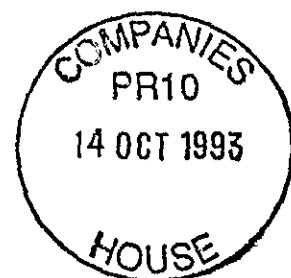


1043742

Allchurches Trust Limited

Report and Accounts

31 December 1992



Report and Accounts

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Report and Accounts 31 December 1992

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Directors and Officials

Directors C. Alan McLintock *Chairman*
 M.R. Cornwall-Jones
 The Very Revd. T.E. Evans *the Dean of St Paul's*
 The Rt. Revd. D. G. Snelgrove *the Lord Bishop of Hull (appointed 24 August 1992)*

Company Secretary J.E. Williscroft

Registered Office Beaufort House, Brunswick Road, Gloucester GL1 1JZ

**Company Registration
Number** 1043742

Auditors BDO Binder Hamlyn, 20 Old Bailey, London EC4M 7BH

Directors' Report and Review

The directors present their report and review together with the audited accounts for the year ended 31 December 1992.

Allchurches Trust Limited is a company limited by guarantee not having a share capital and is a registered charity formed to promote the Christian Religion and contribute to the funds of charitable institutions.

Principal activities

The principal activities of the trading subsidiaries throughout and at the end of the year remain the transaction of most forms of general and long term insurance.

A list of the company's subsidiary and associated undertakings is given on page 21.

Results and review

The income and charitable distributions of the Trust are shown in its profit and loss account on page 8.

General Business

Gross premiums increased by 10.2% to reach £101 million, thus passing a significant milestone.

After several difficult years we at last achieved an underwriting profit. Several factors contributed to the improvement; the steps taken throughout 1991 and 1992 to review the underwriting of our non-church portfolio; exceptionally favourable weather conditions; our constant attempts to encourage risk improvement throughout our portfolio. There is still much to accomplish but the outlook is positive and we have capacity for prudent growth.

The marked improvement in results has not been achieved by underwriting alone; over the past two years our staff numbers have been pruned by 15% and expense ratios have reduced significantly.

General Insurance - International

The various general insurance businesses which comprise EIO's International Division had collectively performed better than our United Kingdom portfolio in each of the three previous years but this pattern was reversed in 1992 and we suffered a sharp setback.

Our London Market and Inwards Reinsurance operations were costly. Hurricane Andrew, by far the biggest loss to emerge from North America, caused us to make substantial provisions for the 1992 non-proportional reinsurance account.

The portfolio underwritten by our London Market agency operation, EUML, showed an improving trend; we made a modest provision for the open 1991 accounts, but 1992 looks very promising. After the year end an agreement was reached whereby EUML, already 60% owned, became a wholly owned subsidiary.

Long Term Business

Long Term insurance funds rose by 14.5% to reach £229 million. Annual premiums increased modestly, with a decline in demand for life policies more than offset by strong growth in pensions contracts. Single premiums fell sharply, mainly due to a severe contraction in the market for Home Income plans for elderly homeowners, where Allchurches Life is the market leader in providing high quality and secure contracts.

The pattern of personal financial services is changing. Many of our clients still have a use for conventional life, endowment or pensions policies but others prefer unit-linked or other products where they have more direct influence over the contract. In meeting these needs it is pleasing to report vigorous growth in demand for financial services such as unit trusts and mortgage finance provided by Ecclesiastical Group. Since the year-end, Ecclesiastical has widened the range of its financial services by the successful launch of a personal equity plan.

Investment

A key event for Ecclesiastical in 1992 was the bid, launched in December and successfully concluded after the year end, to secure a majority shareholding in St. Andrew Trust, in which we already had a significant stake. The eventual outcome gave Ecclesiastical majority control but will enable the Trust to continue as a quoted company and retain its investment trust status. The net asset value of the shares already stands at a useful premium to the bid price.

Donations

During the course of the year charitable distributions amounting to £1.4m were paid by the company. During the last five years a total of £6.6m has been provided by group companies for church and charitable purposes.

