



# REPORT & ACCOUNTS 1994

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## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the one hundred and twenty-second Annual General Meeting of the Company will be held at the Company's Offices, Brazennose House, Brazennose Street, Manchester, on Wednesday, 19 October 1994 at 12.30 p.m. to transact the following ordinary business:

- |                  |   |
|------------------|---|
| Resolution No. 1 | To receive and consider the Report of the Directors and the Accounts for the year ended 30 June 1994.               |
| Resolution No. 2 | To declare a dividend.  |
| Resolution No. 3 | To recommend that Charitable Grants amounting to £650,000 be paid to Methodist Funds and Organisations.             |
|                  | To re-elect the following directors retiring by rotation and who, being eligible, offer themselves for re-election: |
| Resolution No. 4 | Ronald A. Johnson.  |
| Resolution No. 5 | Andrew G. Gibbs.  |
| Resolution No. 6 | To elect Martin V. Caldwell as a director.  |
| Resolution No. 7 | To re-appoint KPMG Peat Marwick as Auditors and to authorise the directors to fix their remuneration.               |

To transact any other ordinary business.

By Order of the Board,  
G. SIMPSON, Secretary.  
27 September 1994

A member entitled to attend and vote at this meeting may appoint another person, whether a member or not, as his proxy to attend and, on a poll, to vote instead of him.

## DIRECTORS AND OFFICERS

### DIRECTORS

|  |                 |
|--|-----------------|
| Herbert W. Tuckey, F.C.A.                  | Chairman.       |
| Michael A. H. Willett, F.I.A., M.B.C.S     | Deputy Chairman |
| Susan R. Howdle, B.C.L., M.A.              |                 |
| Rev. Jeffrey W. Harris, M.A., B.D.         |                 |
| Rev. Ralph E. Fennell, M.A.                |                 |
| Norman Parker, F.C.I.B., M.I.Ex.           |                 |
| Ronald A. Johnson, M.I.Mgt.                |                 |
| Andrew G. Gibbs, M.A., F.C.A.              |                 |
| Colin H. Boothman, F.R.I.C.S., M.A.Cost E. |                 |
| Rev. G. Michael Wearing, M.A., B.D.        |                 |

### OFFICERS

|                                 |                           |
|---------------------------------|---------------------------|
| David A. Blanks, B.A., F.C.I.I. | General Manager.          |
| Grayham Simpson, F.C.I.S        | Secretary and Accountant. |
| Michael J. Jarrott, F.C.I.I.    | Underwriting Manager.     |

### HEAD OFFICE AND REGISTERED ADDRESS

Brazennose House, Brazennose Street, Manchester M2 5AS.  
 Telephone 061-833 9696  
 Fax 061-833 1287

### IRISH OFFICE

Mayo House, 61 Rathdown Park, Dublin 6.  
 Rev. Paul Kingston Attorney for the Republic of Ireland.

### AUDITORS

KPMG Peat Marwick, Chartered Accountants,  
 St. James' Square, Manchester M2 6DS.

### BANKERS

Midland Bank plc,  
 100 King Street, Manchester M60 2HD.

## STATEMENT BY THE CHAIRMAN

I am pleased to report another very satisfactory result. The number of claims this year was only slightly down on last year but the gross cost of claims was considerably less at £2,615,789 compared with £3,518,151 in 1993, due in the main to a mild winter and the fact that there were, thankfully, no really major fires. Malicious damage and theft continues to represent a high proportion of claims.

Insurance is a cyclical business. The incidence of claims is unpredictable and sometimes varies greatly from year to year. We are obliged to fix premiums before claims occur, so it is no wonder results sometimes oscillate wildly from one year to the next. Because of this we have felt it prudent to increase the claims equalisation reserve by £450,000 so that when lean times come as they undoubtedly will, we shall be well placed to bear them.

You will see from note 13 to the accounts that the January 1993 actuarial valuation stated that the Pension Fund assets amounted to 82% of the benefits that had accrued to the members of the scheme. Because of this shortfall, an additional contribution of £200,000 has been made for each of the last two years.

Our raison d'être is to serve the needs of the Methodist Churches of Great Britain and Ireland. With this very much in mind we have increased the number of Area Representatives in order to provide a better local service and are planning to update our computer systems so that we will be better able to adapt to changing needs. We have again held a meeting with representatives of the Property Board to discuss matters of mutual concern.

