31 December

Report & accounts 96

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ECCLESIASTICAL

INSURANCE GROUP PLC

INSURANCE YOU CAN BELIEVE IN

ECCLESIASTICAL

ECCLESIASTICAL INSURANCE GROUP plc

REPORT AND ACCOUNTS 31 DECEMBER 1996

Report and Accounts 31 December 1996

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Financial Highlights

	1996	*1995*	
TURNOVER	£207M	*£191M*	*UP 8%*
PRE-TAX PROFIT	£24M	*£17M*	*UP 41%*
CHARITABLE GRANTS	£3M	*£2.5M*	*UP 20%*
GROSS ASSETS	£817M	*£739M*	*UP 11%*
NET ASSETS	£116M	*£94M*	*UP 23%*

Chairman's Statement

The pace of change within the British financial services industry, to which I drew attention in my last annual Statement, accelerated in 1996. Further mergers and acquisitions, and the continuing demutualisation of building societies and insurance companies, all engaged our attention.

This process of change is not confined to the United Kingdom. International reinsurers seem intent on globalisation – the wish to own a large entity in each major market. There are several forces driving this consolidation – most notably the high price of new computer systems required to contain costs in handling large volume; and the need to demonstrate financial strength in an uncertain world.

While we share an equal commitment to cost control and the development of financial strength, as readers of our reports over the years know, size for the sake of size brings new problems. In the rush to merge, I suspect there may be more losers than winners.

Ecclesiastical produced excellent results in 1996 and its relentless increase in turnover, profit and capital strength aptly demonstrate the maxim that size should not be confused with quality. Last year I reported that following a thorough strategic review, the Board concluded that there is a healthy future for an independent Ecclesiastical committed to high standards of service and focused on its own and kindred specialisms. That remains our view.

In 1996, our overall turnover increased in real terms by 8% against an inflation rate below 3%. Shareholders' funds rose by 23% to a record £116 million. Pre-tax profits were ahead by 39% at £24 million and, after tax and minorities, £14.1 million remained to pay preference dividends, make charitable grants and enhance our capital strength to offer the security our policyholders rightly expect. For a full account of the year's trading I draw your attention to the Managing Director's Operational Review which follows this Statement. However, I must add a word of caution – these profits are exceptional. Insurance is a cyclical business and, above all, a risk business. A severe storm or a disturbed arsonist of the kind who attempted to burn six churches in Cornwall last month would abruptly reduce the profit.

That cautionary note does not deter the Board from increasing in real terms its distribution to the Church for charitable use. The amount made available to Allchurches Trust has been raised by 20% to £3 million. Our traditional beneficiaries can, therefore, again look forward to a significant increase in their annual grant in 1997. Only part of our business – now less than 14% – comes directly from churches in the United Kingdom and the extended scope of our operations provides much of the profit distributed in charitable grants.

One of our key financial objectives is to raise the level of grants each year by more than the level of inflation. It gives me pleasure to record that in the last five years distributions have risen by 84% against an inflation rate of 14%.

This year Allchurches Trust, Ecclesiastical's parent, celebrates its twenty-fifth anniversary. You might well regard a twenty-five year old parent with a 110 year old child as somewhat curious. The tale is one involving vision, good judgement and unselfishness.

Twenty-five years ago the descendants of the Victorian Anglicans who founded 'the EIO' disenfranchised themselves and put their voting shares into Allchurches Trust in return for preference shares in Ecclesiastical. Those shareholders would, I think, be gratified to see how that small company has diversified and grown into the large-scale, profitable, modern Ecclesiastical. They would also be glad to learn that the ethos has not changed and our wholehearted commitment to the 'church interest', construed broadly, in terms of both service and financial support remains unchanged.

