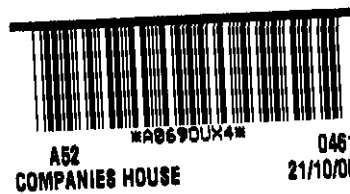


Report ACCOUNTS 2000



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Mission Statement

Methodist Insurance 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 twenty-eighth Annual General Meeting of the Company will be held at the Company's offices, Brazennose House, Brazennose Street, Manchester, on Thursday 19 October 2000 at 12.30 pm 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 2000.

Resolution No.2 To declare a dividend.

Resolution No.3 To approve the directors' recommended distribution of charitable grants amounting to £400,000 to Methodist funds and organisations.

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:

Resolution No.4 Michael A. H. Willett

Resolution No.5 Andrew G. Gibbs

Resolution No.6 Christopher F. Nock

Resolution No.7 To re-appoint KPMG Audit Plc 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 2000.

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.
Michael A. H. Willett, F.I.A.
Susan R. Howdle, B.C.L., M.A.
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.
Rev. Martin V. Caldwell.
Christopher F. Nock, A.C.I.I.
Graham V. Doswell, F.C.I.I.

Chairman
Deputy Chairman

Officers

Peter A. Lowe, F.C.I.I.
Grayham Simpson, F.C.I.S.
Ronald W. Barnet, F.C.I.I.

General Manager
Financial Controller and Secretary
*Underwriting Manager

Head Office and Registered Address

Brazennose House, Brazennose Street, Manchester M2 5AS.
Telephone 0161 833 9696
Fax 0161 833 1287

Irish Office

Ecclesiastical Insurance Office plc, 65 Fitzwilliam Square, Dublin 2.
Desmond Campbell

Attorney for the Republic of Ireland

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

This has been another year of change.

David Blanks retired in January after nearly thirty years as our General Manager and latterly a director of the Company. We are indebted to him for his leadership and service and were pleased to recognise this at appropriate presentations. We wish him and Doreen every happiness and fulfilment in retirement.

Peter Lowe FCII has been appointed his successor. Peter has a long record of working in the insurance industry, starting with Guardian Royal Exchange Group in the City of London; his more recent role is that of International Manager at the Ecclesiastical Insurance Group in Gloucester. Peter leads the management and staff team who continue to earn our thanks for their service and dedication reflected in the financial results presented.

During the year we completed a full annual renewal cycle using our new CIRIS computer operating system. Led by Grayham Simpson, the staff coped well, despite the occasional setback and are now reaping the benefit of the long hours freely given during the set-up period.

Gross premiums written at £7,509,153 have again shown a modest increase over the previous year despite the continuing competitive insurance market. We continue to add to the benefits of our Church policies and will be launching a new Church policy early next year. Our ongoing dialogue with the Methodist Church enables us to tailor our Church and Circuit policies to meet their needs. We were pleased to have shown significant growth with our popular Excel Household policy, which has been well received and is marketed by a select panel of insurance intermediaries.

Gross claims paid of £4,332,651 continue at a similar level to the previous year. Additional provisions, necessary to cover possible child abuse claims that go back many years, again influence the final result.

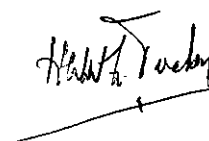
The net operating income of £509,583 reflects the result of our Joint Administration Agreement with Ecclesiastical. This agreement continues to work well with a good dialogue at all levels as we seek to achieve common objectives. The income has been reduced this year by a special payment of £250,000 to the pension scheme. Had this not been made, it is interesting to note that there would have been a profit on our technical account for general business of £120,193 compared with a (loss) of (£548,643) last year.

The careful management of our investment portfolio continues to reflect prudence and has also resulted in a satisfactory outcome. Unrealised gains on investments tend to distort the reported operating profit on ordinary activities. Eliminating these gains results in an operating profit of £477,626 compared with £369,154 last year.

The improved result has enabled us once again to increase the charitable grant to Methodist funds and organisations to £400,000 compared with £350,000 and £300,000 in previous years. We are pleased to be able to continue these grants, amounting to £1,650,000 over the last five years, helping with the cost of support to Ministers through their pension, auxiliary and housing funds, property schemes at local level through the Property Committee and Mission Alongside the Poor together with outreach work with overseas students, MHA and the Methodist Relief and Development Fund.

