A., F.C.A.	
Susan R. Howdle, B.C.L., M.A.	
David S. Walton, LL.B.	
Rev. G. Michael Wearing, M.A., B.D.	

Company Secretary
Rachael J. Hall, A.C.I.S.

General Manager
Peter A. Lowe, F.C.I.I.

Head Office and Registered Address
Brazennose House, Brazennose Street, Manchester M2 5AS.
Telephone 0161 833 9696
Fax 0161 833 1287

Company Registration Number
6369

Auditors
KPMG Audit Plc, Chartered Accountants,
St. James' Square, Manchester M2 6DS.

Bankers
HSBC Bank plc,
100 King Street, Manchester M60 2HD.

Statement by the Chairman

For my first year "in the chair" I wish to express how grateful I am to our previous Chairman Bertie Tuckey who retired with all our good wishes last April. During the last twelve months I have received great support and guidance from Michael Willett, Deputy Chairman, and Andrew Gibbs, particularly during the negotiations of the Administration and Reinsurance Agreements, for which I am most grateful.

A landmark achieved this year has been to pass the £10m (£10,014,215) mark on gross written premiums; an increase of 7.3% on 2002, mainly achieved through organic growth from our existing church policyholders. Contributing factors were rate adjustments, review of many sums insured and application of rebuilding cost indexation. A very high retention rate for all church renewals was maintained.

The application of the rating review on our household account has produced a considerable reduction in exposures but a substantially increased average premium. For 2004 we are currently concentrating on building our 'direct' home account for policyholders within the Methodist community. Recent marketing campaigns have, so far, produced a very encouraging completion rate from quotations sought.

Whilst the overall premium growth was satisfactory, the claims incurred contain some serious fire losses: five new incidents at churches, each in excess of £100,000, were registered. We are currently handling three church fire losses (one from 2002) where the total gross reserve is in excess of £4.5m. This is against a total for all gross claims incurred of £8.5m, an unprecedented picture in the Company's history. Subsidence claims in general are on the increase, but given the Northern bias of our account we do not anticipate any major deterioration.

The largest element of funds continues to be reserved for "child abuse claims". During the last year considerable progress has been made in advancing many of the claims to satisfactory final settlement. We must remain alert and maintain provision for further new incidents of this nature which may emerge. I do have to stress the need, for churches and organisations, to ensure the safety of children in their care. The guidelines issued by the Methodist Church on Safeguarding are there to support such aim.

On the investment side there has been great movement in capital markets, especially in equity markets, and 2003 was no exception. After a fall in the value of the Company's investments in 2001 and 2002, there has been a partial recovery in 2003.

This is reflected in the unrealised investment gains of £896,299 against a loss in 2002 (£1,008,388) reported in the Profit and Loss Account. The market value of all listed investments at 31 December 2003 is £13,329,059 (2002 - £11,514,398).

Income from investments and cash balances, was £569,775 in 2003 (2002 - £544,277). In contrast to the capital movements, income from the Company's investments and cash has been relatively consistent in recent years.

We are able to record an operating profit on ordinary activities before tax, grants and dividend of £1,782,694 (2002 - £1,133,209).

I am pleased that, this year, we are able to maintain our level of charitable grant to Methodist funds and organisations at £500,000.

During the last few months your Directors have successfully renegotiated the Joint Administration Agreement with Ecclesiastical Insurance. We continue to believe that such an arrangement supports and protects the healthy continuation of Methodist Insurance.

All the above would not have been possible without the diligence of our General Manager Peter Lowe, ably supported by the teams of staff in Manchester and Gloucester. A big thank you to you all. To my fellow Directors I wish to pay tribute for their support and guidance and, together, look forward to fulfil and maintain our responsibilities in future years.

Christopher F. Nock
Chairman

Report of the Directors

The directors present their annual report and audited financial statements for the year ending 31 December 2003.

Financial Results

The Profit and Loss Account on pages 8 and 9 shows the profit for the year.

The directors recommend a dividend for the year of 1p per share.

Activities

The principal activity of the Company is the transaction of general insurance business.

Review of Activities

The Chairman's review of the affairs of the Company is set out on page 4.

Directors

The names of the present directors are shown on page 3.

Mr H. W. Tuckey retired from the board on 24 April 2003.