My special focus this year is on people – the heart of the Company. Bernard Day became Chief Executive of the Ecclesiastical in 1977 and will retire later this year to be succeeded by Graham Doswell. During his period of leadership, turnover has grown from £5 million to over £200 million, profits from £270,000 to

Chairman's Statement

£24 million and charitable grants from £230,000 to £3 million. This record is a testimony in itself, but does not capture the essence of the man – the strategic vision he has contributed, the character in adversity, the enthusiasm he has for the business of insurance, his professionalism and wish to share this with his colleagues and the industry at large, his ability to take decisions. We are all fortunate to have worked with such a friend and learnt from such an example. Fortunately we shall continue to benefit from Bernard's experience as he will remain on the Board as a non-executive director. We wish him and Angela, who has been such a support, a long and happy retirement.

Graham Doswell joined the Ecclesiastical twelve years ago, also as it happens from Sun Alliance. He is a true professional and has carried a wide range of responsibilities within the Group and earned promotion on merit and in competition. We wish him every success in his new responsibilities. He was appointed to the Group Board in April and will now be joined by George Prescott, our Finance Director. George's experience in investment management, corporate transactions and risk management add a vital ingredient in the management of the business.

This year, too, we say farewell and thank you to John McArdell who completes his tour as a non-executive director after 48 years' unbroken service with the Company. I commented on his major contribution in a previous Statement.

I would like to mention two other changes in the senior management team this year. Bill Breckles, for 12 years the manager of our growing and successful Canadian branch, decided to accept the offer of a senior appointment from a larger friendly rival for understandable career reasons. We thank him for his contribution and welcome Stephen Oxley in his place. In the US we also look forward to working with Jerry Wallis and his team at Chatham Holdings, which became a subsidiary during the year.

Finally, I turn to record with sorrow the death in harness of Eric Evans, late Dean of St Paul's and a valued and much-loved member of the Ecclesiastical Board for 17 years. His deep understanding of the Church and puckish sense of humour are sorely missed.

It remains for me to thank warmly all those who work for the Ecclesiastical for their service and commitment over the past year.

Mark Cornwall-Jones
Chairman

Review of Group Operations

The all-round excellence of Ecclesiastical's 1996 results, achieved against adverse market conditions, exceeded our own best hopes. The record volumes of business and profits mark another forward step in a successful five year sequence which has seen Ecclesiastical's turnover, profits and financial strength transformed since 1991.

High quality underwriting is the vital element in running a profitable general insurance business. We were gratified, therefore, that despite a higher claims ratio, tight control of costs enabled us to reduce the operating ratio to 98.0% and record an underwriting profit of some £2 million.

Despite adverse exchange rate movements and the inevitable thinning of premium rates in over-competitive markets we increased volumes by 7.8%. This figure allows for the acquisition of Chatham Reinsurance Corporation as a 72% owned subsidiary. After making appropriate adjustments, underlying organic growth is about in line with inflation. This reflects a balance between real (inflation-adjusted) growth objectives and our current cautious underwriting stance in a weak rating environment.

The underwriting profit was augmented by a strong investment performance. These were the prime factors contributing to pre-tax profits up by 38.9% to £23.8 million, easily the best ever recorded by Ecclesiastical.

General Insurance – United Kingdom

Pricing in this market continues to weaken and Ecclesiastical's gross premiums grew by 2.9% – just about in line with inflation. The underlying trend is stronger at about 5% with market share increasing in each key business segment, while net written premiums grew faster, by 5.9% to £88.4 million.

The operating ratio for our UK business edged downwards from 102.6% to 100.9%, mainly due to a further reduction in commission and expense ratios.

The underwriting loss fell from £2.2 million in 1995 to £1 million and we regard this as an excellent out-turn in current market conditions.

General Insurance – International

The International division, which includes London market operations and, for the first time, Chatham Re as a subsidiary company, again had an outstandingly successful year. Gross premiums rose by 20.3% to £59.8 million and net premiums by 41.9% to £37.1 million, despite unfavourable currency movements. The underwriting out-turn was very similar to the previous year – a profit of £3.2 million.