Whereas this has been a year of change, there has been no change in our commitment to the service of MIC policyholders. We are introducing new personnel strategies to maintain staff development and provide our policyholders with a service second to none. As an independent company we continue to support the Methodist Church with policies designed to complement its needs and we look forward to developing this role in the future.

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 2000.

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.

Rev. R. E. Fennell and Mr. D. A. Blanks retired from the board during the year.

Mr. M. A. H. Willett, Mr. A. G. Gibbs and Mr. C. F. Nock retire from the board by rotation and, being eligible, offer themselves for re-election.

Directors' Shareholdings

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

	30 June 2000	30 June 1999		30 June 2000	30 June 1999
H. W. Tuckey	1,025	1,025	Rev. G. M. Wearing	202	202
M. A. H. Willett	1,025	1,025	Rev. M. V. Caldwell	241	241
S. R. Howdle	250	250	C. F. Nock	250	250
A. G. Gibbs	300	300	G. V. Doswell	250	250
C. H. Boothman	500	500			

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 £400,100 (1999 £350,885). There were no contributions for political purposes.

Report of the Directors (continued)

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 the Ecclesiastical Insurance Office plc. At the end of the financial year the Company had no trade creditors.

Year 2000

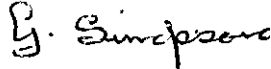
The Company experienced no adverse effects due to the date change at 1 January 2000 either in its own computer system or in its relationship with its customers and suppliers.

The Company is aware that not all potential related problems may have emerged and continues to monitor the situation. Any future costs cannot be quantified but are not expected to be significant.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

By Order of the Board,
G. SIMPSON, Secretary.
1 September 2000.



Report of the Auditors

To the members of the Methodist Insurance PLC.

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

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. 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.

Equalisation reserves

Our evaluation of the presentation of information in the financial statements has regard to the statutory requirement for insurance companies to maintain equalisation reserves. The nature of equalisation reserves, the amounts set aside at 30 June 2000, and the effect of the movement in those reserves during the year on the general business technical result and profit before tax, are disclosed in note 4.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit PLC

KMPG Audit Plc
Chartered Accountants
Registered Auditor
Manchester
1 September 2000

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

For the year ended 30 June 2000

		2000	1999
	Note	£	£
Earned premiums, net of reinsurance			
Gross premiums written	1	7,509,153	7,435,258
Outward reinsurance premiums		<u>(7,506,184)</u>	<u>(7,376,430)</u>
		2,969	58,828
Change in the gross provision for unearned premiums		(112,352)	(85,929)
Change in the gross provision for unearned premiums, reinsurers' share		<u>112,352</u>	<u>2,446,361</u>
		-	2,360,432
		2,969	2,419,260
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(4,332,651)	(4,354,532)
Reinsurers' share		<u>3,015,493</u>	<u>2,053,753</u>
		<u>(1,317,158)</u>	<u>(2,300,779)</u>
Change in the provision for claims			
Gross amount		1,253,010	(754,841)
Reinsurers' share		<u>(578,193)</u>	<u>1,040,548</u>
		<u>674,817</u>	<u>285,707</u>
		(642,341)	(2,015,072)
Net operating income/(expenses)	3	<u>509,583</u>	<u>(950,404)</u>
General business operating result		(129,789)	(546,216)
Change in the equalisation provision	4	(18)	(2,427)
Balance on the technical account for general business	1	<u>(129,807)</u>	<u>(548,643)</u>

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 30 June 2000

	Note	£	2000 £	1999 Restated £
Balance on the general business technical account			(129,807)	(548,643)
Investment income	5	615,122	917,797	
Unrealised gains on investments		286,796	862,847	
Investment expenses and charges	6	(7,689)	-	
			<u>894,229</u>	<u>1,780,644</u>
Operating profit on ordinary activities before other charges			764,422	1,232,001
Charitable grant to Methodist funds and organisations			(400,000)	(350,000)
Profit on ordinary activities before tax			<u>364,422</u>	<u>882,001</u>
Tax on profit on ordinary activities	7		10,018	(161,456)
Profit on ordinary activities after tax			<u>374,440</u>	<u>720,545</u>
Dividends proposed			(187)	(187)
Profit for the financial year	8		<u>374,253</u>	<u>720,358</u>

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 of £1,875 (note 12).