Mr C. F. Nock was appointed as chairman on 24 April 2003.

Mr C. H. Boothman, Rev. M. V. Caldwell and Mr G. V. Doswell retire from the board by rotation and, being eligible, offer themselves for re-election.

Directors' Shareholdings

The interests of the directors, all of which are beneficial, in the shares of the company are as follows:

	Ordinary Shares Interest at			**Ordinary Shares** Interest at	
	31.12.03	01.01.03		31.12.03	01.01.03
C. F. Nock	450	250	A. G. Gibbs	300	300
M. A. H. Willett	1,300	1,300	S. R. Howdle	750	250
C. H. Boothman	500	500	D. S. Walton	350	350
Rev. M. V. Caldwell	376	241	Rev. G. M. Wearing	502	202
G. V. Doswell	250	250			

Directors' Responsibilities for the Preparation of Financial Statements

Company law requires the directors to prepare financial statements for each financial year which comply with the provisions of the Companies Act 1985 applicable to insurance companies. In preparing those financial statements, the directors are required to:

a) select suitable accounting policies and then apply them consistently;
b) make judgements and estimates that are reasonable and prudent;
c) state whether applicable accounting standards have been followed;
d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Charitable and Political Contributions

Charitable contributions donated during the year amounted to £501,718 (2002 £500,044).

There were no contributions for political purposes.

Payment of Creditors

It is Company policy to settle all debts with its creditors on a timely basis, taking account of the credit period given by each supplier. Under the terms of a Joint Administration Agreement, referred to in note B on page 13, most of the Company's creditors are payable by Ecclesiastical Insurance Office plc. At the end of the financial year the Company had no trade creditors.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that KPMG Audit Plc be re-appointed as auditors of the Company will be put to the annual general meeting.

R. Hall

By Order of the Board,
Mrs R. J. Hall
17 March 2004.

Independent Auditors' Report to the members of Methodist Insurance Plc.

We have audited the financial statements on pages 8 to 20.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance. We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Manchester
17 March 2004

Profit and Loss Account : Technical Account - General Business (continuing operations)

For the year ended 31 December 2003

	Note	£	2003 £	£	2002 £
Earned premiums, net of reinsurance					
Gross premiums written	1	10,014,215		9,330,206	
Outward reinsurance premiums		(10,014,215)		(9,330,206)	
			-		-
Change in the gross provision for unearned premiums		(354,048)		(406,379)	
Change in the gross provision for unearned premiums, reinsurers' share		354,048		406,379	
			-		-
			-		-
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(6,790,519)		(6,261,402)	
Reinsurers' share		6,009,185		5,692,342	
		(781,334)		(569,060)	
Change in the provision for claims					
Gross amount		(1,866,602)		(1,788,879)	
Reinsurers' share		2,337,674		3,194,299	
		471,072		1,405,420	
			(310,262)		836,360
Net operating income	3		626,882		847,112
Balance on the technical account for general business	1		316,620		1,683,472

The accounting policies and notes on pages 13 to 20 form an integral part of these accounts.

Profit and Loss Account : Non-technical Account (continuing operations)

For the year ended 31 December 2003

	Note	£	2003 £	£	2002 £
Balance on the general business technical account			316,620		1,683,472
Investment income	4	569,775		544,277	
Unrealised gains/(losses) on investments		896,299		(1,008,388)	
Investment expenses and charges	5	-		(86,152)	
			1,466,074		(550,263)
Profit on ordinary activities before other charges			1,782,694		1,133,209
Charitable grant to Methodist funds and organisations			(500,000)		(500,000)
Profit on ordinary activities before tax			*1,282,694*		*633,209*
Tax on profit on ordinary activities	6		(327,874)		(144,756)
Profit on ordinary activities after tax			954,820		488,453
Dividend proposed			(187)		(187)
Profit for the financial year	7		954,633		488,266

There are no recognised gains or losses other than the profit on ordinary activities after tax stated above.