The division epitomises Ecclesiastical's conception of itself as a diversified multi-niche insurer. We seek to grow the business by developing new niches, as well as reinforcing our original specialisms. In addition to growth we expect that, in bad times, the diverse nature of the portfolios will limit the underwriting downside and smooth the results. In each of the last three years, however, we have seen the exceptional profits achievable when diverse portfolios prosper simultaneously.

Our Canadian operation continued to grow in original currency and made a large underwriting profit. The hard markets which enabled us to grow quickly and profitably in Canada have weakened abruptly but we have a strong, cost-effective and expert organisation and a quality portfolio. We are ready for further growth and diversification.

In the London market all our operations – EUML (property insurance), Admiral (professional indemnity) and Wright Underwriting (property – casualty reinsurance) all recorded diminished volumes as underwriters reacted warily to weakening markets. EUML achieved excellent underwriting profits in closing the 1994 year of account and the others showed satisfactory results.

Our own reciprocal reinsurance trading again yielded good profits and enabled us to develop strong links with high-quality European partners. These trading partnerships are confidently expected to yield additional profit when the 'open' years are closed – all our London market and reciprocal trading is handled on a three year accounting convention, which ensures that profit is not recorded prematurely. Rounding off the international scene, we had excellent underwriting profits in Ireland and good profits or, at least, improving trends in each of our Mediterranean agencies.

Reserving Standards

This year, UK insurers were required to set up claims equalisation reserves on a statutory basis. It is, therefore, particularly pleasing to achieve underwriting profits after making that additional provision.

Ecclesiastical has always sought to be a very prudently reserved insurer and already maintained a non-statutory claims equalisation reserve.

Review of Group Operations

There is no logic in maintaining two separate reserves and we have therefore decided to allocate the non-statutory reserve, as and when opportunity occurs, to strengthen further the actuarial basis of claims reserves, particularly for those classes of risk, such as liability, which are not included in the statutory claims equalisation provisions. Three million pounds, out of six million, has been specifically allocated this year and the remainder is held as a non-specific claims reserve against future needs. In essence, we have chosen to strengthen technical reserves rather than boost the 1996 profit.

Chatham Holdings Inc (Chatham)

The main corporate development during the year was our decision to take a controlling interest in Chatham, where we were previously a minority shareholder. We originally joined a consortium of owners to facilitate strategic diversification of our North American business. Subsequently, misfortune overtook some of the consortium members and we increasingly assumed a leadership role. Last year, terms were agreed for some partners to sell their shareholdings and Ecclesiastical became the 72% majority shareholder.

We regard Chatham as a strategic acquisition and look forward to working closely with its management. Meanwhile, we have incorporated Chatham into Ecclesiastical's balance sheet at original cost, treating its substantial surplus asset value as an additional technical reserve.

Long Term Business

Our Financial Services division, under new leadership, made strong progress in 1996. Premium volumes for life and pensions business increased by 9.7% to £17.4 million while new business rose by 21.4%, well up to industry standards. Unit trust sales and mortgage completions also increased during the year.

Investment performance in both life and pensions funds was substantially better than the Wood McKenzie averages for life funds and pension funds, thus continuing a longer term trend.

Good investment performance was an important factor in enabling the Board to implement the Appointed Actuary's recommendation to maintain or increase bonuses on 'with profit' life and pensions contracts. This had a favourable impact on Ecclesiastical's comparative performance.

In our Allchurches Life subsidiary we have made less progress than desired in clearing the small number of doubtful pension transfer cases in our portfolio. The prescriptive methodology required by the regulator and the reluctance of institutional pension schemes to respond to queries handicaps our efforts. We have been able to eliminate a large number of cases from the enquiry and, with the approval of independent actuarial advisers, the reserve for compensation has been reduced.