Statement of Historical Cost Profits and Losses

For the Year ended 30 June 2000

	2000 £	1999 Restated £
Profit on ordinary activities before tax	364,422	882,001
Realisation of investment revaluation gains on previous years	307,702	569,598
Net unrealised gains	<u>(286,796)</u>	<u>(862,847)</u>
Historical cost profit on ordinary activities before tax	385,328	588,752
Tax on profit on ordinary activities	10,018	(161,456)
Dividends proposed	<u>(187)</u>	<u>(187)</u>
Historical cost profit for the financial year	<u>395,159</u>	<u>427,109</u>

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

Balance Sheet

As at 30 June 2000

	Note	£	2000 £	£	1999 £
Assets					
Investments					
Other financial investments	9		14,581,437		15,265,197
Reinsurers' share of technical provisions					
Provision for unearned premiums		4,186,314		4,073,962	
Claims outstanding		7,930,125		8,508,318	
			12,116,439		12,582,280
Debtors					
Debtors arising out of direct insurance operations					
Policyholders		78,713		99,257	
Intermediaries		737,730		664,459	
		816,443		763,716	
Debtors arising out of reinsurance operations		700,674		670,559	
Other debtors		132,413		108,798	
			1,649,530		1,543,073
Other assets					
Tangible assets	10	318,010		595,832	
Cash at bank and in hand	11c	862,063		1,026,328	
			1,180,073		1,622,160
Prepayments and accrued income					
Accrued interest and rent		116,860		124,561	
Other prepayments and accrued income		38,560		130,385	
			155,420		254,946
			<u>29,682,899</u>		<u>31,267,656</u>

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

Balance Sheet

As at 30 June 2000

	Note	£	2000 £	£	1999 £
Liabilities					
Capital and reserves					
Called up share capital	12	112,500		112,500	
Profit and loss account	8	<u>9,475,534</u>		<u>9,101,281</u>	
			9,588,034		9,213,781
Technical provisions					
Provision for unearned premiums		4,186,314		4,073,962	
Claims outstanding		14,366,483		15,619,493	
Equalisation provision	4	<u>205,137</u>		<u>205,119</u>	
			18,757,934		19,898,574
Provisions for other risks and charges	13		1,189,989		1,259,180
Creditors					
Creditors arising out of direct insurance operations					
Policyholders		15,801		14,182	
Intermediaries		<u>7,080</u>		<u>3,942</u>	
		22,881		18,124	
Creditors arising out of reinsurance operations		600		567,361	
Other creditors including taxation & social security	14	95,624		272,719	
Proposed dividend		<u>187</u>		<u>187</u>	
			119,292		858,391
Accruals and deferred income					
			27,650		37,730
			<u>29,682,899</u>		<u>31,267,656</u>

The financial statements were approved by the board of directors on 1 September 2000 and were signed on its behalf by:



Herbert W. Tuckey, 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 30 June 2000

	Note	£	2000 £	£	1999 £
Net cash outflows from operating activities	11a		(490,000)		(2,265,795)
Taxation					
UK corporation tax paid		(246,537)		(329,826)	
Overseas tax paid		(593)		(858)	
			(247,130)		(330,684)
Capital expenditure					
Purchase of tangible fixed assets			(563)		(335,773)
Sale of tangible fixed assets			10,748		-
Equity dividends paid			(187)		(187)
Charitable grants paid			(400,000)		(350,000)
Decrease in cash			<u>(1,127,132)</u>		<u>(3,282,439)</u>
Cash flows were applied as follows:					
(Decrease)/Increase in cash holdings			(164,265)		141,771
Net portfolio divestment					
Shares and other variable yield securities		(231,719)		(656,861)	
Debt securities and other fixed income securities		(536,216)		(726,788)	
Loans secured by mortgages		(36,000)		(12,000)	
Other loans: unsecured		-		(885)	
Deposits with credit institutions		(158,932)		(2,027,676)	
	11b		<u>(962,867)</u>		<u>(3,424,210)</u>
Net application of cash flows			<u>(1,127,132)</u>		<u>(3,282,439)</u>
Movement in opening and closing cash and portfolio investments					£
Net cash outflow for the period					(164,265)
Cash flow from portfolio investments					<u>(962,867)</u>
Movements arising from cash flows					<u>(1,127,132)</u>
Changes in market values					<u>279,107</u>
Total movement in cash and portfolio investments					<u>(848,025)</u>
Cash and portfolio investments at 1 July 1999					<u>16,291,525</u>
Cash and portfolio investments at 30 June 2000	11c				<u>15,443,500</u>

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 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

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.
 - (ii) Inwards treaty business - as provided for in the respective treaty contracts.

