ALLCHURCHES TRUST LIMITED

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REPORT AND ACCOUNTS 31 DECEMBER 2001

Report and Accounts 31 December 2001

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Directors

Directors	Sir Alan McLintock CA (*Chairman*) The Hon. N. Assheton MA The Rt. Hon. The Viscount Churchill OBE, MA M. R. Cornwall-Jones MA, ACIS B. V. Day OBE, BA, LLB, FCII Mrs S. Homersham The Rt. Revd. D. G. Snelgrove TD, MA, DD W. H. Yates FRICS
Company Secretary	Mrs R. J. Hall ACIS
Registered and Head Office	Beaufort House, Brunswick Road, Gloucester GL1 1JZ Tel: 01452 528533
Company Registration Number	1043742
Charity Registration Number	263960
Auditors	Deloitte & Touche, Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR
Bankers	The Royal Bank of Scotland plc, 1 Westgate Street, Gloucester GL1 2TT
Solicitors	Speechly Bircham, 6 St Andrew Street, London EC4A 3LX

Directors' Report

The directors present their report and review together with the audited financial statements for the year ended 31 December 2001.

Allchurches Trust Limited is a company limited by guarantee not having a share capital and is a registered charity. The main objective of the company is 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 in the United Kingdom and overseas and the provision of other financial services. A list of the company's subsidiary and associated undertakings is given on page 33.

The governing body is the board of directors and the governing documents are the Memorandum and Articles of Association which define the objects of the charity and which entitle the board to appoint the directors.

Results and review

The income and charitable distributions of the Trust are shown in its statement of financial activities on page 8. The Trust's principal operating subsidiary, Ecclesiastical Insurance Office plc, was able to maintain its grants at the previous year's level. This enabled the Trust to continue its support to the Church and other charitable institutions with distributions exceeding £4 million. A copy of the grant making policy is available from the company secretary at the registered office shown on page 2.

The major risks to which the charity is exposed have been reviewed by the directors. The directors are responsible for the direction of the company and regularly review the activities of the charity and subsidiary companies and its grant making policies.

No significant change in activities occurred in the year or to the date of this report. The charity continues to have the support of its subsidiary company, Ecclesiastical Insurance Office plc, who provide facilities and services free of charge. The company continues to have adequate and available resources to continue its charitable activities.

Results and trading activities within the group

In the second half of the year, insurance markets worldwide and confidence in the global economic outlook were destabilised by the tragedy of the terrorist attacks that occurred on 11 September. The insurance industry must meet the largest set of claims by far ever recorded and it is to its credit that despite some casualties it is able to do so. Not surprisingly, stock markets already suffering from the effects of slowing economic growth and recessionary fears initially fell further and remain volatile and fragile. Reinsurance rates to the primary insurers such as the Ecclesiastical are now being increased sharply as the reinsurers seek to repair over time the balance sheet damage they have suffered. It is these two factors, weak stock markets and rising reinsurance rates, that have had and will have the most visible impact on our business results rather than any significant direct exposure to New York, although we are not wholly immune.

In these extraordinary conditions, the overall outcome of the year's activity is a reduction in the value of shareholders' funds to £119 million. Despite this fall, policyholders can have justifiable confidence in the security we offer. With a sound balance sheet and strong solvency margin, the Ecclesiastical is in a good position to participate in the recovery of the insurance market as it occurs and to continue to refocus the business, withdrawing from unprofitable non-core areas, repricing unprofitable lines or simply declining to underwrite.

The performance of our general insurance business, leaving aside investment performance, nevertheless showed a significant and much needed improvement in 2001. The wide-ranging nature of the strategy we have been following for some time is beginning to have the positive effect on results that we were expecting to see and we have succeeded in reversing the deteriorating trend that began in 1997 when the impact of the downturn in the underwriting cycle began to be felt. Prior to equalisation charges of £2.4 million, the loss from general insurance underwriting is £13.0 million compared to £22.9 million in 2000. Though this improvement is welcome, there is still some way to go yet before we achieve the return required from underwriting operations but the necessary measures are in place.

Results and trading activities within the group (continued)
Amongst the after-effects of the World Trade Center disaster has been a general concern about the security of the reinsurance market which so far appears unfounded. Whilst we have always adopted a rigorous approach to the composition of our reinsurer panel substantiated by an excellent recovery record, we have considered it prudent to raise further provisions against potential bad debts. In addition we have provided an extra £0.8 million against the cost of future levies from the Financial Services Compensation Scheme arising from UK insurance company failures earlier in the year. The combined effect of these charges has added more than 1% to the general insurance net expense ratio.

Fires at both Coventry and Peterborough Cathedrals emphasised the real exposure to loss that is ever present in our country's churches and the value of the risk management expertise Ecclesiastical makes available to help those with responsibility for the security of church buildings. Our continued sponsorship of the National Churchwatch Scheme is also aimed at reducing the all too high frequency of losses caused by theft, arson and malicious damage. We are very pleased that the overall service provided to our customers and the strong sense of partnership we share has led to an increase in the number of Anglican churches we insure.

Results from international business improved overall although there were deteriorations in Canada and Australia.

The year has seen achievements on many fronts in our Financial Services Division with a strong sales performance. New business growth on the industry standard measure was 16.6% compared to an increase of 13.7% for the market as a whole. The overall pattern of sales was heavily weighted towards single premiums with good sales of With Profit Bonds in the Ecclesiastical Life fund.

New sales from the range of OEIC funds also grew strongly by 30% with an increase in regular contribution ISA's being achieved in step with emerging best practice for retirement planning.

Further good progress has been made towards the implementation of major projects to enable our Financial Services Division to compete effectively in the rapidly changing marketplace for financial products. Advantage was taken of the limited relaxation of the polarisation rules to reach an agreement with Norwich Union for the adoption of their stakeholder pension plan. This addition to our product range enhances our ability to meet the needs of our clients and complements our strategy to provide a professional, high quality and specialist advisory service especially to members of the clergy.

The slowdown in the global economy exacerbated by the tragic events of 11 September manifested itself in falling indices across almost all of the world's stock markets. Interest rates also fell in response to the actions of central banks to avoid recession. The inescapable consequence of increased economic uncertainty was a reduction in the value of investments which has fed through to unrealised losses of £23.7 million from the general insurance fund being taken through the non-technical account. A conscious underweight position in the TMT sector helped to insulate our portfolio from the eventual collapse of investments in information technology and telecommunications leading to an out-performance against relevant market comparators.

Charitable and political contributions
During the course of the year the company distributed from its resources £4,023,000 *(2000: £4,069,000)* for charitable purposes. A summary of these distributions is set out in note 9 on page 25. Details of individual grants have been submitted to the Charity Commission.

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

Reserving policy
The source of the Trust's income is derived from a cyclical industry. The directors nevertheless believe that it is desirable so far as possible to maintain stability of charitable distributions. In order to provide this stability it is their policy to retain, in reserve, funds at a level approximately equivalent to the amount actually distributed in the previous financial year.

The total amount available for charitable distribution at the end of the year was £4,909,000.

Directors' Report

Investment policy

Full details of the company's investments in subsidiary undertakings are disclosed in note 26 on page 33. Other investments of Allchurches Trust Limited comprise cash on deposit.