In serving the Church we must give value for money to our policyholders. In the last 5 years our net underwriting results, represented by premiums received less the cost of reinsurance, claims and administration, has resulted in a virtual break-even, however by virtue of the continuing careful oversight of our investment portfolio we have made grants of £1,803,000.

At our Annual General Meeting this year we shall be considering the allocation of grants totalling £650,000, the highest in the history of the Company. As last year we are proposing to move the emphasis towards Methodist charities or Connexional bodies concerned with improving and maintaining buildings whilst at the same time continuing our significant support for the Ministers, Deacons and Deaconesses Retirement Fund.

In recent years we have sought to diversify our business and our Home Account continues to grow steadily in spite of stiff competition. The result of this is that approximately one third of our premiums are now represented by non-Church business. We have put, and are putting, increased resources into development in the expectation of further growth and at the same time we are continuing our careful underwriting approach to risks accepted.

We operate against a continuing tight regulatory background which costs time and money added to which the British Government saw fit to introduce an Insurance Premium Tax of 2.5% on premiums as from 1st October 1994 which unfortunately is yet another imposition on our policyholders.

No Chairman's Statement is complete without a word of thanks to my colleagues on the Board, the Management and Staff of the Company. This is no formality because we are here as a team, each with a part to play in serving our shareholders and policyholders - everyone's contribution is important and valued.

A sincere thank you too, to Superintendent Ministers, and Intermediaries for their continued support.

The Reverend Jeffrey Harris retires at the Annual General Meeting after nine years on the Board. We have valued his wise counsel. We shall miss him, and remember him, and wish him every blessing in the years to come.

When considering Board appointments we seek ministers who represent different aspects of Methodist Church life and laity with particular and varying expertise so that together we can contribute to the well-being of the Company for the benefit of the Church. I am happy to announce that the Reverend Martin Caldwell has accepted an invitation to join the Board and we look forward to his contribution.

As the recession continues to abate, albeit rather slowly, I am confident that we shall meet the challenges of the coming year and beyond, thereby justifying the trust placed in us by our policyholders.

Herbert W. Tuckey, Chairman

## REPORT OF THE DIRECTORS

The directors submit the Annual Report and Accounts of the Company for the year ended 30 June 1994.

### FINANCIAL RESULTS

The Profit and Loss Account on page 5 shows the profit for the year.  
The directors recommend a dividend for the year of 1p per share.  
The movement on reserves is shown on page 10.

### 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 3.

### DIRECTORS

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

Mr. R.A. Johnson and Mr. A.G. Gibbs retire from the board by rotation and, being eligible, offer themselves for re-election.

Rev. J.W. Harris retires from the board by rotation but does not offer himself for re-election, Rev. M.V. Caldwell will be proposed for election in his stead.

### DIRECTORS' SHAREHOLDINGS

The directors were interested in the shares of the Company as follows:

|                   | 30 June 1994 | 30 June 1993 |                   | 30 June 1994 | 30 June 1993 |
|-------------------|--------------|--------------|-------------------|--------------|--------------|
| H.W. Tuckey       | 500          | 500          | N. Parker         | 20           | 20           |
| M.A.H. Willett    | 500          | 500          | R. A. Johnson     | 250          | 250          |
| S.R. Howdle       | 250          | 250          | A.G. Gibbs        | 300          | 300          |
| Rev. J.W. Harris  | 250          | 250          | C.H. Boothman     | 500          | 500          |
| Rev. R.E. Fennell | 25           | 25           | Rev. G.M. Wearing | 35           | 35           |

### 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:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- 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 £651,879 (1993 £501,247). There were no contributions for political purposes.

### DIRECTORS AND OFFICERS LIABILITY INSURANCE

Insurance to cover directors and officers against liabilities in relation to the Company was maintained during the year.

### AUDITORS

A resolution for the re-appointment of KPMG Peat Marwick as auditors of the Company, will be proposed at the forthcoming Annual General Meeting.

By Order of the Board,  
G. SIMPSON, Secretary,  
26 August 1994.