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

Directors' Report and Review

Directors

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

In accordance with the Articles of Association Mr. C.A. McLintock retires by rotation and, being eligible, offers himself for re-election.

A statement of directors' interests appears on page 20.

Directors' and Officers' Liability Insurance Policy

The company has maintained cover for its directors and certain officers, and those of its subsidiary undertakings, as permitted under section 137 of the Companies Act 1989.

Employees

The company has no direct employees.

The average number of persons employed in the United Kingdom each week by its subsidiaries was 680 (716) and their aggregate remuneration was £10,263,000 (£10,387,000).

It is the group's policy to employ disabled persons on its standard terms of employment having regard to their particular aptitudes and abilities. Where possible, employment of persons who become disabled is continued and the necessary retraining provided to allow continuing service with the company. Opportunities for training and career development are available to all staff.

The group recognises the importance of employee communication and aims to keep employees informed about its affairs. Regular meetings are held and discussion encouraged.

Under the procedural agreement with the recognised trade union, meetings are held on topics raised by either party.

Auditors

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

By order of the board



J.E. WILLISCROFT
Secretary
27 May 1993

Auditors' Report

To the members of Allchurches Trust Limited

We have audited the financial statements on page 6 to 21 in accordance with Auditing Standards.

In our opinion, the financial statements of Allchurches Trust Limited give a true and fair view of the state of the company's affairs at 31 December 1992 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985, and the financial statements of the group have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance companies.

BDO Binder Hamlyn
Chartered Accountants
Registered Auditor



London
27 May 1993

Accounting Policies

a Accounting and disclosure requirements

The accounts of the group are drawn up in accordance with Section 255A and Schedule 9 of the Companies Act 1985. The balance sheet of the parent company is drawn up in accordance with Section 226 and Schedule 4 of the Companies Act 1985. The accounting policies continue to reflect United Kingdom Statements of Standard Accounting Practice appropriate to an insurance company.

b Basis of consolidation

The assets, liabilities and results of subsidiaries and the share of results of the associated undertakings are included in the consolidated accounts on the basis of accounts made up to 31 December.

c Subsidiary and associated undertakings

Investments in subsidiary and associated undertakings are stated at net asset value.

d Exchange rates

Foreign currency revenue transactions and assets, liabilities and reserves are translated at rates of exchange ruling at the balance sheet date except for certain revenue transactions which are translated at the actual rate obtained on exchanging each currency for sterling. Surpluses and deficits arising from the translation at those rates of exchange of the branch current accounts are taken directly to non-distributable reserves as being outside the company's normal trading activities. Exchange profits and losses which arise from normal trading activities are taken to distributable reserves.

e Insurance funds

Unearned premiums represent the proportion of general business premiums written in the year which relate to cover provided thereafter. An allowance is made for deferred acquisition costs according to the class of business. In addition to unearned premiums, amounts are set aside, when considered necessary, for unexpired risks to meet future claims on business in force at the end of the year. Outstanding claims are calculated by reference to individual cases and include amounts for claims incurred but not reported, and the balance of the 'open year' funds for London Market and inwards reinsurance business. United Kingdom liability classes of outstanding claims are provided for on a discounted basis.

f Value of long term insurance business

This item represents the amount which the directors consider to be a prudent value of the shareholders' interests in the group's long term insurance business. The same amount is credited to long term insurance business reserve.

g Investment income and return

In the consolidated profit and loss account investment income, comprising dividends, interest and rent, is stated after charging investment expenses and is credited in the year in which received.

In the long term insurance revenue account investment return comprising net realised gains, dividends, interest and rent is stated after charging investment expenses and is credited in the year in which received. Dividends from subsidiary undertakings are dealt with on an accruals basis.

h Pensions

Pension costs are charged so as to spread the long term cost over the expected service lives of employees.

i Premiums written

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

j Reinsurance accepted and London Market operations

London Market and certain reinsurance which, due to the nature of the business, is subject to delayed receipt of accounts, is carried forward in an 'open year' fund until fully reported. It is included in outstanding claims in the balance sheet. Where appropriate this is closed at the end of the second or third year of account following the year of account to which that business relates.

k Fixed assets and depreciation

Capital expenditure on premises, computer equipment, motor vehicles, furniture and office equipment is capitalised and depreciated over the estimated useful lives of the assets. Land is not depreciated.