Directors

The names of the directors of the company at the date of this report are stated on page 2. Mr B. V. Day and The Rt. Revd. D. G. Snelgrove retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Hon. N. Assheton was appointed to the board on 1 January 2002 and, in accordance with the articles of association, he retires at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

Directors' interests

The interests of the directors, all of which are beneficial, in the 2.8% First Cumulative Preference shares of Ecclesiastical Insurance Office plc are as follows:

	Interest at 31.12.2001 No.	*Interest at 1.1.2001 No.*
Sir Alan McLintock	**500**	*500*
The Hon. N. Assheton	-	-
The Rt. Hon. The Viscount Churchill	-	-
M. R. Cornwall-Jones	**500**	*500*
B. V. Day	**3,220**	*3,220*
Mrs S. Homersham	-	-
The Rt. Revd. D. G. Snelgrove	**700**	*700*
W. H. Yates	**500**	*500*

No director had an interest in any other shares or debentures of the group as at 31 December 2001. There has been no change in these interests since the end of the financial year to the date of this report. No contract of significance subsisted during or at the end of the financial year in which a director was or is materially interested.

Statement of directors' responsibilities

United Kingdom company law requires the directors of a charity (namely the trustees) to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group as at the end of the financial year and of the profit or loss of the group and of the incoming resources and application of resources for that period.

In preparing those financial statements, the directors are required to select suitable accounting policies and apply them consistently, and to make reasonable and prudent judgements and estimates. The directors are also required to state whether applicable United Kingdom accounting standards have been followed and whether the financial statements have been prepared on the going concern basis subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for ensuring that the company keeps proper accounting records which disclose with reasonable accuracy, at all times, the financial position of the company and of the group and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the group's systems of internal controls, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Employees

The group recognises the importance of employee communication and aims to keep employees informed about its affairs through the use of briefings groups, group newsletters and the annual publication of financial reports. Regular meetings are held between management and employees and discussion encouraged. It is the group's policy to give full consideration to applications for employment by disabled persons. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who become disabled, to promote their career development within the organisation.

Allchurches Trust Limited itself has no direct employees.

Directors' Report

Policy on payment of creditors

It is the group's policy to pay creditors promptly and fully, in accordance with the terms of their contracts. The group has not adopted any particular external code. Allchurches Trust Limited holds the investments in the group companies, does not trade and does not have suppliers within the meaning of the Companies Act 1985. The number of days' purchases represented by the amounts due to trade creditors of the main operating companies in the United Kingdom at 31 December 2001, calculated in accordance with Schedule 7 of the Companies Act 1985, was 22.2 days *(2000: 22.4 days)*.

Introduction of the Euro

The group conducts a small amount of business in the Euro zone. On 1 January 2002, the group's businesses in those countries which introduced the Euro made the conversion transition successfully. The cost of internal resources used has not been separately identified, but is not considered to be material.

Related parties

During the year related party transactions consisting of £583,000 (*2000: £693,000*) school fee annuities were accounted for by the group to Beaufort House Trust Limited, a charity under common control and registered at the same address. Of this £195,000 (*2000: £215,000*) was prepaid at the balance sheet date. This has been accounted for in the long term business technical account.

Overseas branches

The group has branches in Canada and the Republic of Ireland.

Going concern

The board has satisfied itself that the group has adequate resources to continue in operation for the foreseeable future. The group accounts have, therefore, been prepared on the going concern basis.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Deloitte & Touche be re-appointed as auditors of the company will be put to the annual general meeting.

By order of the board

R. Hall

Mrs R. J. Hall
Secretary

27 June 2002

Independent Auditors' Report

Independent auditors' report to the members of Allchurches Trust Limited

We have audited the financial statements of Allchurches Trust Limited for the year ended 31 December 2001 which comprise the statement of financial activities, the consolidated profit and loss accounts, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, the accounting polices and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report 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.

We read the directors' report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 circumstances of the company and the group, 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 had regard to the statutory requirement for insurance companies to maintain equalisation reserves. The nature of equalisation reserves, the amounts set aside as at 31 December 2001, and the effect of the movement in those reserves during the year on the balance on the general business technical account and loss on ordinary activities before taxation, are disclosed in note 20.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs and the incoming resources and application of resources of the company and of the group as at 31 December 2001, and of the loss of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors

26 July 2002

Stonecutter Court,
1 Stonecutter Street,
London EC4A 4TR

Statement of Financial Activities

for the year ended 31 December 2001

	Notes	Company 2001 £000	Company *2000* *£000*	Group 2001 £000	Group *2000* *£000*
Incoming resources					
Gift aid from subsidiary undertaking		4,000	*4,000*	-	-
Deposit interest		222	*247*	222	*247*
(Loss)/profit from trading subsidiaries					
- continuing operations		-	-	(18,038)	*(5,139)*
- discontinued operations		-	-	-	*740*
Total incoming resources		4,222	*4,247*	(17,816)	*(4,152)*
Resources expended					
Direct charitable expenditure: charitable grants	9	4,023	*4,069*	4,058	*4,104*
Net incoming/(outgoing) resources for the year		199	*178*	(21,874)	*(8,256)*
Other recognised gains and losses					
Movement in revaluation reserve		(23,923)	*(8,448)*	-	-
Currency translation differences		-	-	(850)	*(14)*
Other movements		-	-	(1,000)	-
Net movement in funds		(23,724)	*(8,270)*	(23,724)	*(8,270)*
Total funds brought forward		142,614	*150,884*	142,614	*150,884*
Total funds carried forward		118,890	*142,614*	118,890	*142,614*

Total outgoing resources for the group represent the loss before charitable grants for the financial year presented in the consolidated profit and loss non-technical account.

Total funds carried forward represents the reserves as held by the group at the year end as presented in the consolidated balance sheet.

All funds are unrestricted.

Consolidated Profit and Loss Account

for the year ended 31 December 2001

		Notes	2001	*2000*
TECHNICAL ACCOUNT - GENERAL BUSINESS			**£000**	*£000*
Gross premiums written	- continuing operations	2(a)	**281,649**	*250,286*
	- discontinued operations		**-**	*1,339*
			281,649	*251,625*
Outward reinsurance premiums			**85,773**	*73,231*
Net premiums written		2(a)	**195,876**	*178,394*
Change in the gross provision for unearned premiums			**11,625**	*11,964*
Change in the provision for unearned premiums, reinsurers' share			**4,859**	*2,797*
Change in the net provision for unearned premiums			**6,766**	*9,167*
Earned premiums, net of reinsurance			**189,110**	*169,227*
Claims paid	- gross amount		**177,376**	*154,824*
	- reinsurers' share		**60,470**	*45,839*
			116,906	*108,985*
Change in the provision for claims	- gross amount		**33,370**	*39,892*
	- reinsurers' share		**12,057**	*12,015*
			21,313	*27,877*
Claims incurred, net of reinsurance			**138,219**	*136,862*
Net operating expenses		4(a)	**63,867**	*55,279*
Total technical charges			**202,086**	*192,141*
Balance on the technical account before equalisation provision			**(12,976)**	*(22,914)*
Change in the equalisation provision		20	**(2,421)**	*(436)*
Balance on the technical account for general business			**(15,397)**	*(23,350)*