The group's balance sheet includes a reserve which represents the value, on a prudent basis, expected to emerge in due course from the proprietary life subsidiary. The directors have reviewed that value in the light of the Appointed Actuary's advice and have decided to leave the reserve unchanged.

Finance

The group's capital and free reserves have again reached record levels and Ecclesiastical's general business solvency ratio exceeds 110%. This strength is the product of consistently good underwriting backed by powerful and successful investment strategies. All our major funds out-performed their target benchmarks, sector by sector.

Non-life funds again experienced strong cash flow from operations so that, after paying dividends, interest, taxation and charitable grants, we were able to invest a net £24 million. In these circumstances it is not surprising to find investment income up by 25.1% to nearly £23.9 million, despite falling interest rates. This figure is struck without taking into account nearly £11 million of unrealised capital gains, which we have credited directly to reserves.

We continued our close working relationship with Martin Currie, who manage our 59% owned investment subsidiary, St Andrew Trust. Modest changes are being made to the balance of the trust's portfolio, so that it becomes slightly less orientated towards small companies. The investment return of the trust remains strong, having out-performed the FT All share index over both one year and three year periods.

Conclusions

After 20 years as Ecclesiastical's Chief Executive this is the last review I shall have the pleasure of writing. Naturally, it is pleasing to retire after such excellent results – better to end with a bang than a whimper.

We should not judge by one year in isolation, however, whether good or bad. Companies which possess a clear strategic vision and managerial excellence should live indefinitely and must be judged on their long-term achievement. Ecclesiastical is only 110 years old.

In the last twenty years our task has been to transform the old and, rightly, much loved 'EIO' from a small, vulnerable mono-specialist company into a substantial, diversified, secure and profitable financial services group. This we have done. At the same time, we believe we have retained the essential ethical character of the group and we know that its commitment to the church has not diminished. I just want to thank all those, especially my colleagues, whose professionalism, high intelligence and personal commitment have made it all possible.

Bernard Day
Managing Director

Outwardly, this transitional rehabilitation unit in Lancashire for people with serious head injuries has every appearance of being a normal peaceful example of its type. But this belies the mayhem which took place inside, the consequences of which are still being sorely felt.

Two days before Christmas last year, one of the patients was found dead with his rooms on fire. The other pictures give some idea of the aftermath, resulting in a claim for just over £20,000 for fire damage.