Accounting Policies

l Leasing commitments

Assets obtained under lease purchase contracts are capitalised as tangible fixed assets and are depreciated over the period of the lease. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The interest element of the lease payments is charged to the profit and loss account over the period of the lease.

m Revaluation reserve

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

n Taxation

UK and overseas taxation charged in the consolidated profit and loss and long term insurance revenue accounts is based on profits and income of the year as determined in accordance with the relevant tax legislation. Provision is not made on unrealised appreciation of investments at the balance sheet date.

Deferred tax is calculated on the liability method and consists of the estimated relief which is expected to arise in the foreseeable future from material timing differences.

o Goodwill

Goodwill arising on the acquisition of subsidiaries and associated undertakings is written off directly to reserves.

Profit and Loss Account

for the year ended 31 December 1992

	1992 £000	1991 £000
Income		
From subsidiary undertakings:		
Covenants	—	100
Dividends	1,067	400
	<u>1,067</u>	<u>500</u>
Deposit interest	100	216
	<u>1,167</u>	<u>716</u>
Expenditure		
Charitable distributions	1,367	225
Expenses	5	5
	<u>1,372</u>	<u>230</u>
(Deficit)/surplus for the year	(205)	486
Balance brought forward	1,295	809
Balance carried forward	<u>1,090</u>	<u>1,295</u>

Consolidated Profit and Loss Account

for the year ended 31 December 1992

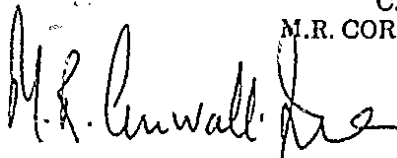
	Notes	1992 £000	1991 £000
Investment income	6	8,225	7,760
Realised investment gains	6	81	1,565
Underwriting result	2	(805)	(10,910)
Other operations	3	50	(41)
Transfer from non mutual long term funds		4	-
		<u>7,555</u>	<u>(1,626)</u>
Debenture interest		780	780
Profit/(loss) before exceptional items		<u>6,775</u>	<u>(2,406)</u>
Exceptional items	4	-	4,790
Profit before taxation		<u>6,775</u>	<u>2,384</u>
Taxation	7	<u>1,546</u>	<u>486</u>
Profit after taxation		<u>5,229</u>	<u>1,898</u>
Minority interest		<u>29</u>	<u>13</u>
		<u>5,200</u>	<u>1,885</u>
Transfer to general reserve		2,000	-
Preference dividends of a subsidiary undertaking		306	306
Charitable grants		<u>1,397</u>	<u>255</u>
		<u>3,703</u>	<u>561</u>
Retained profit transfer		<u>1,497</u>	<u>1,324</u>

Movements in Reserves

	1992		1991	
	Group £000	Parent £000	Group £000	Parent £000
Retained profits				
Balance 1 January 1992	5,241	1,295	4,058	809
Foreign exchange gains/(losses)	653	-	(7)	-
Goodwill in associated undertaking written off	-	-	(134)	-
Profit and loss account transfer	<u>1,497</u>	<u>(205)</u>	<u>1,324</u>	<u>486</u>
Balance 31 December 1992	<u>7,391</u>	<u>1,090</u>	<u>5,241</u>	<u>1,295</u>
General reserve				
Balance 1 January 1992	6,000	-	6,000	-
Profit and loss account transfer	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance 31 December 1992	<u>8,000</u>	<u>-</u>	<u>6,000</u>	<u>-</u>
Revaluation reserve				
Balance 1 January 1992	19,895	36,341	18,421	32,670
Foreign exchange gains	499	-	153	-
Surplus arising from revaluation of investments	<u>8,660</u>	<u>13,514</u>	<u>1,321</u>	<u>3,671</u>
Balance 31 December 1992	<u>29,054</u>	<u>49,855</u>	<u>19,895</u>	<u>36,341</u>
Long term insurance business reserve				
Balance 1 January 1992	6,500	-	5,000	-
Movement in year	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>-</u>
Balance 31 December 1992	<u>6,500</u>	<u>-</u>	<u>6,500</u>	<u>-</u>
Total reserves	<u>50,945</u>	<u>50,945</u>	<u>37,636</u>	<u>37,636</u>