D. 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. 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.

3. Equalisation provision

An equalisation provision has been established comprising amounts set aside in accordance with the Insurance Companies (Reserves) Act 1995 to mitigate exceptional high loss ratios in future years for classes of business displaying a high degree of claims volatility.

E. 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 current 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.

F. Capital expenditure

Expenditure on computer equipment and software, 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 and software	4 years
Office equipment	5 years
Furniture, fixtures and fittings	8 years
Motor vehicles	5 years

Accounting Policies (continued)

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.

H. Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that a liability will crystallise in the foreseeable future.

In accordance with FRS 16, current tax and dividend income are stated net of any associated tax credits. This is a change in accounting policy and the comparative figures have been adjusted. Income from investments and tax in respect of UK dividends received are both reduced by £16,896 (1999 £34,053). There is no effect on net income after taxation in either year.

Notes on the Accounts

1 Segmental Information

a. Geographical analysis

	2000	2000	2000	1999	1999	1999
	Gross premiums written	Profit before tax	Net assets	Gross premiums written	Restated Profit before tax	Net assets
	£	£	£	£	£	£
United Kingdom	7,228,751	475,426	9,507,280	7,154,770	860,655	8,710,069
Eire	280,402	(111,004)	80,754	280,488	21,346	503,712
Total	<u>7,509,153</u>	<u>364,422</u>	<u>9,588,034</u>	<u>7,435,258</u>	<u>882,001</u>	<u>9,213,781</u>

b. Technical account analysis

	Direct fire & damage to property	Direct liability	Direct accident & health	Direct miscellaneous financial loss	Direct total	Reinsurance	Grand total
2000	£	£	£	£	£	£	£
Gross premiums written	6,539,081	726,886	178,959	63,345	7,508,271	882	7,509,153
Gross premiums earned	6,444,340	705,572	172,021	73,986	7,395,919	882	7,396,801
Gross claims incurred	1,633,054	1,375,784	51,799	18,699	3,079,336	305	3,079,641
Gross operating expenses	304,446	35,422	8,709	3,110	351,687	301	351,988
Gross technical result	4,506,840	(705,634)	111,513	52,177	3,964,896	276	3,965,172
Reinsurance balance	3,603,761	353,141	103,244	34,833	4,094,979	-	4,094,979
Net technical result	<u>903,079</u>	<u>(1,058,775)</u>	<u>8,269</u>	<u>17,344</u>	<u>(130,083)</u>	<u>276</u>	<u>(129,807)</u>
1999							
Gross premiums written	6,331,430	675,184	163,238	87,035	7,256,887	178,371	7,435,258
Gross premiums earned	6,217,208	653,534	157,913	72,652	7,101,307	248,022	7,349,329
Gross claims incurred	2,365,769	2,582,615	38,043	13,785	5,000,212	109,161	5,109,373
Gross operating expenses	1,064,939	113,690	27,669	13,988	1,220,286	149,549	1,369,835
Gross technical result	2,786,500	(2,042,771)	92,201	44,879	880,809	(10,688)	870,121
Reinsurance balance	2,471,427	(1,139,218)	36,845	48,300	1,417,354	1,410	1,418,764
Net technical result	<u>315,073</u>	<u>(903,553)</u>	<u>55,356</u>	<u>(3,421)</u>	<u>(536,545)</u>	<u>(12,098)</u>	<u>(548,643)</u>

There was no commission payable in respect of direct insurance during the year (1999 £230,724).