Consolidated Profit and Loss Account

for the year ended 31 December 2001

TECHNICAL ACCOUNT - LONG TERM BUSINESS		Notes	2001 £000	*2000 £000*
Gross premiums written		2(b)	22,498	*20,089*
Outward reinsurance premiums			255	*341*
Earned premiums, net of reinsurance		2(b)	22,243	*19,748*
Investment income		3	19,605	*27,990*
Unrealised losses on investments			(32,895)	*(5,237)*
Total technical income			8,953	*42,501*
Claims paid	- gross amount		36,152	*35,412*
	- reinsurers' share		445	*172*
			35,707	*35,240*
Change in the provision for claims	- gross amount		(375)	*607*
	- reinsurers' share		(1)	*(9)*
			(374)	*616*
Claims incurred, net of reinsurance			35,333	*35,856*
Change in other technical provisions				
Long term business provision	- gross amount		(2,952)	*(880)*
	- reinsurers' share		3	*(561)*
			(2,955)	*(319)*
Technical provision for linked business			3,096	*2,615*
Change in other technical provisions, net of reinsurance			141	*2,296*
Net operating expenses		4(a)	6,096	*5,398*
Investment expenses and charges			510	*812*
Tax attributable to long term business		8	725	*1,848*
Allocated investment return transferred to the non-technical account			797	*1,801*
Transfer from the fund for future appropriations			(35,794)	*(7,915)*
			(27,666)	*1,944*
Total technical charges			7,808	*40,096*
Balance on the technical account for long term business			1,145	*2,405*

All the amounts above are in respect of continuing operations.

Consolidated Profit and Loss Account

for the year ended 31 December 2001

NON-TECHNICAL ACCOUNT		Notes	2001 £000	*2000 £000*
Balance on the general business technical account			(15,397)	*(23,350)*
Balance on the long term business technical account			1,145	*2,405*
Tax attributable to the shareholders' long term business profits			490	*1,030*
			(13,762)	*(19,915)*
Investment income		3	20,920	*30,279*
Unrealised losses on investments			(23,670)	*(14,707)*
Allocated investment return transferred from the long term business technical account			797	*1,801*
Investment expenses and charges			(1,419)	*(1,006)*
Other operations			143	*564*
Other charges		4(b)	(1,842)	*(1,900)*
Profit on sale of subsidiary undertaking			-	1,878
			(5,071)	*16,909*
Operating (loss)/profit	- continuing operations		(16,412)	*(4,182)*
	- discontinued operations		-	*740*
Change in equalisation provision		20	(2,421)	*436*
Loss on ordinary activities before tax		2(c)	(18,833)	*(3,006)*
Tax on loss on ordinary activities		8	(3,347)	*(1,184)*
Loss on ordinary activities after tax			(15,486)	*(1,822)*
Minority interests		17	2,330	*2,330*
Loss for the financial year			(17,816)	*(4,152)*
Charitable grants			4,058	*4,104*
Retained loss for the financial year		15	(21,874)	*(8,256)*

Non-equity interests included in minority interests are disclosed in note 17 to the accounts.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2001

Retained loss for the financial year		(21,874)	*(8,256)*
Revaluation of long term business		(1,000)	-
Currency translation differences		(850)	*(14)*
Total recognised gains and losses for the financial year	16	(23,724)	*(8,270)*

Parent Company Balance Sheet

at 31 December 2001

	Notes	2001	*2000*
		£000	*£000*
Fixed assets: investments			
Shares in group undertakings		**114,031**	*137,954*
Current assets			
Prepayments and accrued income		**2,005**	-
Cash at bank and in hand		**2,885**	*4,693*
		4,890	*4,693*
Creditors			
Amounts falling due within one year:			
Creditors		**31**	*33*
Net current assets		**4,859**	*4,660*
Net assets		**118,890**	*142,614*
Reserves	15		
Revaluation and other reserves		**113,981**	*137,904*
Retained profits		**4,909**	*4,710*
		118,890	*142,614*

The financial statements on pages 8 to 33 were approved by the board of directors on 27 June 2002 and signed on their behalf by

SIR ALAN MCLINTOCK *Chairman*

M. R. CORNWALL-JONES *Director*

Consolidated Balance Sheet

at 31 December 2001

	Notes	2001	*2000*
ASSETS		**£000**	*£000*
Goodwill	10	**2,994**	*3,469*
Investments	11		
Land and buildings		**22,456**	*20,548*
Investments in participating interests		**41**	*31*
Other financial investments		**576,608**	*633,637*
Value of long term insurance business		**5,000**	*6,000*
		604,105	*660,216*
Assets held to cover linked liabilities	12	**35,033**	*31,937*
Reinsurers' share of technical provisions			
Provision for unearned premiums		**27,295**	*22,925*
Long term business provision	18	**1,416**	*1,413*
Claims outstanding		**93,938**	*84,741*
		122,649	*109,079*
Debtors			
Debtors arising out of direct insurance operations	13	**52,035**	*48,880*
Debtors arising out of reinsurance operations		**36,411**	*30,129*
Other debtors		**2,771**	*3,329*
		91,217	*82,338*
Other assets			
Tangible assets	14	**13,192**	*13,684*
Cash at bank and in hand		**84,518**	*64,353*
		97,710	*78,037*
Prepayments and accrued income			
Accrued interest and rent		**4,973**	*5,265*
Deferred acquisition costs		**16,698**	*15,992*
Other prepayments and accrued income		**3,708**	*2,913*
		25,379	*24,170*
Total assets		**979,087**	*989,246*

Consolidated Balance Sheet

at 31 December 2001

LIABILITIES	Notes	2001 £000	*2000 £000*
Reserves	15		
Long term business reserve		**5,000**	*6,000*
General reserve		**10,000**	*10,000*
Profit and loss account		**103,890**	*126,614*
		118,890	*142,614*
Minority interests	17	**28,076**	*26,586*
Fund for future appropriations		**50,544**	*86,339*
Technical provisions			
Provision for unearned premiums		**106,766**	*96,321*
Long term business provision	18	**223,000**	*225,915*
Claims outstanding		**319,446**	*290,082*
Equalisation provision	20	**6,156**	*3,734*
		655,368	*616,052*
Technical provision for linked liabilities		**35,033**	*31,937*
Provisions for other risks and charges	21	**9,935**	*13,920*
Deposits received from reinsurers		**1,052**	*772*
Creditors			
Creditors arising out of direct insurance operations		**2,195**	*2,847*
Creditors arising out of reinsurance operations		**34,679**	*23,518*
Other creditors including taxation and social security	22	**38,528**	*38,694*
		75,402	*65,059*
Accruals and deferred income		**4,787**	*5,967*
Total liabilities		**979,087**	*989,246*

Consolidated Cash Flow Statement

for the year ended 31 December 2001 (excluding long term insurance business)

	Notes	2001 £000	*2000 £000*
Net cash inflow from operating activities	23(a)	**36,042**	*30,739*
Servicing of finance			
Loan interest paid		**(2,176)**	*(2,192)*
Preference dividends paid		**(2,330)**	*(2,330)*
Other interest paid		**(150)**	*(152)*
Taxation received/(paid)		**93**	*(1,480)*
Capital expenditure		**(2,114)**	*(4,953)*
Acquisitions and disposals	23(c)	**1,531**	-
Charitable grants paid		**(4,058)**	*(4,104)*
Financing			
Capital element of lease purchase rental payments		**(391)**	*(350)*
		26,447	*15,178*
Cash flows were invested as follows:			
Increase in cash holdings		**20,754**	*10,275*
Net portfolio investment			
Purchases of shares and other variable yield securities		**6,189**	*33,942*
Purchases of fixed income securities		**31,280**	*21,704*
Purchases of properties		**2,448**	*691*
Sales of shares and other variable yield securities		**(11,574)**	*(33,379)*
Sales of fixed income securities		**(20,032)**	*(16,768)*
Sales of properties		**(1,618)**	*(1,287)*
		27,447	*15,178*
Increase in loans		**(1,000)**	-
Net investment of cash flows		**26,447**	*15,178*
Movement arising from cash flows	23(b)	**26,447**	*15,178*
Movement in long term business		**(36,734)**	*(1,445)*
Acquired with subsidiary		-	*288*
Changes in market values and exchange rate effects		**(22,563)**	*798*
Total movement in portfolio investments net of financing		**(32,850)**	*14,819*
Portfolio investments net of financing 1 January		**722,506**	*707,687*
Portfolio investments net of financing 31 December	23(b)	**689,656**	*722,506*