Parent Company Balance Sheet

at 31 December 1992		1992 £000	1991 £000
	Notes		
Fixed assets			
Investments:			
Shares in group undertakings	13	49,905	36,391
Current assets	11	1,042	1,298
Creditors			
Amounts falling due within one year	11	2	53
Net current assets		1,040	1,245
Net assets		50,945	37,636
Represented by:			
Reserves			
Revaluation reserve		49,855	36,341
Retained profits		1,090	1,295
		50,945	37,636


 C.A. McLINTOCK
 M.R. CORNWALL-JONES } Directors

Long Term Business Balance Sheet

at 31 December 1992		1992 £000	1991 £000
	Notes		
Life fund	9	229,232	200,663
Other liabilities	11	1,837	2,006
		231,069	202,669
Investments	12	219,524	190,376
Fixed assets		1,065	913
Other assets	11	10,480	11,380
		231,069	202,669

Consolidated Balance Sheet

at 31 December 1992		1992 £000	1991 £000
	Notes		
Reserves		29,054	19,895
Revaluation reserve		8,000	6,000
General reserve		7,391	5,241
Retained profits		6,500	6,500
Long term insurance business reserve		50,945	37,636
Minority interests	8	3,371	3,342
Insurance funds	9	92,129	84,234
Other liabilities	11	25,401	28,107
due within one year		18,340	10,550
due after more than one year		43,741	38,657
Long term insurance accounts		231,069	202,669
(see separate balance sheet page 10)		421,255	366,538
Investments	12	68,011	59,091
Associated undertakings	13	35,703	31,489
Fixed assets		8,095	9,077
Value of long term insurance business		6,500	6,500
Other assets	11	71,877	57,712
Long term insurance accounts		231,069	202,669
(see separate balance sheet page 10)		421,255	366,538

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Cash Flow Statement

for the year ended 31 December 1992 (excluding long term insurance business)

	Notes	1992 £000	1991 £000
Net cash inflow from operating activities	16a	17,531	7,394
Returns on investments and servicing of finance		(306) (1,397) (862)	(306) (1,433) (780)
Dividends paid			
Charitable grants paid			
Interest paid			
Net cash outflow from returns on investments and servicing of finance		(2,565)	(2,519)
Taxation		192	(1,028)
Corporation tax paid including advance corporation tax			
Investing activities		(13,077) 9,875 (794) 1,091	(23,735) 22,343 (3,310) 142
Purchases of liquid investments			
Sales of liquid investments			
Purchases of tangible fixed assets			
Sales of tangible fixed assets			
Net cash outflow from investing activities		(2,905)	(4,560)
Net cash inflow/(outflow) before financing		12,253	(713)
Financing		7,450 (14)	3,050 -
Increase in borrowings			
Capital repayment under lease contracts			
Net cash inflow from financing		7,436	3,050
Increase in cash and cash equivalents	16b	19,689	2,337

Notes on the Accounts

1 Exchange rates

The principal rates of exchange used for translation are:

	1992	1991
United States of America	US\$1.52	US\$1.87
Canada	C\$1.93	C\$2.17
Republic of Ireland	IR£0.93	IR£1.07

2 Insurance subsidiaries: underwriting results

(a) General insurance

	1992 £000	1991 £000
Gross written premiums	184,220	117,781
Less: Reinsurance	47,368	40,537

Net written premiums	86,852	77,244
Increase in unearned premiums and unexpired risk reserve	3,048	2,705

Net earned premiums	83,804	74,539
---------------------	--------	--------

Claims incurred	57,267	59,565
Expenses and commission	27,342	25,884

	84,609	85,449
--	--------	--------

Underwriting result	(805)	(10,910)
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Discounting has been applied to United Kingdom liability classes of direct business at the rate of 5% (6%) per annum over the mean terms of between two and five years. The effect of discounting is to reduce group profit before taxation by £0.3m (increase of £0.1m) and to reduce outstanding claims by £1.1m (£1.4m).