Notes on the Accounts (continued)

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:

	2000	1999
	£	£
Fire and damage to property	455,482	696,939
Liability	(1,096,404)	(839,645)
Accident and health	(283)	13,465
Miscellaneous financial loss	677	(4,597)
	<u>(640,528)</u>	<u>(133,838)</u>

3 Net Operating Expenses

	2000	1999
	£	£
Acquisition costs, being commissions	-	(9,943)
Change in gross deferred acquisition costs	-	240,667
	-	230,724
Administrative expenses	633,463	1,497,500
Other commissions	(281,475)	(358,389)
Gross operating expenses	351,988	1,369,835
Reinsurance commissions and profit participation	(861,571)	(419,431)
Net operating (income)/expenses	<u>(509,583)</u>	<u>950,404</u>

Net operating expenses include:

Directors' emoluments

Executive capacity (excluding pension contributions)	-	35,806
Non-executive capacity (excluding pension contributions)	19,709	25,769
Pension contributions	-	5,241
Pension to former director	14,000	13,604

Auditors' remuneration

Audit fees	14,100	13,747
Non-audit fees	9,235	105,886

Depreciation

266,967 343,610

Special contribution to the pension scheme

250,000 -

4 Equalisation Provision

This is required by law to be included within technical provisions in the balance sheet. However, there was no liability for such amounts at the balance sheet date and, as such, these reserves are over and above the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date. The charge to the general business technical account of £18 has increased the provision to £205,137.

5 Investment Income

	2000	1999
	£	Restated £
Income from investments	615,122	760,200
Gains on the realisation of investments	-	157,597
	<u>615,122</u>	<u>917,797</u>

Notes on the Accounts (continued)

6 Investment Expenses and Charges

	2000	1999
	£	£
Losses on the realisation of investments	(7,689)	-

7 Taxation

	2000	1999
	£	Restated £
UK corporation tax at 20%	40,000	296,500
Under/(Over) provision in respect of prior years	19,173	(35,021)
	59,173	261,479
Deferred taxation	(69,191)	(100,023)
	(10,018)	161,456

8 Reserves

	Profit & loss account £
At beginning of year	9,101,281
Profit for the financial year	374,253
At end of year	9,475,534

9 Investments

	Market value 2000 £	Market value 1999 £	Cost 2000 £	Cost 1999 £
Shares and other variable-yield securities	5,973,697	6,088,054	1,763,000	1,815,053
Debt securities and other fixed-income securities	8,411,581	8,786,052	5,838,844	6,254,713
Loans secured by mortgages	116,800	152,800	116,800	152,800
Deposits with credit institutions	79,359	238,291	79,359	238,291
	14,581,437	15,265,197	7,798,003	8,460,857
Investments listed on the UK Stock Exchange included above	14,360,278	14,849,106	7,576,844	8,044,766

Notes on the Accounts (continued)

10 Tangible Assets

	Computer equipment & software £	Office equipment fixtures & fittings £	Motor vehicles £	Total £
Cost				
At 1 July 1999	1,327,687	191,605	68,262	1,587,554
Additions	563	-	-	563
Disposals	-	-	(42,662)	(42,662)
At 30 June 2000	<u>1,328,250</u>	<u>191,605</u>	<u>25,600</u>	<u>1,545,455</u>
Accumulated depreciation				
At 1 July 1999	833,856	111,262	46,604	991,722
Depreciation for the year	239,784	22,063	5,120	266,967
Disposals	-	-	(31,244)	(31,244)
At 30 June 2000	<u>1,073,640</u>	<u>133,325</u>	<u>20,480</u>	<u>1,227,445</u>
Net book value				
At 30 June 2000	<u>254,610</u>	<u>58,280</u>	<u>5,120</u>	<u>318,010</u>
At 30 June 1999	<u>493,831</u>	<u>80,343</u>	<u>21,658</u>	<u>595,832</u>