Accounting Policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with Section 255A of, and Schedule 9A to, the Companies Act 1985. The financial statements of the parent company have been prepared in accordance with Section 226 and Schedule 4 of the Companies Act 1985 and in accordance with applicable United Kingdom accounting standards.

The principal activities of the trading subsidiaries of the charity remain the transaction of insurance and the provision of financial services and all funds within the trading subsidiaries support their trade. As an insurance group, the consolidated financial statements are required to be prepared in accordance with Schedule 9A of the Companies Act 1985. For consistency with the requirements of Schedule 9A, the directors have followed the material recommendations of the Statement of Recommended Practice issued by the Association of British Insurers (ABI SORP) and the Statement of Recommended Practice (SORP 2000) "Accounting and Reporting by Charities". Where it provides a more appropriate presentation of financial statements, the ABI SORP has been adopted.

Basis of consolidation

The assets, liabilities and results of subsidiary undertakings are included in the consolidated financial statements using audited accounts made up to 31 December. The results and cash flows relating to a business are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition or up to the date of disposal.

Incoming resources

In the parent company, gift aid is recognised on an accruals basis.

Funds structure

There is no separate designation of funds.

Resources expended

In the parent company resources expended comprise charitable grants which are recognised on an accruals basis.

Foreign exchange

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 reserves as being outside the company's normal trading activities. Exchange profits and losses which arise from normal trading activities are taken to the non-technical account.

Premium levies

Provision is made for the potential liability to the Financial Services Compensation Scheme and Motor Insurers' Bureau in respect of premiums recognised in these accounts to the extent that it is probable that a levy will be raised and a reasonable estimate of its amount can be made. The charge for any such provision is included within administration expenses.

General business technical account

Premiums

The annual basis of accounting has been adopted except for London market and certain inwards reinsurance business. Under the annual basis of accounting, written premiums, gross of commission payable to intermediaries, comprise the premiums on contracts entered into during a financial year, regardless of whether such amounts may relate in whole or in part to a later financial year.

The fund basis of accounting has been applied to London market and certain inwards reinsurance business because the nature of the business is such that an underwriting result cannot be established with sufficient accuracy using the annual basis. Under the fund basis of accounting, written premiums, gross of commission payable to intermediaries, comprise premiums receivable in respect of contracts commencing in the financial year.

Premiums (continued)
The excess of premiums written over claims and expenses paid in respect of business commencing in an underwriting year is carried forward as a technical provision as part of outstanding claims. A profit is not recognised until the end of the second year following the underwriting year of account to which that business relates. Any anticipated underwriting losses are recognised as soon as they are foreseen.

Premiums written include adjustments to premiums written in prior periods and estimates for pipeline premiums and are shown net of insurance premiums taxes. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business.

Unearned premiums
For business accounted for on the annual basis, the provision for unearned premiums comprises the amount representing that part of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro rata method and taking into account the risk profile of the contracts.

Unexpired risks
Provision for unexpired risks is made where it is anticipated, on the basis of information available at the balance sheet date, that claims and administrative expenses are expected to exceed unearned premiums, after taking account of future investment income. Unexpired risks are assessed separately for each class of business. Surpluses and deficits are offset where business classes are considered to be managed together.

Claims incurred
Claims incurred comprise all claim payments and internal and external settlement expense payments made in the financial year and the movement in the provisions for outstanding claims and settlement expenses. Outward reinsurance recoveries are accounted for in the same period as the claims for the related direct or inwards reinsurance business being reinsured.

Claims outstanding
Outstanding claims provisions are based on the estimated ultimate cost of claims incurred but not settled by the balance sheet date, whether reported or not, including related settlement costs. The ultimate cost of claims cannot be known with certainty at the balance sheet date. Estimates are selected which are deemed to be prudent within the range of possible outcomes. Further details of estimation techniques are included in note 19. Any differences between provisions and subsequent settlements are dealt with in the technical accounts of later years.

Deferred acquisition costs
Commission and management costs which vary with, and are primarily related to, the acquisition of new insurance contracts and the renewal of existing insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

Equalisation provision
Provision is made in the group accounts for the equalisation provision required by the Interim Prudential Sourcebook for Insurers. It is required by Schedule 9A to the Companies Act 1985 to be included within technical provisions in the balance sheet even though no actual liability exists at the balance sheet date.

Long term business technical account
Premiums
Premiums and consideration for annuities are credited when they become due. Reinsurance premiums are charged when they become payable.

Claims
Maturity claims and annuities are charged against revenue when they become payable. Surrenders are accounted for when paid or, if earlier, on the date when the policy ceases to be included within the calculation of the long term business provision or the technical provision for linked liabilities. Death claims and all other claims are accounted for when notified. Claims payable include related internal and external claims handling costs. Reinsurance recoveries are accounted for in the same period as the related claim.

Deferred acquisition costs
The costs of acquiring new insurance contracts and the renewal of existing contracts which are incurred during a financial year but which relate to a subsequent financial year are deferred to the extent that they are recoverable out of future revenue margins.

Bonuses
Reversionary bonuses are recognised in the long term business technical account when declared and terminal and interim bonuses when paid.

Long term business provision
The long term business provision is determined by the company's Appointed Actuary following his annual investigation of the long term business. Initially it is calculated to comply with the reporting requirements under the Interim Prudential Sourcebook for Insurers. This statutory solvency basis of valuation is then adjusted by eliminating the undistributed surplus determined by that valuation together with certain reserves advised under insurance companies regulations and general contingency reserves. It is then further reduced to reflect the impact of acquisition costs incurred which will be recovered out of future premium margins. This has been determined by means of the Zillmer adjustment applied to the net premium valuation basis. This adjusted basis is referred to as the modified statutory solvency basis. The consequent long term business provision is grossed up for the impact of reinsurance.

Allocation of surpluses and fund for future appropriations
Surpluses arising on with-profits funds and funds which include participating businesses are determined by actuarial valuation of the assets and liabilities relating to these funds. These surpluses are appropriated by the directors, to participating policyholders by way of bonuses and to shareholders' interests by way of transfers to the non-technical account from the long term business technical account. The balance of these funds, the allocation of which between policyholders and shareholders has not been determined at the end of the financial year, is carried forward in the fund for future appropriations. The transfer of shareholders' profit included in the non-technical account is grossed up at the effective rate of corporation tax for the year.

Investments
Listed equity investments and irredeemable fixed interest securities are included in the balance sheet at mid-market value. Redeemable debt and other fixed income securities are carried at amortised cost. Unlisted equity investments, mortgages and loans are included at directors' valuation. Land and buildings are stated at open market value as determined by independent qualified surveyors.