*G. Simpson*

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 1994

|                                    | Notes | 1994<br>£        | 1993<br>£        |
|------------------------------------|-------|------------------|------------------|
| <b>Income</b>                      |       |                  |                  |
| Net written premiums               | 1B&2  | 4,173,015        | 4,122,506        |
| Less increase in unearned premiums | 1B    | 143,497          | 580,445          |
| Premiums earned                    |       | <u>4,029,518</u> | <u>3,542,061</u> |
| <b>Expenditure</b>                 |       |                  |                  |
| Net claims incurred                | 1C&3  | 1,641,966        | 1,903,994        |
| Management expenses                | 4     | 1,116,412        | 1,091,562        |
|                                    |       | <u>1,271,140</u> | <u>546,505</u>   |
| <b>Claims Equalisation</b>         | 1C    | <u>450,000</u>   | <u>300,000</u>   |
| <b>Underwriting Profit</b>         | 5     | 821,140          | 246,505          |
| <b>Investment Income</b>           | 1D&5  |                  |                  |
| Interest and dividends             |       | 578,854          | 621,570          |
| Profit on investment realisations  |       | 30,328           | 79,680           |
| <b>Profit before Taxation</b>      | 5     | <u>1,430,322</u> | <u>947,755</u>   |
| <b>Charitable Grants</b>           |       |                  |                  |
| Methodist funds and organisations  |       | 650,000          | 500,064          |
|                                    |       | <u>780,322</u>   | <u>447,691</u>   |
| <b>Taxation</b>                    | 6     | <u>421,147</u>   | <u>263,146</u>   |
| <b>Profit after Taxation</b>       |       | 359,175          | 184,545          |
| <b>Proposed Dividend</b>           |       | <u>187</u>       | <u>187</u>       |
| <b>Retained Profit</b>             | 7     | <u>£358,988</u>  | <u>£184,358</u>  |

There are no recognised gains or losses other than the profit after taxation stated above

The notes on pages 8 to 12 form an integral part of these accounts.

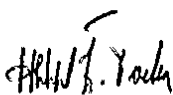
## BALANCE SHEET

AS AT 30 JUNE 1994

|                               | Notes | £                | 1994<br>£         | 1993<br>£         |
|-------------------------------|-------|------------------|-------------------|-------------------|
| <b>INVESTMENTS</b>            | 8     |                  |                   |                   |
| <b>Listed Securities</b>      |       |                  |                   |                   |
| Fixed Interest                |       | 4,045,655        | 2,638,081         |                   |
| Ordinary Shares               |       | 1,502,811        | 1,379,632         |                   |
|                               |       | <u>5,548,466</u> | <u>4,017,713</u>  |                   |
| <b>Unlisted Securities</b>    |       |                  |                   |                   |
| Mortgages and Loans           |       | 197,463          | 204,526           |                   |
|                               |       | <u>5,745,929</u> | <u>4,222,239</u>  |                   |
| <b>FIXED ASSETS</b>           | 1E&9  |                  | 67,734            | 28,216            |
|                               |       |                  | <u>5,813,663</u>  | <u>4,250,455</u>  |
| <b>CURRENT ASSETS</b>         |       |                  |                   |                   |
| Premiums                      |       | 572,160          | 637,286           |                   |
| Debtors                       |       | 172,917          | 92,535            |                   |
| Deferred Acquisition Expenses | 1F    | 257,998          | 217,575           |                   |
| Cash at Bank and in Hand      | 10    | 3,500,697        | 3,889,914         |                   |
|                               |       | <u>4,503,772</u> | <u>4,837,310</u>  |                   |
| <b>TOTAL ASSETS</b>           |       |                  | <u>10,317,435</u> | <u>9,087,765</u>  |
| <b>CURRENT LIABILITIES</b>    |       |                  |                   |                   |
| Creditors                     |       | 904,472          | 830,627           |                   |
| Unearned Premiums             | 1B&11 | 2,412,915        | 2,269,418         |                   |
| Claims                        | 1C&3  | 2,855,133        | 2,959,472         |                   |
| Claims Equalisation Provision | 1C    | 750,000          | 300,000           |                   |
| Current Taxation              |       | 562,498          | 254,819           |                   |
| Proposed Dividend             |       | 187              | 187               |                   |
|                               |       | <u>7,485,205</u> | <u>6,614,523</u>  |                   |
| <b>NET ASSETS</b>             |       |                  | <u>£2,832,230</u> | <u>£2,473,242</u> |
| <b>FINANCED BY:</b>           |       |                  |                   |                   |
| <b>SHARE CAPITAL</b>          | 12    |                  | 112,500           | 112,500           |
| <b>RESERVES</b>               | 7     |                  | 2,719,730         | 2,360,742         |
|                               |       |                  | <u>£2,832,230</u> | <u>£2,473,242</u> |

The accounts on pages 5 to 12 were approved by the Board of Directors on 26 August 1994 and were signed on its behalf by:

Herbert W. Tuckey, Director.