(b) Long term insurance

Premiums less reinsurance	19,886	31,991
Investment return on long term funds	19,231	15,595

	39,117	47,586
--	--------	--------

Claims and surrenders	8,171	6,420
Annuities	16,387	14,344
Expenses and commission	3,054	3,449
Taxation	677	964

	28,289	25,177
--	--------	--------

Excess of income over expenditure	10,828	22,409
Transfer from investment reserve	250	3,800
Transfer to consolidated profit and loss account	(4)	-
Funds at beginning of year	188,237	162,028

Funds at end of year	199,311	188,237
----------------------	---------	---------

3 Other operations

	1992 £000	1991 £000
Unit trust management	(23)	(83)
Underwriting management	95	51
Churches purchasing scheme	(22)	(9)
	50	(41)

Notes on the Accounts

4 Exceptional items

Exceptional items comprise:

Realised profits arising from the part disposal and repurchase of holdings in an associated undertaking
Policyholders' Protection Board levy

1992 £000	1991 £000
-	5,044
-	(254)
-	4,790

Included in expenses and commissions is a charge of £267,000 (£Nil) in respect of the Policyholders' Protection Board levy.

5 Segmental analysis

(a) Class of business

Turnover

General business

Long term business

1992 £000	1991 £000
134,220	117,781
20,146	32,284

Profit/(loss) before taxation

General business

Long term business

Other business

Associated undertakings

Exceptional items

154,366	150,065
6,278	(3,209)
4	-
562	528
(69)	275
-	4,790

Net assets

General business

Long term business

Other business

Associated undertakings

Central financing

Minority interests

6,775	2,384
52,985	33,697
8,757	7,191
1,770	2,815
1,804	3,275
(11,000)	(6,000)
(3,371)	(3,342)
50,945	37,636

The net assets and results of St. Andrew Trust plc, an associated undertaking, have been allocated between general and long term business.

(b) Geographical turnover

The tables below have been compiled on the basis of location of office.

Turnover

United Kingdom

Canada

Other overseas

144,821	141,669
7,563	6,704
1,982	1,692

Profit before taxation

United Kingdom

Canada

Other overseas

154,366	150,065
5,345	1,036
1,094	1,092
336	256

Net assets

United Kingdom

Canada

Other overseas

6,775	2,384
42,767	31,101
7,738	6,329
440	206
50,945	37,636

Notes on the Accounts

6 Investment income and return

	Long Term Business				General Business	
	Mutual		Non Mutual			
	1992	1991	1992	1991	1992	1991
	£000	£000	£000	£000	£000	£000
Investment income	8,193	7,613	8,206	8,140	7,263	6,680
Associated undertakings	-	-	-	-	1,319	1,459
Realised investment gains/(losses)	1,897	313	1,252	(170)	81	1,565
	10,090	7,926	9,458	7,970	8,663	9,704
Less expenses	254	242	63	59	357	379
	9,836	7,684	9,395	7,911	8,306	9,325

7 Taxation

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

	Long Term Business				General Business	
	Mutual		Non Mutual			
	1992	1991	1992	1991	1992	1991
	£000	£000	£000	£000	£000	£000
UK corporation tax	127	230	146	200	990	29
Overseas taxation	24	16	-	-	238	237
	151	246	146	200	1,228	266
Less relief for overseas taxation	24	8	-	-	235	5
	127	238	146	200	993	261
Tax credit on franked investment income	581	469	8	57	107	(170)
Share of associated undertakings' taxation	-	-	-	-	269	376
Deferred taxation	-	-	-	-	275	75
	708	707	154	257	1,644	542
Prior years	(181)	-	(4)	-	(98)	(56)
	527	707	150	257	1,546	486

The long term funds are charged to tax on the bases applicable to life assurance and annuity business. General business corporation tax is a charge of £990,000 at 32.4% (30.5%).

Capital gains

If the investments of the group were realised at the amounts at which they are included in the accounts a liability to corporation tax of approximately £15.5m (£11.4m) would arise. Of this £7.9m (£6.8m) would relate to the shareholders' funds and £7.6m (£4.6m) to the long term funds.