In accordance with SSAP 19, which requires a departure from the Companies Act 1985, no depreciation is provided in respect of freehold investment properties not occupied by the group. The directors consider that depreciation of these investment properties would not give a true and fair view. If this departure from the Act had not been made, the profit for the year would have been reduced by that depreciation. However, the amount of depreciation cannot reasonably be quantified, because depreciation is only one of many factors reflected in the periodic valuation and the amount that might otherwise have been shown cannot be separately identified or quantified.

In the parent company balance sheet investments in subsidiary undertakings are stated at the lower of net asset value or directors' valuation. The surplus or deficit over cost arising from that valuation is taken to revaluation reserve.

Investment income and expenses
Investment income includes dividends, interest, rents, amortisation, gains and losses on the realisation of investments and related expenses. Dividends are included on the date that shares become quoted ex-dividend. Interest, rents and expenses are accounted for on an accruals basis. Realised gains and losses on investments represent net sales proceeds less cost or amortised cost as applicable.

Unrealised gains and losses on investments are calculated as the difference between market value and original cost. The value of realised gains and losses includes an adjustment for previously recognised unrealised gains or losses on investments disposed of in the accounting period.

Investment return on investments attributable to the long term business and associated shareholders' fund is reported in the technical account for long term business. Other investment return is reported in the non-technical account. The return on the associated shareholders' fund is then transferred to the non-technical account.

Accounting Policies

Deferred taxation

Deferred taxation is provided at appropriate rates of corporation tax in respect of timing differences and unrealised gains on investments where there is a reasonable probability that such taxation will become payable in the foreseeable future. Allowance is made in the long term business provision and technical provision for linked liabilities for deferred taxation at appropriate discounted rates in respect of the unrealised gains on investments, unrelieved management expenses and other timing differences.

Tangible assets

Tangible assets are capitalised and depreciated on a straight-line basis over their estimated useful lives. The periods used are as follows:

Computer equipment	5 years
Motor vehicles	Length of lease
Fixtures, fittings and office equipment	5 years
Owner occupied buildings	50 years

Value of long term insurance business

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

Pensions

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

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.

Goodwill

Goodwill arising on an acquisition, being the difference between the cost and the fair value of assets and liabilities acquired, is capitalised in the balance sheet and amortised through the profit and loss account over its estimated useful economic life on a straight-line basis. The gain or loss on any subsequent disposal of subsidiary or associated undertaking will include any attributable unamortised goodwill.

Notes to the Accounts

1 Exchange rates

The principal rates of exchange used for translation are:	2001	2000
Canada	C$2.32	C$2.24
Republic of Ireland	€ 1.63	€ 1.59
Australia	AUS$2.84	AUS$2.69

2 Segmental analysis

(a) General business premiums

	2001		2000	
	Gross £000	Net £000	Gross £000	Net £000
Direct:				
Accident	5,975	5,782	5,680	5,494
Motor	35,639	33,350	35,756	33,592
Property	148,868	87,605	134,962	85,039
Liability	37,095	31,507	30,429	25,828
	227,577	158,244	206,827	149,953
Reinsurance accepted and London market	54,072	37,632	43,459	27,102
Continuing operations	281,649	195,876	250,286	177,055
Discontinued operations - United States of America	-	-	1,339	1,339
Total	281,649	195,876	251,625	178,394
Geographical analysis - on the basis of location of office				
United Kingdom	222,932	158,671	199,211	144,301
Australia and New Zealand	25,018	17,151	20,378	14,546
Canada	25,457	13,760	23,003	12,439
Other overseas	8,242	6,294	7,694	5,769
Continuing operations	281,649	195,876	250,286	177,055
Discontinued operations - United States of America	-	-	1,339	1,339
Total	281,649	195,876	251,625	178,394

(b) Long term business premiums

Geographical analysis - on the basis of location of office				
United Kingdom	22,407	22,188	20,012	19,702
New Zealand	91	55	77	46
Total	22,498	22,243	20,089	19,748

Notes to the Accounts

2 Segmental analysis (continued)

The analysis of long term business premiums written before reinsurance is:

	2001	*2000*
	£000	*£000*
Life insurance business		
- Single premiums	8,287	*3,034*
- Regular premiums	6,985	*7,497*
Annuity business		
- Single premiums	960	*3,304*
Pension business		
Non-linked contracts		
- Single premiums	482	*558*
- Regular premiums	2,160	*1,743*
Linked contracts		
- Single premiums	456	*425*
- Regular premiums	2,964	*3,154*
Permanent health insurance	204	*374*
	22,498	*20,089*
Gross new annualised regular premiums		
Life insurance	344	*613*
Pensions	290	*531*
	634	*1,144*

Pensions vesting as annuities during the year are not included as new business.
DSS rebates are treated as single premiums in the year in which received.

(c) (Loss)/profit before taxation

United Kingdom	(18,947)	*(8,768)*
Australia and New Zealand	(223)	*572*
Canada	(340)	*1,351*
Other overseas	(958)	*(336)*
Long term business	1,635	*3,435*
Continuing operations	(18,833)	*(3,746)*
Discontinued operations - United States of America	-	*740*
	(18,833)	*(3,006)*

(d) Net assets

United Kingdom	89,098	*109,091*
Australia and New Zealand	4,792	*5,262*
Canada	14,287	*14,951*
Other overseas	(1,714)	*(694)*
Long term business	12,427	*14,004*
Continuing operations	118,890	*142,614*

(e) Total assets

Of the total assets shown on page 13, £319,050,000 (*£357,125,000*) are attributable to the long term business fund.

3 Investment income

	2001		*2000*	
	General business £000	**Long term business £000**	*General business £000*	*Long term business £000*
Land and buildings	**782**	**877**	*701*	*930*
Other investments	**16,160**	**15,114**	*16,882*	*15,290*
Realised investment gains	**3,978**	**3,614**	*12,696*	*11,770*
	20,920	**19,605**	*30,279*	*27,990*

4 Expenses

	2001			*2000*	
		General business £000	**Long term business £000**	*General business £000*	*Long term business £000*
(a) Net operating expenses					
Commission paid on direct business		**45,937**	**241**	*41,048*	*32*
Other acquisition costs		**20,047**	**1,729**	*17,377*	*1,943*
Change in deferred acquisition costs		**(991)**	**269**	*(1,335)*	*30*
Administrative expenses		**24,362**	**3,879**	*20,720*	*3,436*
Reinsurance commissions and profit participation		**(25,488)**	**(22)**	*(22,531)*	*(43)*
		63,867	**6,096**	*55,279*	*5,398*
Group administrative expenses include:					
Depreciation	- property	**32**	**-**	*20*	*-*
	- owned assets	**2,585**	**217**	*1,386*	*154*
	- leased assets	**84**	**23**	*199*	*56*
Auditors' remuneration	- parent	**2**	**-**	*2*	*-*
	- group UK	**208**	**41**	*184*	*33*
	- group overseas	**107**	**-**	*68*	*-*
	- group fees for non-audit services	**158**	**21**	*248*	*8*
Interest payments under lease purchase contracts		**108**	**40**	*113*	*35*

Depreciation on leased assets is net of surpluses and deficits arising on the surrender of leases.