The notes on pages 8 to 12 form an integral part of these accounts.

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 1994

Note 10

|  | £           | 1994<br>£         | £         | 1993<br>£         |
|--|-------------|-------------------|-----------|-------------------|
| <b>Net cash inflow from operating activities</b>                             |             | 1,905,159         |           | 2,534,018         |
| <b>Returns on investments and servicing of finance</b>                       |             |                   |           |                   |
| Dividends paid   | (187)       |                   | (187)     |                   |
| <b>Net cash outflow from returns on investments and servicing of finance</b> |             | (187)             |           | (187)             |
| <b>Taxation</b>  |             |                   |           |                   |
| UK Corporation tax (paid)/recovered  | (82,500)    |                   | 2,124     |                   |
| Overseas tax paid  | (9,457)     |                   | (13,460)  |                   |
| <b>Total tax paid</b>  |             | (91,957)          |           | (11,336)          |
| <b>Investing activities</b>  |             |                   |           |                   |
| Purchase of investments  | (1,620,876) |                   | (862,845) |                   |
| Sale of investments  | 127,513     |                   | 361,149   |                   |
| Purchase of tangible fixed assets  | (73,169)    |                   | (363)     |                   |
| Sale of tangible fixed assets  | 14,300      |                   | -         |                   |
| <b>Net cash (outflow) from investing activities</b>                          |             | (1,552,232)       |           | (502,059)         |
| <b>Charitable grants paid</b>  |             | (650,000)         |           | (500,064)         |
| <b>(Decrease)/increase in cash and cash equivalents</b>                      |             | <u>£(389,217)</u> |           | <u>£1,520,372</u> |

The notes on pages 8 to 12 form an integral part of these accounts.



## NOTES ON THE ACCOUNTS

### 1 ACCOUNTING POLICIES

#### A Disclosure Requirements

The accounts have been prepared in compliance with Section 255 and Schedule 9A of the Companies Act 1985, and in accordance with applicable accounting standards and the statement of recommended practice on accounting for insurance business issued by the Association of British Insurers.

#### B Premium Income

1. Premiums written are accounted for in the year in which the risk commences.
2. Unearned premiums represent that proportion of premiums written in the year to 30 June, which relate to periods from 1 July to the subsequent dates of expiry of the policies, and have been computed as follows:-
  - (i) Direct business - on a daily pro-rata basis, net of reinsurance premiums.
  - (ii) Inwards Treaty business - as provided for in the respective treaty contracts.

#### C Claims

##### 1. Outstanding

Provisions for notified claims as at 30 June each year 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 30 June.

Any differences between original claims provisions and subsequent re-estimates or settlements are reflected in the underwriting results of the year in which claims are re-estimated or settled.

##### 2. Equalisation Provision

A claims equalisation provision is maintained to provide for future significant fluctuations in claims experience.

#### D Investment Income

Investment income includes interest accrued to 30 June on deposits but no credit is taken for ordinary dividends and income arising on fixed interest securities other than those received in the year, and is stated before any deductions for income tax, and after adding back tax credits available on distributions.

#### E Capital Expenditure

Expenditure on computer and office equipment, furniture, fixtures and fittings, and motor vehicles is capitalised and depreciated by equal annual instalments over the estimated useful lives of the assets, which are as follows:

|                                  |         |
|----------------------------------|---------|
| Computer equipment               | 4 years |
| Office equipment                 | 5 years |
| Furniture, fixtures and fittings | 8 years |
| Motor vehicles                   | 5 years |

#### F Deferred Acquisition Expenses

Provision is made for deferred acquisition expenses representing commission relating to unearned premiums and has been based on actual expenses.

#### G Foreign Currencies

Assets and liabilities in foreign currencies have been converted into sterling at the rates of exchange ruling at 30 June. Differences on exchange have been dealt with through the Profit and Loss Account.