Reconciliation of Movements in Shareholders' Funds

The Company's articles do not provide for participation of shareholders in any surplus generated by the Company's trading. *Shareholders' funds are restricted to the amount of share capital paid up in cash being £1,875 (note 11).*

Statement of Historical Cost Profits and Losses

For the year ended 31 December 2003	2003 £	2002 £
Profit on ordinary activities before tax	1,282,694	633,209
Realisation of investment revaluation gains on previous years	73,001	430,728
Net unrealised (gains)/losses	(896,299)	1,008,388
Historical cost profit on ordinary activities before tax	*459,396*	*2,072,325*
Tax on profit on ordinary activities	(327,874)	(144,756)
Dividend proposed	(187)	(187)
Historical cost profit for the financial year	131,335	1,927,382

The accounting policies and notes on pages 13 to 20 form an integral part of these accounts.

Balance Sheet

As at 31 December 2003

	Note	£	2003 £	£	2002 £
Assets					
Investments					
Other financial investments	8		14,372,342		11,669,949
Reinsurers' share of technical provisions					
Provision for unearned premiums		5,709,238		5,355,190	
Claims outstanding		15,553,512		13,215,838	
			21,262,750		18,571,028
Debtors					
Debtors arising out of direct insurance operations					
Policyholders		105,085		90,368	
Intermediaries		2,409,617		2,088,176	
		2,514,702		2,178,544	
Debtors arising out of reinsurance operations		921,526		1,447,138	
Other debtors		1,118		1,084,372	
			3,437,346		4,710,054
Other assets					
Tangible assets	9	-		10,325	
Cash at bank and in hand	10c	582,060		779,458	
			582,060		789,783
Prepayments and accrued income					
Accrued interest and rent		65,983		58,121	
Other prepayments and accrued income		34,509		18,854	
			100,492		76,975
			39,754,990		35,817,789

The accounting policies and notes on pages 13 to 20 form an integral part of these accounts.

Balance Sheet

As at 31 December 2003

	Note	£	2003 £	£	2002 £
Liabilities					
Capital and reserves					
Called up share capital	11	112,500		112,500	
Profit and loss account	7	10,097,510		9,142,877	
			10,210,010		9,255,377
Technical provisions					
Provision for unearned premiums		5,709,238		5,355,190	
Claims outstanding	12	20,686,189		18,819,587	
			26,395,427		24,174,777
Provisions for other risks and charges	13		859,574		844,757
Creditors					
Creditors arising out of direct insurance operations					
Policyholders		14,424		13,605	
Intermediaries		7,899		7,157	
		22,323		20,762	
Creditors arising out of reinsurance operations		1,763,236		1,145,427	
Other creditors including taxation & social security	14	471,992		302,909	
Proposed dividend		187		187	
			2,257,738		1,469,285
Accruals and deferred income			32,241		73,593
			39,754,990		35,817,789

The financial statements were approved by the board of directors on 17 March 2004 and were signed on its behalf by:

Christopher F. Nock, Chairman.

The accounting policies and notes on pages 13 to 20 form an integral part of these accounts.

Cash Flow Statement

For the year ended 31 December 2003

	Note	£	2003 £	£	2002 £
Net cash inflow/(outflow) from operating activities	10a		2,235,227		(1,387,223)
Taxation					
U.K. corporation tax paid			(127,666)		(49,687)
Capital expenditure					
Sale of tangible fixed assets			-		350
Equity dividends paid			(187)		(187)
Charitable grants paid			(500,000)		(500,000)
Increase/(decrease) in cash			1,607,374		(1,936,747)
Cash flows were applied as follows:					
(Decrease)/increase in cash holdings			(197,398)		83,826
Net portfolio divestment					
Shares and other variable yield securities		-		924,470	
Debt securities and other fixed income securities		917,040		(1,247,477)	
Deposits with credit institutions		887,732		(1,697,566)	
	10b		1,804,772		(2,020,573)
Net application of cash flows			1,607,374		(1,936,747)

Movement in opening and closing cash and portfolio investments

	Note	£
Net cash outflow for the period		(197,398)
Cash flow from portfolio investments		1,804,772
Movements arising from cash flows		1,607,374
Changes in market values		897,621
Total movement in cash and portfolio investments		2,504,995
Cash and portfolio investments as 1 January 2003		12,449,407
Cash and portfolio investments as 31 December 2003	10c	14,954,402

The accounting policies and notes on pages 13 to 20 form an integral part of these accounts.

Accounting Policies

A. Disclosure requirements

The accounts have been prepared in accordance with the provisions of section 255 of, and Schedule 9A to, the Companies Act 1985, as amended by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993. The financial statements have also been prepared in accordance with applicable accounting and reporting standards and the statement of recommended practice on accounting for insurance business issued by the Association of British Insurers and under the historical cost convention with investments being included at market value as permitted by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993.