Notes on the Accounts

8 Minority interests

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

	1992 £000	1991 £000
Ecclesiastical Insurance Office plc		
2.8% First Cumulative Preference shares of £1 each	210	210
10% Redeemable Second Cumulative Preference shares of £1 each	3,000	3,000
Ecclesiastical Underwriting Management Limited		
Ordinary shares of £1 each	161	132
	<u>3,371</u>	<u>3,342</u>

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

Year of Redemption	Premium
1993 to 1997	7½ per cent
1998 to 2002	5 per cent
2003 to 2007	2½ per cent
2008 to 2012	Nil

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

9 Insurance funds

Insurance funds shown in the balance sheet are as follows:

	1992 £000	1991 £000
General insurance		
Unearned premium	35,547	32,259
Outstanding claims	63,286	57,994
Deferred acquisition costs	(6,704)	(6,019)
	<u>92,129</u>	<u>84,234</u>
Long term insurance		
Mutual funds	102,493	93,681
Non mutual funds	96,818	94,557
	<u>199,311</u>	<u>188,237</u>
Investment reserves	29,921	12,426
	<u>229,232</u>	<u>200,663</u>

10 Lease commitments

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

	1992		1991	
	Premises £000	Equipment £000	Premises £000	Equipment £000
Expiring:				
Between 1 and 5 years	36	11	-	11
Over 5 years	797	-	911	-
	<u>833</u>	<u>11</u>	<u>911</u>	<u>11</u>

Notes on the Accounts

11 Other assets and liabilities

	Long Term £000	1992 Consol- idated £000	Parent Company £000	Long Term £000	1991 Consol- idated £000	Parent Company £000
Current assets						
Agents and other insurance debts	1,990	30,978	-	1,547	36,489	-
Other debtors	612	2,493	-	1,213	2,244	-
Taxation	1,175	846	167	-	1,778	100
Group balances	-	-	-	28	-	-
Cash at bank and in hand	6,703	37,560	375	8,592	17,201	1,198
Proposed dividend	-	-	500	-	-	-
	<u>10,480</u>	<u>71,877</u>	<u>1,042</u>	<u>11,380</u>	<u>57,712</u>	<u>1,298</u>

Creditors

Amounts falling due within one year:

Outstanding claims	640	-	-	773	-	-
Due to other insurance companies	55	21,430	-	72	24,793	-
Other creditors	492	3,476	2	653	3,191	2
Lease purchase contracts	58	177	-	-	-	-
Taxation	336	257	-	332	79	-
Group balances	-	-	-	-	-	51
Proposed dividend	-	7	-	-	7	-
Bank overdraft	85	54	-	176	37	-
	<u>1,666</u>	<u>25,401</u>	<u>2</u>	<u>2,006</u>	<u>28,107</u>	<u>53</u>

Creditors

Amounts due after more than one year:

Debenture stock	-	6,000	-	-	6,000	-
Corporate business loans	-	12,000	-	-	4,550	-
Lease purchase contracts	171	340	-	-	-	-
	<u>171</u>	<u>18,340</u>	<u>-</u>	<u>-</u>	<u>10,550</u>	<u>-</u>

The £6,000,000 13% Debenture stock 2018 is secured on the assets of the company. Except insofar as previously repaid, or purchased by the company or any of its subsidiaries and cancelled, the stock will be repaid at par on 31 August 2018.

Corporate business loans amounting to £12,000,000 (£4,550,000) are secured against the assets of subsidiary undertakings.

Notes on the Accounts

12 Investments

Listed investments are at mid-market value, properties are valued at net realisable value by independent chartered surveyors and other investments (mortgages and loans) are at valuation reflecting year end interest rates.