## NOTES ON THE ACCOUNTS (continued)

### 2 PREMIUM INCOME

|   | 1994<br>£        | 1993<br>£        |
|---|------------------|------------------|
| Gross premiums written and reinsurance accepted | 7,411,988        | 6,876,511        |
| Deduct reinsurance premiums ceded               | 3,238,973        | 2,754,005        |
|   | <u>4,173,015</u> | <u>4,122,506</u> |
| Gross premiums by geographical areas:-          |                  |                  |
| United Kingdom                                  | 7,181,610        | 6,658,372        |
| Eire  | 230,378          | 218,139          |
|   | <u>7,411,988</u> | <u>6,876,511</u> |
| Gross premiums by class of business:-           |                  |                  |
| Fire and damage to property                     | 6,281,583        | 5,774,657        |
| Liability                                       | 617,484          | 567,100          |
| Accident and health                             | 151,797          | 179,885          |
| Miscellaneous financial loss                    | 72,956           | 96,749           |
| Reinsurance accepted                            | 288,168          | 258,120          |
|   | <u>7,411,988</u> | <u>6,876,511</u> |

### 3 CLAIMS

|                               | 1994<br>£        | 1993<br>£        |
|-------------------------------|------------------|------------------|
| Gross claims incurred         | 2,615,789        | 3,518,151        |
| Deduct reinsurance recoveries | 973,823          | 1,614,157        |
|                               | <u>1,641,966</u> | <u>1,903,994</u> |
| Gross claims outstanding      | 4,686,374        | 5,204,013        |
| Deduct reinsurance recoveries | 1,831,241        | 2,244,541        |
|                               | <u>2,855,133</u> | <u>2,959,472</u> |

### 4 MANAGEMENT EXPENSES

|   | 1994<br>£        | 1993<br>£        |
|---|------------------|------------------|
| Administrative expenses and commissions               | 1,864,819        | 1,708,572        |
| Deduct - reinsurance and agency commissions           | 707,984          | 594,134          |
| - increase in deferred acquisition expenses (note 1F) | 40,423           | 22,876           |
|   | <u>1,116,412</u> | <u>1,091,562</u> |
| Management expenses include:-                         |                  |                  |
| Directors' emoluments                                 |                  |                  |
| Fees and expenses                                     | 13,172           | 12,521           |
| Pension to former director                            | 11,294           | 10,970           |
| Auditors' remuneration                                |                  |                  |
| Audit fees  | 16,702           | 16,287           |
| Non-audit fees  | 1,840            | 1,196            |
| Depreciation  | 20,003           | 13,819           |
| Special contribution to the pension scheme            | 200,000          | 200,000          |

### 5 GEOGRAPHICAL INFORMATION

|                            | United Kingdom   |                  | Eire           |                | Total            |                  |
|----------------------------|------------------|------------------|----------------|----------------|------------------|------------------|
|                            | 1994<br>£        | 1993<br>£        | 1994<br>£      | 1993<br>£      | 1994<br>£        | 1993<br>£        |
| Underwriting Profit/(Loss) | 814,474          | 252,453          | 6,666          | (5,948)        | 821,140          | 246,505          |
| Investment Income          | 581,872          | 664,919          | 27,310         | 36,331         | 609,182          | 701,250          |
| Profit before Taxation     | <u>1,396,346</u> | <u>917,372</u>   | <u>33,976</u>  | <u>30,383</u>  | <u>1,430,322</u> | <u>947,755</u>   |
| Net Assets                 | <u>2,529,220</u> | <u>2,255,577</u> | <u>303,010</u> | <u>217,665</u> | <u>2,832,230</u> | <u>2,473,242</u> |

## NOTES ON THE ACCOUNTS (continued)

### 6 TAXATION

|   | 1994<br>£      | 1993<br>£      |
|---|----------------|----------------|
| U.K. Corporation Tax at 33% based on the profit for the year after adjusting for the movement in claims equalisation and payment of charitable grants | 400,000        | 252,500        |
| Over provision in respect of prior years  | (364)          | (15,012)       |
|   | <u>399,636</u> | <u>237,488</u> |
| Tax in respect of U.K. dividends received   | 21,511         | 25,658         |
|   | <u>421,147</u> | <u>263,146</u> |
| Overseas taxation   | 16,521         | 10,532         |
|   | <u>437,668</u> | <u>273,678</u> |
| Relief for overseas taxation  | (16,521)       | (10,532)       |
|   | <u>421,147</u> | <u>263,146</u> |

### 7 RESERVES

|                 | Profit and Loss<br>Account<br>£ |
|-----------------|---------------------------------|
| At 1 July 1993  | 2,360,742                       |
| Retained profit | 358,988                         |
| At 30 June 1994 | <u>2,719,730</u>                |