B. Basis of preparation

The Company operates a Joint Administration Agreement and a Reinsurance Treaty Agreement, both dated 30 June 1998, with Ecclesiastical Insurance Office plc, under which Ecclesiastical Insurance Office plc manages and administers the Company's insurance business and accepts all insurances written by the Company and is responsible for all disbursements relating to the business except certain expenses designated as the sole responsibility of the Company.

C. Premium income

Premiums are accounted for in the period in which the risks are assumed. Provision is made for unearned premiums on a daily pro-rata basis for those periods of risk extending beyond the end of the accounting period.

D. Claims

1. Outstanding

Provisions for notified claims as at 31 December 2003 are determined on an individual case basis after taking into account related handling expenses, expected recoveries, anticipated inflation and trends in settlements. Estimates made are based on the information available at the time.

Provision is also made in respect of claims incurred but not reported at 31 December 2003. Any differences between original claims provisions and subsequent re-estimates or settlements are reflected in the underwriting results of the period in which claims are re-estimated or settled.

2. Incurred

Claims incurred includes all claims and claims settlement expense payments made in respect of the financial period, and the movement in provision for outstanding claims and settlement expenses and includes claims incurred but not reported, net of salvage and subrogation recoveries.

E. Reinsurance

The Company has a reinsurance treaty with Ecclesiastical Insurance Office plc whereby all business accepted by the Company is fully reinsured with the Ecclesiastical. Reinsurance premiums are accounted for at the time the business is written by the Company. The Company's and the reinsurer's share of claims are recognised at the time the claims are notified or earlier by way of a provision for claims incurred but not reported.

F. Investments

1. Investment income

Investment income is accounted for on an accruals basis. Dividends are recognised on the date on which the related investment goes 'ex-dividend'. Interest is accrued up to the balance sheet date. Realised gains or losses represent the difference between net sales proceeds and purchase price or, if previously valued, the valuation at the last balance sheet date.

2. Unrealised gains and losses

Unrealised gains and losses represent the difference between the valuation of investments at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date. All unrealised gains and losses are taken to the Non-technical Account.

3. Valuation

All investments are stated at their fair value. Listed investments are stated at mid-market value. Unlisted investments are valued by the directors on a prudent basis with regard to their likely realisable values.

Accounting Policies (continued).

G. Capital expenditure

Expenditure on office equipment, furniture, and fixtures and fittings is capitalised and depreciated on a straight line basis over the estimated useful lives of the assets, which are as follows:

Office equipment	5 years
Furniture, fixtures and fittings	8 years

H. Foreign currencies

Assets and liabilities in foreign currencies have been converted into sterling at the rates of exchange ruling at 31 December 2003. Differences on exchange have been dealt with through the Profit and Loss Account.

I. Taxation

The charge for tax is based on profit for the year. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes on the Accounts

1 Segmental Information

a. Geographical analysis

	Gross premiums written £	Profit/(loss) before tax £	2003 Net assets £	Gross premiums written £	Loss before tax £	2002 Net assets £
United Kingdom	9,337,099	1,237,393	10,018,812	8,803,534	683,793	9,279,026
Eire	677,116	45,301	191,198	526,672	(50,584)	(23,649)
Total	10,014,215	1,282,694	10,210,010	9,330,206	633,209	9,255,377

£329,993 of 2002 United Kingdom gross premium written has been re-classified as Eire gross premium written.

b. Technical account analysis

	Direct fire & damage to property £	Direct liability £	Direct accident & health £	Direct miscellaneous financial loss £	Grand total £
2003					
Gross premiums written	8,384,548	1,243,660	215,663	170,344	10,014,215
Gross premiums earned	8,163,735	1,137,044	201,735	157,653	9,660,167
Gross claims incurred	6,380,725	2,202,399	70,380	3,617	8,657,121
Gross operating expenses	72,867	14,180	2,455	1,941	91,443
Gross technical result	1,710,143	(1,079,535)	128,900	152,095	911,603
Reinsurance balance	1,176,360	(840,058)	116,356	142,325	594,983
Net technical result	*533,783*	*(239,477)*	*12,544*	*9,770*	*316,620*
2002					
Gross premiums written	7,956,095	1,049,438	187,719	136,954	9,330,206
Gross premiums earned	7,685,703	945,428	181,404	111,292	8,923,827
Gross claims incurred	6,629,485	1,377,726	14,518	28,552	8,050,281
Gross operating expenses	73,769	11,698	2,090	1,529	89,086
Gross technical result	*982,449*	*(443,996)*	*164,796*	*81,211*	*784,460*
Reinsurance balance	(146,871)	(963,240)	142,059	69,040	(899,012)
Net technical result	1,129,320	519,244	22,737	12,171	1,683,472