	General business £000	Long term business £000	*General business £000*	*Long term business £000*
(b) Other charges				
Debenture interest	**780**	**-**	*780*	*-*
Corporate business loan interest	**587**	**-**	*682*	*-*
Amortisation of goodwill	**475**	**-**	*438*	*-*
	1,842	**-**	*1,900*	*-*

(c) Depreciation on land and buildings

Accumulated depreciation on land and buildings occupied by the group was £638,000 (*£606,000*).

5 Employee information

The company has no employees. The average monthly number of employees, including executive directors, during the year by geographical location employed by group companies was as follows:

	2001		*2000*	
	General business No.	**Long term business No.**	*General business No.*	*Long term business No.*
United Kingdom	**840**	**86**	*855*	*68*
Australia and New Zealand	**97**	**-**	*75*	*-*
North America	**58**	**-**	*54*	*-*
Republic of Ireland	**16**	**-**	*17*	*-*
	1,011	**86**	*1,001*	*68*

	£000	**£000**	*£000*	*£000*
Wages and salaries	**21,475**	**2,120**	*19,631*	*1,606*
Social security costs	**1,692**	**180**	*1,594*	*133*
Other pension costs	**2,909**	**245**	*2,519*	*310*
	26,076	**2,545**	*23,744*	*2,049*

6 Directors' emoluments

No director received emoluments from Allchurches Trust Limited during the year (*nil*).

	2001	*2000*
	£	*£*
The aggregate emoluments of the directors in respect of services as non-executive directors of subsidiary undertakings	**100,250**	*98,250*
Highest paid director's fees	**40,000**	*40,000*

The chairman received no emoluments.

No director was a member of the group's defined benefit pension scheme during the year.

7 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 trustees of Ecclesiastical Insurance Office plc Staff Retirement Benefit Fund. Pension costs for this scheme are determined, on the basis of triennial valuations, by an independent qualified actuary using the projected unit method. The most recent SSAP 24 valuation was at 31 December 1998. 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 positive 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 by the company.

The most recent actuarial valuation showed that the market value of the scheme's assets was £68,581,000 and that the actuarial value of the assets was in excess of 120% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contribution of the group to the fund is and will remain at 16% of pensionable salary, plus additional amounts in accordance with recommendations by the Scheme Actuary. The scheme is registered with the Registrar of Pension Schemes. Pension liabilities of the Canadian branch are dealt with by payment to a Canadian Trust Fund, and pension liabilities for the Republic of Ireland branch are dealt with by payment to an Irish life office. The total funding cost for the year was £2,720,000 (*£2,452,000*). Of this £2,632,000 (*£2,357,000*) related to the UK scheme.

The Ansvar subsidiaries operate separate schemes to the main group scheme. In the Republic of Ireland, the non-contributory defined contribution scheme is now paid up. In the UK, the company operates a non-contributory defined benefit scheme, the contributions to which are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the attained age method. Contributions remain at 20.2% of pensionable salary. It is assumed that there will be a 1% margin between investment return and salary growth. The latest SSAP 24 valuation of the scheme was at 31 December 1999, when the market value of the assets, at £3,446,000, represented 106% of the benefits that had accrued to members. In Australia, EIG-Ansvar operate a defined contribution plan that complies with the Occupational Superannuation Standards Act. Employees contribute at a rate of 5% of basic salary, and the company at a rate of 9%.

In addition, in accordance with Financial Reporting Standard (FRS) 17, the full actuarial valuation for each defined benefit pension scheme has been reviewed and updated at 31 December 2001. The financial assumptions used, which are the average for all schemes weighted according to the value of each schemes liabilities, were as follows:

Inflation	2.25%
Increase in salary	4.00%
Increase in pensions in payment	2.25%
Discount rate for scheme liabilities	5.50%

The above annual financial assumptions are prescribed by FRS 17 and do not necessarily reflect the assumptions used by the independent actuaries in the respective triennial valuations at 31 December 1998 and 31 December 1999.

The aggregate assets of the group defined benefit pension schemes and the expected rate of return were:

	Value at 31.12.01 £000	Expected rate of return
Equities	59,364	8.00%
Bonds	18,898	5.50%
Other	12,082	4.50%
Total market value of assets	90,344	
Present value of scheme liabilities	71,802	
Net surplus in the schemes	18,542	
Deferred tax liability	5,563	
Net pension asset	12,979	
Group net assets excluding net pension asset	118,890	
Group net assets including net pension asset	131,869	

8 Taxation

	Long term business technical account		Non-technical account	
	2001	*2000*	**2001**	*2000*
	£000	*£000*	**£000**	*£000*
UK Corporation tax at 30% (*30%*)	**690**	*1,812*	**(80)**	*476*
Overseas tax	**35**	*36*	**227**	*313*
Deferred tax	**-**	*-*	**(3,985)**	*(3,004)*
Share of associated undertaking's tax	**-**	*-*	**1**	*1*
Tax attributable to shareholders' long term business profits	**-**	*-*	**490**	*1,030*
	725	*1,848*	**(3,347)**	*(1,184)*

9 Charitable distributions

During the course of the year distributions amounting to £4,023,000 *(£4,069,000)* were paid by the company as follows:

	Distributions	Donations
	£000	**No.**
Dioceses	**3,513**	**55**
Cathedrals	**250**	**63**
Parishes and other charities	**260**	**773**
	4,023	**891**

Due to their extensive nature, further analyses of these distributions are included in a separate publication which has been submitted to the Charity Commission. A list of individual grants to parishes and other charities can be obtained by writing to the company secretary at the address of the registered office shown on page 2. In addition to the above the group made one donation of £35,000 (*£35,000*) to Beaufort House Trust Ltd, an educational charity. During the last five years a total of £21.7 million has been provided by group companies for church and charitable purposes.

10 Goodwill

Goodwill is amortised on a straight-line basis over its estimated useful economic life. Useful economic lives have been determined in respect of each acquisition to match the period over which the value of the underlying businesses will exceed their identifiable net assets. No useful economic lives are in excess of 20 years.

	2001	*2000*
	£000	*£000*
Carrying value 1 January	**3,469**	*3,832*
Additions	**-**	*75*
Amortisation during the year	**(475)**	*(438)*
Carrying value 31 December	**2,994**	*3,469*

11 Group investments

	2001 General business £000	2001 Long term business £000	2001 Total £000	*2000 General business £000*	*2000 Long term business £000*	*2000 Total £000*
Current value						
Freehold land and buildings						
- occupied by the group	2,240	392	2,632	*2,381*	*-*	*2,381*
- other	8,767	11,057	19,824	*7,865*	*10,302*	*18,167*
	11,007	11,449	22,456	*10,246*	*10,302*	*20,548*
Investment in participating interest						
- ordinary shares	41	-	41	*31*	*-*	*31*
Other financial investments						
Shares and other variable yield securities and units in unit trusts:						
- listed	166,949	153,040	319,989	*193,585*	*184,895*	*378,480*
- unlisted	1,342	1,761	3,103	*1,300*	*1,574*	*2,874*
	168,291	154,801	323,092	*194,885*	*186,469*	*381,354*
Debt and other fixed income securities:						
- listed	128,106	53,361	181,467	*122,272*	*57,255*	*179,527*
- unlisted	1,704	2,243	3,947	*351*	*590*	*941*
Loans secured by mortgages	14,670	48,925	63,595	*12,954*	*55,664*	*68,618*
Other loans	4,131	376	4,507	*2,853*	*344*	*3,197*
	148,611	104,905	253,516	*138,430*	*113,853*	*252,283*
Total	316,902	259,706	576,608	*333,315*	*300,322*	*633,637*
Cost						
Freehold land and buildings	10,436	12,099	22,535	*8,837*	*10,839*	*19,676*
Investment in participating interest	30	-	30	*25*	*-*	*25*
Other financial investments	250,268	156,254	406,522	*242,864*	*167,987*	*410,851*
	260,734	168,353	429,087	*251,726*	*178,826*	*430,552*
Debt and other fixed income securities valued at amortised cost						
Cost	112,360	48,530	160,890	*107,735*	*47,744*	*155,479*
Cumulative amortisation	(655)	(1,359)	(2,014)	*(382)*	*(1,212)*	*(1,594)*
Current value	111,705	47,171	158,876	*107,353*	*46,532*	*153,885*
Unamortised maturity value	(2,179)	(2,067)	(4,246)	*(2,183)*	*(2,110)*	*(4,293)*
Maturity value	109,526	45,104	154,630	*105,170*	*44,422*	*149,592*
Market value	115,265	51,263	166,528	*112,255*	*51,450*	*163,705*