### 8 INVESTMENTS

Listed and unlisted securities are stated in the Balance Sheet at cost.

|   | 1994<br>£        | 1993<br>£        |
|---|------------------|------------------|
| Aggregate market value of listed securities | <u>7,376,328</u> | <u>6,076,163</u> |

### 9 FIXED ASSETS

|                           | Computer<br>equipment<br>£ | Office<br>equipment<br>fixtures<br>and fittings<br>£ | Motor<br>vehicles<br>£ | Total<br>£     |
|---------------------------|----------------------------|--|------------------------|----------------|
| Cost                      |                            |  |                        |                |
| At 1 July 1993            | 110,953                    | 28,271   | 31,315                 | 170,539        |
| Additions                 | 1,058                      | 23,645   | 48,466                 | 73,169         |
| Disposals                 | (13,863)                   | (1,360)  | (31,314)               | (46,537)       |
| At 30 June 1994           | <u>98,148</u>              | <u>50,556</u>  | <u>48,467</u>          | <u>197,171</u> |
| Accumulated depreciation  |                            |  |                        |                |
| At 1 July 1993            | 106,324                    | 17,311   | 18,688                 | 142,323        |
| Depreciation for the year | 3,090                      | 7,220  | 9,693                  | 20,003         |
| Disposals                 | (13,863)                   | (338)  | (18,688)               | (32,889)       |
| At 30 June 1994           | <u>95,551</u>              | <u>24,193</u>  | <u>9,693</u>           | <u>129,437</u> |
| Net book value            |                            |  |                        |                |
| At 30 June 1994           | <u>2,597</u>               | <u>26,363</u>  | <u>38,774</u>          | <u>67,734</u>  |
| At 30 June 1993           | <u>4,629</u>               | <u>10,960</u>  | <u>12,627</u>          | <u>28,216</u>  |

## NOTES ON THE ACCOUNTS (continued)

### 10 CASH FLOW STATEMENT

#### a. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

|   | 1994             | 1993             |
|---|------------------|------------------|
|   | £                | £                |
| Operating profit  | 1,430,322        | 947,755          |
| Depreciation charges  | 20,003           | 13,819           |
| Profit on sale of tangible fixed assets                           | (652)            | —                |
| Profit on sale of investments                                     | (30,328)         | (79,680)         |
| Decrease/(Increase) in premiums outstanding                       | 65,127           | (151,776)        |
| Increase/(Decrease) in debtors                                    | (80,382)         | 178,721          |
| Increase in deferred acquisition expenses                         | (40,423)         | (22,876)         |
| Increase in creditors   | 73,845           | 495,631          |
| Increase in unearned premiums                                     | 143,497          | 580,445          |
| (Decrease)/Increase in claims provisions                          | (104,339)        | 297,637          |
| Increase in claims equalisation provision                         | 450,000          | 300,000          |
| Tax on franked investment income included within operating income | (21,511)         | (25,658)         |
| <b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>                  | <b>1,905,159</b> | <b>2,534,018</b> |

#### b. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

|                                | £                |
|--------------------------------|------------------|
| Balance at 1 July 1993         | 3,889,914        |
| Net cash outflow               | (389,217)        |
| <b>Balance at 30 June 1994</b> | <b>3,500,697</b> |

#### c. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

|                          | 1994      | 1993      | Change<br>in year |
|--------------------------|-----------|-----------|-------------------|
|                          | £         | £         | £                 |
| Cash at bank and in hand | 3,500,697 | 3,889,914 | (389,217)         |

#### d. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

Financing is shown in the balance sheet as 'Share Capital' £112,500 (1993 £112,500)

### 11 UNEARNED PREMIUMS

|                                   | 1994             | 1993             |
|-----------------------------------|------------------|------------------|
|                                   | £                | £                |
| Gross unearned premiums           | 4,046,046        | 3,746,445        |
| Deduct reinsurance premiums ceded | 1,633,131        | 1,477,027        |
|                                   | <b>2,412,915</b> | <b>2,269,418</b> |

## NOTES ON THE ACCOUNTS (continued)

### 12 SHARE CAPITAL

At 30 June 1994 and 1993

18,750 shares of £6 each fully paid

| Authorised<br>£ | Issued<br>£ |
|-----------------|-------------|
| 112,500         | 112,500     |

### 13 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. Contributions to the scheme are charged to the profit and loss 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 Projected Unit Credit method. The most recent valuation was as at 1 January 1993. 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 8½% per annum, that salary increases would average 7% 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 £978,100 and that the actuarial value of those assets represented 82% of the benefits that had accrued to members, based on salaries projected to normal retirement date or the date of earlier withdrawal.