	1992		1991	
	Long Term £000	General £000	Long Term £000	General £000
British Government and British Government guaranteed securities	24,506	11,941	21,600	10,667
United Kingdom municipal, county and public boards securities	718	84	700	282
Government, provincial and municipal securities other than United Kingdom	3,431	8,949	2,843	6,100
Debentures and loan stocks	25,215	10,290	22,834	9,912
Preference shares	2,178	1,595	1,802	1,448
Ordinary stocks and shares	86,078	25,538	72,352	22,287
Other investments, including mortgages and loans	68,288	7,951	57,856	6,553
Freehold and leasehold properties	9,110	1,663	10,389	1,842
	<u>219,524</u>	<u>68,011</u>	<u>190,376</u>	<u>59,091</u>

13 Subsidiary and associated undertakings

Shares in subsidiary undertakings are shown at net asset value in the parent company balance sheet. Shares in the associated undertakings are shown at net asset value in the consolidated balance sheet.

14 Capital commitments

At 31 December 1992 outstanding contracts for capital expenditure amounted to £0.1m (£0.1m). There was no capital expenditure authorised by the directors but not contracted for (£Nil).

15 Pensions

The group's main scheme is a defined benefit scheme for UK employees. The assets of the scheme are held separately from those of the group by the Ecclesiastical Insurance Office plc Staff Retirement Benefit Fund. Pension costs for this scheme are determined, on the basis of triennial valuations, by a qualified actuary who is an employee of the group, using the aggregate method. The most recent valuation was at 31 August 1992. The assumptions which have the greatest effect on the valuation results are those related to the rate of return on investments and the rate of increase in salaries. It is assumed that there will be a margin of 2% between investment return and salary growth. Other than in respect of statutory pension increases no allowance was made for pension increases as these are separately funded.

The most recent actuarial valuation showed that the market value of the scheme's assets was £22,245,000 and that the actuarial value of the assets was sufficient to cover 99.5% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contribution of the group to the fund will remain at 20% of pensionable salary, as recommended by the actuary to the fund.

Republic of Ireland pension liabilities are dealt with by payment to an Irish life office.

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

The total funding cost for the year was £1,933,000 (£1,801,000). Of this £1,862,000 (£1,770,000) related to the UK scheme.

Notes on the Accounts

16 Notes to the cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	1992	1991
	£000	£000
Operating profit	6,775	2,384
Depreciation charges	1,526	1,114
Realised investment gains	(81)	(6,615)
Profits on sales of tangible fixed assets	(70)	(120)
Increase in insurance funds and net outstanding claims	7,895	7,929
Tax credit on franked investment income	(630)	(670)
(Decrease)/increase in creditors	(4,221)	663
Decrease in debtors	5,626	1,875
Retained earnings in associated undertakings	(151)	54
Interest paid	862	780
	<u>17,531</u>	<u>7,394</u>

(b) Analysis of changes in cash and cash equivalents and liquid investments during the year

	Cash and Cash Equivalents	Other Liquid Investments	Total
	£000	£000	£000
Balance 1 January 1992	17,164	90,580	107,744
Net cash inflow	19,689	-	19,689
Purchases of investments excluding cash deposits	-	13,077	13,077
Sales of investments excluding cash deposits	-	(9,875)	(9,875)
Changes in market values	-	8,847	8,847
Movements on exchange	653	1,085	1,738
	<u>37,506</u>	<u>103,714</u>	<u>141,220</u>
Balance 31 December 1992			

(c) Analysis of the balances of cash and cash equivalents and other liquid investments as shown in the balance sheet

	1992	1991	Change in year
	£000	£000	£000
Cash at bank	37,560	17,201	20,359
Bank overdraft	(54)	(37)	(17)
	<u>37,506</u>	<u>17,164</u>	<u>20,342</u>
Other liquid investments	103,714	90,580	13,134
	<u>141,220</u>	<u>107,744</u>	<u>33,476</u>

(d) Analysis of changes in financing during the year

	Loans and Lease Contracts	Loans and Lease Contracts
	1992	1991
	£000	£000
Balance 1 January 1992	10,550	10,550
Cash inflow from financing	7,436	-
Inception of lease contracts	531	-
	<u>18,517</u>	<u>10,550</u>
Balance 31 December 1992		

Notes on the Accounts

17 Directors' interests

The interests of the directors, all of which are beneficial, in the 2.5% First Cumulative Preference shares of Ecclesiastical Insurance Office plc are as follows:

Directors	Interest at 31.12.1992	Interest at 31.12.1991 or date of appointment
C. Alan McIntock	500	500
M.R. Cornwall-Jones	500	500
The Very Revd. T.E. Evans <i>the Dean of St. Paul's</i>	2,900	2,900
The Rt. Revd. D.G. Snelgrove <i>the Lord Bishop of Hull</i>	700	700

No director was interested in any other shares or debentures of the group.