2 Prior Years' Claims Provisions

The difference between the loss provision made at the beginning of the year for outstanding claims incurred in previous years, and the payments made during the year and the loss provision at the end of the year in respect of such outstanding claims, (under)/over, are as follows:

	2003 £	2002 £
Fire and damage to property	(501)	395,949
Liability	(309,761)	432,473
Accident and health	-	5,952
Miscellaneous financial loss	-	1,986
	(310,262)	836,360

3 Net Operating Income

		2003 £	2002 £
Administrative expenses		124,496	163,952
Other Commissions		(33,053)	(74,866)
Gross operating expenses		91,443	89,086
Reinsurance commissions and profit participation		(718,325)	(936,198)
Net Operating income		*(626,882)*	*(847,112)*
Net operating income includes:			
Directors' emoluments			
	Fees and expenses	39,051	32,913
	Pension to former director	15,281	15,165
Auditors' remuneration			
	Audit fees	23,030	22,913
Auditors' remuneration - Affiliated companies	Non-audit fees	14,165	6,600
Depreciation		10,325	59,966

Notes on the Accounts (continued)

4 Investment Income

	2003	2002
	£	£
Income from investments	568,453	544,277
Gains on the realisation of investments	1,322	-
	569,775	544,277

5 Investment Expenses and Charges

	2003	2002
	£	£
Losses on the realisation of investments	-	(86,152)

6 Taxation

	2003	2002
	£	£
Current tax:		
UK corporation tax at 30%	304,937	127,869
Adjustment in respect of prior periods	8,120	15,332
Total current tax	313,057	143,201
Deferred taxation:		
Origination and reversal of timing differences	14,817	1,555
Tax on profit on ordinary activities	327,874	144,756

The tax assessed for the year in the non-technical account differs from the standard rate of corporation tax of 30%. The differences are explained below:

	2003	2002
	£	£
Profit on ordinary activities before tax	1,282,694	633,209
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002:30%)	384,808	189,963
Effects of:		
Capital allowances for period in excess of depreciation	(14,817)	(5,926)
Other short term timing differences	-	(9,534)
Small companies relief	(6,574)	(17,287)
UK dividends	(54,276)	(43,260)
General Insurance Reserve (S107)	(4,204)	-
Realised equity gains for the year	-	13,913
Adjustment to tax charge in respect of previous periods	8,120	15,332
Current tax charge for period	313,057	143,201

7 Reserves

	Profit & loss account
	£
At beginning of the year	9,142,877
Profit for the financial year	954,633
At end of the year	10,097,510

Notes on the Accounts (continued)

8 Investments

	Market Value 2003 £	Market value 2002 £	Cost 2003 £	Cost 2002 £
Shares and other variable-yield securities	5,778,548	4,953,795	3,216,610	3,216,612
Debt securities and other fixed-income securities	7,575,511	6,585,603	5,799,444	4,808,078
Loans secured by mortgages	26,800	26,800	26,800	26,800
Deposits with credit institutions	991,483	103,751	991,483	103,751
	14,372,342	11,669,949	10,034,337	8,155,241
Investments listed on the UK Stock Exchange included above	13,329,059	11,514,398	8,991,054	7,999,690

9 Tangible Assets

	Total £
Cost	
At 1 January 2003 and at 31 December 2003	167,176
Accumulated depreciation	
At 1 January 2003	156,851
Depreciation for the year	10,325
At 31 December 2003	167,176
Net book value	
At 31 December 2003	-
At 31 December 2002	10,325

The above assets relate to office equipment and furniture, fixtures and fittings

10 Cash Flow Statement

a. Reconciliation of operating profit to net cash flows from operating activities