The pension charge for the period was £268,956 (1993 £268,961). Both years include a special contribution of £200,000.

### 14 TRANSACTIONS WITH OFFICERS

At 30 June 1994 the amounts outstanding in respect of transactions, arrangements and agreements with officers of the Company (other than directors) were:-

|                      | Number of Officers | 1994<br>£  | 1993<br>£ |
|----------------------|--------------------|------------|-----------|
| House purchase loans | 2                  | 81,750 (2) | 81,750    |
| Other loans          | 3                  | 8,501 (3)  | 14,727    |

### 15 CURRENCY EXCHANGE

The rate of exchange used for converting Eire Punt was IR£1.0125

### 16 CAPITAL COMMITMENTS

Contracted for, but not provided for in the accounts  
Authorised by the directors, but not contracted for

| 1994<br>£ | 1993<br>£ |
|-----------|-----------|
| —         | 9,044     |
| —         | 10,850    |

## REPORT OF THE AUDITORS

To the members of the Methodist Insurance P.L.C.  
We have audited the financial statements on pages 5 to 12.

### Respective responsibility of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

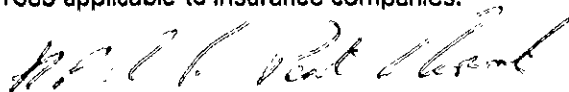
### Basis of opinion

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

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

### Opinion

In our opinion the financial statements have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance companies.



KPMG Peat Marwick  
Chartered Accountants  
Registered Auditors  
Manchester  
26 August 1994

## FIVE YEAR REVIEW

|                                | 1994<br>£<br>000 | 1993<br>£<br>000 | 1992<br>£<br>000 | 1991<br>£<br>000 | 1990<br>£<br>000 |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>PROFIT AND LOSS ACCOUNT</b> |                  |                  |                  |                  |                  |
| Gross premiums                 | 7,412            | 6,877            | 6,010            | 5,187            | 4,504            |
| Gross claims                   | (2,616)          | (3,518)          | (3,004)          | (5,589)          | (5,050)          |
| Net premiums earned            | 4,029            | 3,542            | 2,653            | 2,364            | 2,091            |
| Net claims                     | (1,642)          | (1,904)          | (1,742)          | (2,484)          | (1,770)          |
| Management expenses            | (1,116)          | (1,092)          | (822)            | (774)            | (584)            |
| Claims equalisation            | (450)            | (300)            | —                | —                | —                |
| Underwriting Profit/(Loss)     | 821              | 246              | 89               | (894)            | (263)            |
| Investment income              | 609              | 701              | 624              | 747              | 659              |
| Profit/(Loss) before Taxation  | 1,430            | 947              | 713              | (147)            | 396              |
| Charitable contributions       | (650)            | (500)            | (446)            | —                | (208)            |
| Taxation                       | (421)            | (263)            | (38)             | (20)             | (84)             |
| Profit/(Loss)                  | 359              | 184              | 229              | (167)            | 104              |
| <b>BALANCE SHEET</b>           |                  |                  |                  |                  |                  |
| Investments                    | 5,746            | 4,222            | 3,641            | 3,207            | 3,279            |
| Fixed assets                   | 67               | 28               | 42               | 38               | 42               |
| Current assets                 | 4,504            | 4,838            | 3,321            | 3,297            | 2,487            |
| Total assets                   | 10,317           | 9,088            | 7,004            | 6,542            | 5,808            |
| Current liabilities            | 7,485            | 6,615            | 4,715            | 4,483            | 3,582            |
| Net assets                     | 2,832            | 2,473            | 2,289            | 2,059            | 2,226            |
| <b>FINANCED BY:</b>            |                  |                  |                  |                  |                  |
| Share Capital                  | 112              | 112              | 112              | 112              | 112              |
| Reserves                       | 2,720            | 2,361            | 2,177            | 1,947            | 2,114            |
|                                | 2,832            | 2,473            | 2,289            | 2,059            | 2,226            |