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

18 Directors' emoluments

No director received emoluments from Allchurches Trust Limited during the year.

	1992 £	1991 £
Directors who are also directors of Ecclesiastical Insurance Office plc received emoluments from that company of:	48,750	41,250
Individual emoluments (excluding pension contributions) were:		
Chairman and highest paid director	18,500	18,500
Other directors, by scale:	No.	No.
£5,001 to £10,000	2	1
£15,001 to £20,000	1	1

19 Auditors' remuneration

The remuneration of the auditors of the group for audit work amounted to £113,185 (£101,828). Other fees amounted to £85,000 (£Nil).

20 Post balance sheet event

In February 1993 the group increased its holding in its associated undertaking, St. Andrew Trust plc, to 58.2% of the issued Ordinary share capital.

21 Approval of accounts

The accounts on pages 6 to 21 were approved by the directors and signed on 27 May 1993.

Subsidiary and Associated Undertakings

Subsidiary undertakings	Share capital	Holding of shares by:	
		Parent	Subsidiary
Incorporated in Great Britain, registered and operating in England:			
Ecclesiastical Insurance Group plc	Ordinary shares	100%	
Allchurches Mortgage Company Limited	Ordinary shares	100%	
Ecclesiastical Group Asset Management Limited	Ordinary shares		100%
Allchurches Investment Management Services Limited	Ordinary shares		100%
The Churches Purchasing Scheme Limited	Ordinary shares		100%
Ecclesiastical Underwriting Management Limited	Ordinary shares		60%
Ecclesiastical Insurance Office plc	Ordinary shares		100%
	2.8% First Cumulative Preference shares		12%
	9.5% Redeemable Third Cumulative Preference shares		100%
Allchurches Life Assurance Limited	Ordinary shares		100%
Blaisdon Properties Limited	Deferred shares		100%
	Ordinary shares		100%
Eccint Limited	Ordinary shares		100%

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

Associated undertakings

Incorporated in Great Britain and registered in Scotland:

St. Andrew Trust plc	Ordinary shares	40.3%
	5.25% (now 3.675% plus tax credit)	
	Cumulative Preference stock	15.5%

Incorporated in the United States of America:

Chatham Holdings Inc.	Common stock	25%
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250,000 6% Non-Cumulative Redeemable Preference shares in Allchurches Mortgage Company Limited are held by Ecclesiastical Insurance Office plc.

Subsidiary and associated undertakings are engaged in investment, insurance and financial services or other insurance related business.

Notice of Meeting

NOTICE is hereby given that the Annual General Meeting of the company will be held at Church House, Deans Yard, Westminster, London SW1P 3NZ on 29 July 1993 at 2.30 p.m. to transact the following ordinary business of the company:

1. To consider the accounts and reports of the directors and auditors for the year ended 31 December 1992.
2. To re-elect Mr. C.A. McLintock as a director.
3. To re-appoint the auditors and to authorise the directors to fix their remuneration.
4. As Special Business, to consider and, if thought fit, approve the following ordinary resolution:

That following the resolution passed by the company's subsidiary, Ecclesiastical Insurance Office plc (EIO), at its 1993 Annual General Meeting to provide a global sum of £160,000 for the remuneration of directors of that company the undermentioned payments by EIO to the persons mentioned below for service as directors of EIO be approved pursuant to the provision of Clause 4A(i) of the Memorandum of Association of the company:

M.R. Cornwall-Jones £22,000 per annum with effect from 1 September 1993.

The Very Revd. T.E. Evans £8,500 per annum with effect from 1 September 1993.

The Right Revd. D.G. Snelgrove £9,500 per annum with effect from 1 September 1993.

By order of the board

J.E. WILLISCROFT
Secretary

Gloucester
27 May 1993

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him.