	2003 £	2002 £
Profit on ordinary activities before other charges	1,782,694	1,133,209
Depreciation charges	10,325	59,966
Profit on sale of tangible fixed assets	-	(97)
Unrealised (gains)/losses on investments	(896,299)	1,008,388
Realised (gains)/losses on investments	(1,322)	86,152
Decrease/(increase) in debtors	1,272,708	(2,207,740)
(Increase)/decrease in prepayments and accrued income	(23,517)	80,840
(Decrease) in technical provisions	(471,072)	(1,405,420)
Increase/(decrease) in creditors	603,062	(184,693)
(Decrease)/Increase in accruals and deferred income	(41,352)	42,172
Net cash inflow/(outflow) from operating activities	2,235,227	(1,387,223)

Notes on the Accounts (continued)

b. Net portfolio investments

The movement on net portfolio investments is made up as follows:

	Purchases	Sales	2003 Net	Purchases	Sales	2002 Net
	£	£	£	£	£	£
Shares and other variable yield securities	-	-	-	992,721	68,251	924,470
Debt securities and other fixed income securities	1,017,040	100,000	917,040	-	1,247,477	(1,247,477)
	1,017,040	100,000	917,040	992,721	1,315,728	(323,007)
Deposits with credit institutions			887,732			(1,697,566)
			1,804,772			(2,020,573)

c. Movement in cash and portfolio investments

	At 1 January 2003	Cash flow	Changes to market value	At 31 December 2003
	£	£	£	£
Cash at bank and in hand	779,458	(197,398)	-	582,060
Shares and other variable yield securities	4,953,795	-	824,753	5,778,548
Debt securities and other fixed income securities	6,585,603	917,040	72,868	7,575,511
Loans secured by mortgage	26,800	-	-	26,800
Deposits with credit institutions	103,751	*887,732*	-	991,483
	12,449,407	1,607,374	897,621	14,954,402

11 Share Capital

	Authorised	Issued
At 31 December 2003 and 2002	£	£
18,750 shares of £6 each fully paid	112,500	112,500

On a winding-up of the Company, shareholders are only entitled to receive the amount paid up in cash, excluding any amount credited as paid up resulting from the capitalisation of any reserves or profits of the Company. They have no further right to participate in the surplus assets of the Company.

The remaining surplus is to be distributed to or for the benefit of the Methodist Church, as defined and constituted under the Methodist Church Act 1976 or the Methodist Church in Ireland, as the Company in general meeting on the recommendation of the directors shall determine.

12 Technical Provisions

The technical provisions for claims have been estimated in accordance with the methods set out in accounting policy D. Claims outstanding are affected by significant uncertainties in relation to the calculation of child abuse claims in childrens homes. Such claims, relating to incidents over the last forty years have emerged during the last seven years and are likely to take some years to resolve. The methods used to calculate these provisions are similar to other claims provisions and they include an estimate, considered on a home by home basis, for claims incurred but not reported. Reinsurers share of the provisions are based on the reinsurance treaties in force at the time.

Of the total claims provision £9,489,992 (2002 - £9,982,264) gross and £3,693,630 (2002 - £4,645,661) net after assumed reinsurance *recoveries relate to this matter.*

The claims provision is particularly sensitive to the number of assumed abuse claims that are incurred but not reported. Some sensitivity exists over the calculation of the amount of such claims, however, there is less uncertainty over the amount compared to the number because of the experience of the cost of settled claims.

Notes on the Accounts (continued)

13 Provisions for Other Risks and Charges

Deferred taxation	£
At beginning of the year	844,757
Charge for the year in the profit and loss account	14,817
At end of the year	859,574

Deferred taxation has been fully provided for as follows:

	2003	2002
	£	£
Accelerated capital allowances	(53,745)	(68,562)
Unrealised equity gains	913,319	913,319
	859,574	844,757

14 Other Creditors including Taxation and Social Security

	2003	2002
	£	£
Taxation payable	309,636	124,246
Social security	6,055	7,118
Other	156,301	171,545
	471,992	302,909

15 Staff Numbers and Costs

Under the terms of a Joint Administration Agreement the Company has no employees.