Owner occupied properties were valued at market value based on vacant possession at 31 December 2000. Other properties were valued on an open market existing use basis at 31 December 2001.

12 Assets held to cover linked liabilities

	2001 Current value £000	2001 Historical cost £000	*2000 Current value £000*	*2000 Historical cost £000*
Assets held to cover linked liabilities	**35,033**	**28,493**	*31,937*	*22,064*

13 Group debtors arising out of direct insurance operations

	2001 General business £000	2001 Long term business £000	2001 Total £000	*2000 General business £000*	*2000 Long term business £000*	*2000 Total £000*
Policyholders	**19,700**	**731**	**20,431**	*18,964*	*609*	*19,573*
Intermediaries	**31,604**	**-**	**31,604**	*29,307*	*-*	*29,307*
	51,304	**731**	**52,035**	*48,271*	*609*	*48,880*

14 Tangible assets

Group	**£000**
Cost:	
At 1 January	**26,192**
Additions	**3,496**
Exchange movements	**(63)**
Disposals	**(1,053)**
At 31 December	**28,572**
Depreciation:	
At 1 January	**12,508**
Provided in the year	**3,591**
Exchange movements	**(37)**
Disposals	**(682)**
At 31 December	**15,380**
Net book value at 31 December 2001	
General business	**12,020**
Long term business	**1,172**
	13,192
Net book value at 1 January 2001	
General business	**12,674**
Long term business	**1,010**
	13,684

Tangible assets comprise computer equipment, motor vehicles and office equipment.

None of the tangible assets noted above relate to the parent company.

15 Reserves

	Revaluation and other reserves £000	Long term insurance business reserve £000	General reserve £000	Profit and loss account £000	Total £000
Group					
Balance 1 January	-	6,000	10,000	126,614	142,614
Revaluation of long term business	-	(1,000)	-	-	(1,000)
Currency translation differences	-	-	-	(850)	(850)
Transfer from profit and loss account	-	-	-	(21,874)	(21,874)
Balance 31 December	-	5,000	10,000	103,890	118,890
Parent					
Balance 1 January	137,904	-	-	4,710	142,614
Revaluation of group undertakings	(23,923)	-	-	-	(23,923)
Transfer from profit and loss account	-	-	-	199	199
Balance 31 December	113,981	-	-	4,909	118,890

Included in the group profit and loss accounts are £64,840,000 (*£84,588,000*) of unrealised investment gains.

16 Reconciliation of movements in group shareholders' funds

	2001 £000	*2000 £000*
Retained loss for the financial year	(21,874)	*(8,256)*
Revaluation of long term business	(1,000)	-
Other recognised gains and losses	(850)	*(14)*
	(23,724)	*(8,270)*
Opening shareholders' funds	142,614	*150,884*
Closing shareholders' funds	118,890	*142,614*

17 Minority interests

Minority interests comprise preference share capital and attributable dividends in a subsidiary undertaking.

	Profit and Loss Account		Balance Sheet	
	2001	*2000*	**2001**	*2000*
	£000	*£000*	**£000**	*£000*
Non-equity interests				
Ecclesiastical Insurance office plc				
2.8% First Cumulative Preference shares of £1 each	**2**	*2*	**76**	*77*
10% Redeemable Second Cumulative Preference shares of £1 each	**300**	*300*	**3,000**	*3,000*
8.625% Non-Cumulative Irredeemable Preference shares of £1 each	**2,028**	*2,028*	**25,000**	*23,509*
	2,330	*2,330*	**28,076**	*26,586*

Ecclesiastical Insurance Office plc has the right to redeem all or any of the 10% Redeemable Second Cumulative Preference shares at par together with a premium as follows:

Year of redemption	Premium
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.

18 Long term business provision

The long term business provision has been calculated by the Appointed Actuary of the company using the following underlying principal assumptions.

(a) **Rates of interest**		**2001**	*2000*
		%	*%*
Assurances:			
Life		**2.5**	*2.5-3.0*
Pensions		**2.5**	*2.5-3.0*
Annuities:			
With profit	- deferred	**1.5-2.5**	*1.5-2.5*
Without profit	- deferred	**1.5-2.5**	*1.5-2.5*
	- vested	**4.0-4.5**	*4.5*

(b) **Mortality tables**			
Assurances:		**AM92**	*AM92*
Deferred annuities	- pensions	**PMA92/PFA92(C=2010)**	*PMA92/PFA92(C=2010)*
	- school fees	**no mortality**	*no mortality*
Vested annuities	- pensions	**PMA92/PFA92(C=2010)**	*PMA92/PFA92(C=2010)*
	- other	**IMA92/IFA92(C=2010)**	*IMA92/IFA92(C=2010)*

The mortality tables used have various deductions from age depending upon the type of business being valued. Further allowances were made for additional mortality resulting from AIDS where appropriate.

19 Outstanding claims

The predicted ultimate settlement cost of outstanding general insurance claims is estimated using a variety of standard actuarial techniques, including Chain Ladder and Bornhuetter Ferguson methods.

Chain Ladder methods extrapolate paid and incurred claim amounts and the number of claims, based on the development of previous accident or underwriting years. This method assumes that previous patterns are a reasonable guide to future developments. Where this assumption is felt to be unreasonable adjustments are made or other methods such as Bornhuetter Ferguson are used. This method enables judgement to be made of the expected impact of loss ratios of both internal and external developments such as portfolio mix movements, changes in public attitudes to claiming, changes in policy cover and changes in the rate of inflation in settlement costs. For smaller portfolios the materiality of the business and data available may also shape the methods used in reviewing reserve adequacy.

The outcome of the ultimate settlement cost of claims is uncertain and an addition is made to the most likely outcome to reflect this and to ensure prudent provisions are made. The addition for uncertainty is assessed primarily by the Thomas Mack actuarial method, based on at least the 75th percentile confidence level for each portfolio. For smaller portfolios where the Mack method cannot be applied, provisions have been calculated at a level intended to be equally prudent. Where the standard methods cannot allow for changing circumstances, such as latent claims, appropriate further provisions are added.

Provisions are calculated both gross and net of expected reinsurance recoveries. Where an uncertainty in recoveries may arise, these are accounted for via separate reinsurance bad debt provisions.