11 Cash Flow Statement

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

	2000 £	1999 Restated £
Profit on ordinary activities before other charges	764,422	1,232,001
Depreciation charges	266,967	343,610
Loss on sale of tangible fixed assets	670	-
Unrealised gains on investments	(286,796)	(862,847)
Realised losses/(gains) on investments	7,689	(157,597)
Decrease/(Increase) in debtors	23,475	(902,537)
Decrease in prepayments and accrued income	99,526	370,885
(Decrease) in technical provisions	(674,799)	(2,643,712)
(Decrease)/Increase in creditors	(681,074)	351,657
(Decrease)/Increase in accruals and deferred income	(10,080)	2,745
Net cash (outflow) from operating activities	<u>(490,000)</u>	<u>(2,265,795)</u>

b. Net portfolio investments

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

	Purchases 2000 £	Sales 2000 £	Net 2000 £	Purchases 1999 £	Sales 1999 £	Net 1999 £
Shares and other variable yield securities	-	231,719	(231,719)	3,344	660,205	(656,861)
Debt securities and other fixed income securities	8,932	545,148	(536,216)	-	726,788	(726,788)
Loans secured by mortgage	-	36,000	(36,000)	-	12,000	(12,000)
Other loans: unsecured	-	-	-	-	885	(885)
	<u>8,932</u>	<u>812,867</u>	<u>(803,935)</u>	<u>3,344</u>	<u>1,399,878</u>	<u>(1,396,534)</u>
Deposits with credit institutions			<u>(158,932)</u>			<u>(2,027,676)</u>
			<u>(962,867)</u>			<u>(3,424,210)</u>

Notes on the Accounts (continued)

c. Movement in cash and portfolio investments

	At 1 July 1999	Cash flow	Changes to market value	At 30 June 2000
	£	£	£	£
Cash at bank and in hand	1,026,328	(164,265)	-	862,063
Shares and other variable yield securities	6,088,054	(231,719)	117,362	5,973,697
Debt securities and other fixed income securities	8,786,052	(536,216)	161,745	8,411,581
Loans secured by mortgages	152,800	(36,000)	-	116,800
Deposits with credit institutions	238,291	(158,932)	-	79,359
	<u>16,291,525</u>	<u>(1,127,132)</u>	<u>279,107</u>	<u>15,443,500</u>

12 Share Capital

	Authorised	Issued
	£	£
At 30 June 2000 and 1999		
18,750 shares of £6 each fully paid	<u>112,500</u>	<u>112,500</u>

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.

13 Provisions for Other Risks and Charges

	£
Deferred taxation	
At beginning of year	1,259,180
Charge for the year in the profit and loss account	(69,191)
At end of year	<u>1,189,989</u>

Deferred taxation has been fully provided for as follows:

	2000	1999
	£	£
Difference between accumulated depreciation and capital allowances	(52,844)	(23,501)
On revaluation of investments	1,263,209	1,327,964
Other timing differences	(20,376)	(45,283)
	<u>1,189,989</u>	<u>1,259,180</u>

14 Other Creditors including Taxation and Social Security

	2000	1999
	£	£
Taxation payable	-	131,045
Social security	6,202	10,233
Other	<u>89,422</u>	<u>131,441</u>
	<u>95,624</u>	<u>272,719</u>

Notes on the Accounts (continued)

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 1999. 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 7.5% per annum, that salary increases would average 6% 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 £3,457,435 and that the actuarial value of those assets represented 106% of the benefits that had accrued to members, based on salaries projected to normal retirement date or the date of earlier withdrawal.

The pension contributions charged to the profit and loss account for the period were, in respect of a Company special contribution £250,000 (1999 £ nil), ordinary contributions £ nil (1999 £59,393).

17 Transactions with Directors & Officers

At 30 June 2000 the amounts outstanding in respect of transactions, arrangements and agreements with directors and officers of the Company were:

Directors:

Director	Loan Type	Security	Interest Paid	Maximum Balance During the Year	Outstanding 30-6-00	Outstanding 30-6-99
			£	£	£	£
D.A. Blanks	Sundry	None	-	4,329	-	4,329

Officers:

	Number of officers	2000	1999
		£	£
House purchase loans	1	35,000	(1) 35,000
Other loans	-	-	(2) 4,582

18 Currency Exchange

The rate of exchange used for converting Eire Punts was IR £1.25341.

Notes on the Accounts (continued)

19 Significant Shareholding

At 30 June 2000 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 1999 show capital and reserves of £117,947 following a profit for the year of £6,868. There is no market in the company's shares which have been valued at cost in the accounts.

20 Related Party Transactions

During the year the Company ceded premiums net of claims and commissions to the value of £4,427,169 to Ecclesiastical Insurance Office plc, which also bore expenses of the Company's business of £2,746,455. At 30 June 2000 £128,028 was due to Ecclesiastical Insurance Office plc.