16 Pension Costs

The Company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company, being invested with an insurance company under a Grouped Funding policy. Ordinary contributions to the scheme are charged, under the terms of a Joint Administration Agreement, to the reinsurance account so as to spread the cost of pensions over employees' working lives with the Company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the Attained Age method. The scheme has been closed to new entrants from 1 July 1998 and the Attained Age method is particularly suitable for such schemes. The most recent valuation was as at 1 January 2002.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 5.8% per annum, that salary increases would average 4.1% per annum and that present and future pensions would increase at the rate of 4% per annum. The most recent actuarial valuation showed that the notional value of the scheme's assets was £1,068,000 and that the actuarial value of those assets represented 129% of the benefits that had accrued to members, based on salaries projected to normal retirement date or the date of earlier withdrawal. The surplus has increased since the previous valuation from £138,900 to £244,400. An employer contribution rate has been agreed of 16.2% of pensionable salaries.

FRS 17 "Retirement Benefits"

Under the transitional rules of FRS 17 "Retirement Benefits" the company is required to disclose the following information relating to the pension scheme as at 31 December 2003.

The full actuarial valuation carried out on 1 January 2002 has been updated by the actuary on an FRS 17 basis as at 31 December 2003
The financial assumptions used by the actuary were:

		2003	2002	2001
		%	%	%
Inflation assumptions		2.9	2.3	2.5
Rate of increase of salaries		4.4	3.8	4.0
Rate of increase for pensions:	in payment	4.0	4.0	4.0
	deferred pensions	2.9	2.5	2.5
Rate used to discount scheme liabilities		5.2	5.4	5.8

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Fair value of scheme assets and present value of scheme liabilities at 31 December 2003:

	Long term rate of return 2003	Fair value 2003 £	Long term rate of return 2002	Fair value 2002 £	Long term rate of return 2001	Fair value 2001 £
Assets-bonds (grouped funding policy)	5.20%	1,100,000	5.40%	1,036,000	5.00%	1,235,400
Present value of the scheme's liabilities		(991,000)		(855,300)		(1,235,200)
Resulting surplus		109,000		180,700		200

	2003 £	2002 £
Analysis of amount charged to operating profit		
Operating costs:		
Current service cost	(15,000)	(13,000)
Past service cost	-	-
Net operating costs:	(15,000)	(13,000)
Finance costs:		
Interest cost	(46,000)	(71,600)
Expected return on assets	56,000	62,000
Net finance costs	10,000	(9,600)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL):

	2003 %	2003 £	2002 %	2002 £
Annual return less expected return on assets		1,000		194,600
Percentage of year end scheme assets	0.09%		18.78%	
Experience gains and losses on liabilities		21,000		75,100
Percentage of present value year end scheme liabilities	2.12%		8.78%	
Changes in assumptions		(95,700)		(72,600)
Percentage of present value year end scheme liabilities	9.66%		8.49%	
Actuarial (loss)/gain recognised in STRGL		(73,700)		197,100

Movement in surplus during the year	£	£
Surplus at beginning of year	180,700	200
Current service cost	(15,000)	(13,000)
Contributions	7,000	6,000
Past service cost	-	-
Other financial income	10,000	(9,600)
Actuarial (loss)/gain	(73,700)	197,100
Surplus in scheme at end of year	109,000	180,700

17 Significant Shareholding

At 31 December 2003 the Company had an interest of 20% or more of the nominal value of the issued share capital in Epworth Investment Management Limited which is held as an investment of the Company. Mr M. A. H. Willett, a director of the Company, is also on the board of Epworth Investment Management Limited. The holding has not been dealt with in accordance with the statement of standard accounting practice relating to associated companies because the Company does not exert a significant influence over the operating and financial policy of Epworth Investment Management Limited.

Details of the Company's shareholding:

Country of incorporation	Class of shares held	Percentage held
England	Ordinary shares	25
England	9% Non-voting redeemable preference shares	25

The called-up share capital of Epworth Investment Management Limited is £100,000. The company's last accounts for the year ended 31 August 2003 show capital and reserves of £115,061 following a profit for the year of £1,486. There is no market in the company's shares and they have, therefore, been valued at cost in the accounts.

18 Related Party Transactions

During the year the Company ceded premiums net of claims and commissions to the value of £4,125,644 to Ecclesiastical Insurance Office plc, which also bore expenses of the Company's business of £2,833,403. At 31 December 2003 £1,732,379 was due to Ecclesiastical Insurance Office plc.