20 Equalisation provision

The equalisation provision, established in accordance with the Interim Prudential Sourcebook for Insurers, is required by Schedule 9A to the Companies Act 1985 to be included within technical provisions, notwithstanding that it does not represent a liability at the balance sheet date. It is in addition to the provisions required to meet the anticipated ultimate cost of settling outstanding claims at the balance sheet date. The provision has reduced shareholders' funds by £6,156,000 *(£3,734,000)* and decreased both the balance sheet on the general business technical account and the profit before taxation for the year by £2,421,000 *(£436,000)*.

21 Provisions for other risks and charges

The provision shown in the accounts relates to deferred tax in respect of short term timing differences and on unrealised investment gains that are expected to crystallise in the foreseeable future.

Deferred tax on unrealised investment gains not provided for in the accounts amounted to £10,001,000 *(£13,643,000)*.

	2001	*2000*
	£000	*£000*
Deferred tax provided at 1 January	**13,920**	*16,924*
Decrease in provision	**(3,985)**	*(3,004)*
Deferred tax at 31 December	**9,935**	*13,920*

22 **Other creditors including taxation and social security**	**2001**	*2000*
	£000	*£000*
Amounts falling due within one year:		
Other creditors	**7,194**	*7,244*
Taxation	**1,139**	*2,408*
	8,333	*9,652*
Amounts falling due after more than one year:		
Debenture stock	**6,000**	*6,000*
Corporate business loans	**23,000**	*22,000*
Other creditors	**1,195**	*1,042*
	30,195	*29,042*
Total	**38,528**	*38,694*
Included in other creditors are obligations under lease purchase contracts due:		
In 1 year or less	**559**	*505*
Between 2 and 5 years	**1,182**	*1,041*
Over 5 years	**13**	*1*
	1,754	*1,547*

The £6,000,000 13% Debenture stock 2018 is secured on the assets of Ecclesiastical Insurance Group plc. 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.

A corporate business loan of £13,000,000 *(£12,000,000)* is secured against the assets of Allchurches Mortgage Company Limited. Interest is payable at periodic London Interbank Offered Rates plus an appropriate margin. The final maturity date for the loan facility, totalling £16,000,000, is 23 December 2009.

The group is required under the Financial Services Compensation Scheme to contribute towards any levies raised on UK general insurance business. The amount of the levy may vary from nil to a maximum levy of 0.8% of UK written premium net of commission. A levy of £737,000 *(nil)* was raised by the Financial Services Compensation Scheme during the year.

23 Notes to the cash flow statement

(a) Reconciliation of loss on ordinary activities before tax to net cash flow from operating activities

	2001 £000	*2000 £000*
Loss on ordinary activities before tax	(18,833)	*(3,006)*
Depreciation charges	2,701	*1,605*
Amortisation of fixed interest securities	300	*283*
Amortisation of goodwill	475	*438*
Unrealised losses on investments	24,420	*14,707*
Increase in net general insurance technical provisions	29,041	*37,105*
Profit relating to long term business	(1,635)	*(3,435)*
Cash received from long term business	1,723	*-*
Share of profits of associates	(11)	*(6)*
Loan interest payable	2,176	*2,192*
Other interest payable	150	*152*
Realised investment gains	(4,530)	*(12,696)*
Loss on sales of tangible fixed assets	50	*16*
Movement in other debtors and creditors	(1,201)	*(3,225)*
Exchange and other non-cash movements	1,216	*(1,513)*
Profit on sale of subsidiary undertaking	-	*(1,878)*
Net cash inflow from operating activities	36,042	*30,739*

(b) Movements in cash, portfolio investments and financing

	At 1 January 2001 £000	Cash flow £000	Changes in long term business £000	Changes in market value exchange and others £000	At 31 December 2001 £000
Cash at bank and in hand	64,353	20,754	(361)	(228)	84,518
Shares and other variable yield securities	381,385	(5,385)	(31,667)	(21,200)	323,133
Fixed income securities	252,283	11,248	(8,949)	(1,066)	253,516
Land and buildings	20,548	830	1,147	(69)	22,456
Assets held to cover linked liabilities	31,937	-	3,096	-	35,033
Loans due after one year	(28,000)	(1,000)	-	-	(29,000)
	722,506	26,447	(36,734)	(22,563)	689,656

(c) Acquisitions and disposals include the disposal of 1,491,000 8.625% Non-Cumulative Irredeemable Preference shares in Ecclesiastical Insurance Office plc, which were sold for cash on 14 December 2001.

24 Operating leases

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

	2001 Premises £000	2001 Equipment £000	*2000 Premises £000*	*2000 Equipment £000*
Commitments				
Expiring:				
Within 1 year	313	358	*248*	*457*
Between 2 and 5 years	1,075	482	*531*	*924*
Over 5 years	1,469	-	*1,423*	*-*
Total	2,857	840	*2,202*	*1,381*
Payments included in operating expenses	2,387	856	*1,770*	*943*

25 Capital commitments

At 31 December 2001 there were no outstanding contracts for capital expenditure *(nil).*

26 Subsidiary and associated undertakings

Subsidiaries	**Share capital**	**Holding of shares by: Parent**	**Subsidiary**
Incorporated and operating in Great Britain, engaged in investment, insurance and financial services or other insurance related business:			
Ecclesiastical Insurance Group plc	Ordinary shares	100%	
Allchurches Mortgage Company Limited	Ordinary shares	100%	
	6% Non-Cumulative Redeemable Preference shares		100%
Allchurches Investment Management Services Limited	Ordinary shares		100%
Allchurches Life Assurance Limited	Ordinary shares		100%
Ansvar Insurance Company Limited	Ordinary shares		100%
Ansvar Pensions Limited	Ordinary shares		100%
Blaisdon Properties Limited	Ordinary shares		100%
Eccint Limited	Ordinary shares		100%
Ecclesiastical Insurance Office plc	Ordinary shares		100%
	2.8% First Cumulative Preference shares		69.5%
	9.5% Redeemable Third Non-Cumulative Preference shares		100%
Ecclesiastical Group Asset Management Limited	Ordinary shares		100%
Ecclesiastical Underwriting Management Limited	Ordinary shares		100%
Hinton and Wild (Home Plans) Limited	Ordinary shares		100%
The Churches Purchasing Scheme Limited	Ordinary shares		100%
URC Insurance Company Limited	Ordinary shares		100%
Incorporated and operating in Australia, engaged in insurance business:			
EIG - Ansvar Limited	Ordinary shares		100%
Incorporated and operating in New Zealand, engaged in insurance business:			100%
EIG - Ansvar Insurance (New Zealand) Limited	Ordinary shares		100%
EIG - Ansvar Life Limited	Ordinary shares		100%
Associated undertaking			
Incorporated and operating in Great Britain, engaged in insurance business:			
Gerling Global London Market Limited	Ordinary shares		30%

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

All the subsidiaries listed are included within the consolidated financial statements. Voting rights are in line with the holdings of ordinary shares.

In accordance with the exemption available under Financial Reporting Standard 8 'Related Party Disclosures', no disclosure is given of transactions with group companies.

During the year related party transactions consisting of £583,000 *(£693,000)* school fee annuities were accounted for by the group to Beaufort House Trust Limited, a charity under common control and registered at the same address. Of this £195,000 *(£215,000)* was prepaid at the balance sheet date. This has been accounted for in the long term business technical account.