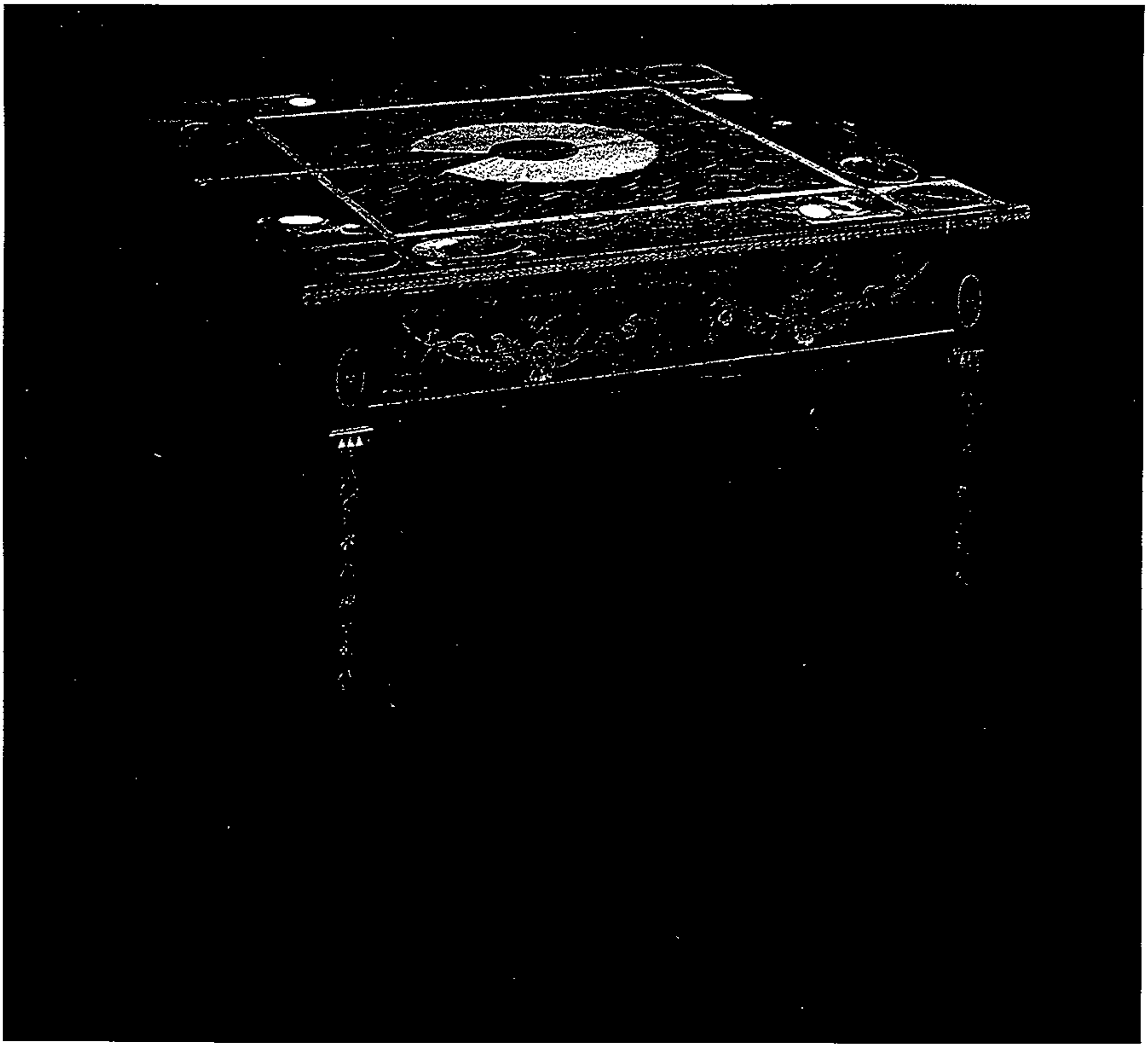
However, the fact that a fellow patient has been charged with murder and arson has totally disrupted the delicate psychological state of the whole unit, where many patients need 1 to 1 mentoring for 16 hours a day.

As a result, the unit has been unable to retain patients or introduce new patients as previously planned, and we face a very substantial additional claim for income loss.

This exquisite example of 18th century furniture is a mahogany games table.

When closed, its surface is a chess board and, when opened, it reveals an inlay of four cherubs supporting white porcelain money or counter dishes.

It was stolen from a private house in Sussex on 13 January 1996. In view of its value, set at £12,500, its owner had colour photographs which enabled us to brief the Art Loss Register immediately. They detected a table answering the description in an advertisement in late November for an auction to be held just a few days later at Knightsbridge. It was quickly confirmed that this was, indeed, the stolen table, and arrangements are now in hand to return it to its rightful owner.



In the small hours of Wednesday 25 October 1995, a massive explosion occurred in the house on the left of this semi-detached pair in the West Midlands. The emergency services found the owner wandering outside with burn injuries and his wife inside, apparently having died in the explosion.

The neighbouring house, which belonged to our insured, Lichfield Diocese, and, fortunately, empty at the time, also suffered structurally to such an extent that demolition is one of the options being considered.

Normally, this would be a straightforward claim against the insurers of the exploded house, but sinister circumstances emerged which have led to a more tortuous path.

Following suspicions aroused by the strong smell of petrol at the time of the incident, police arrested the owner. Furthermore, subsequent forensic examination revealed that his wife had been murdered before the explosion took place.

It then emerged that the explosion had been deliberately engineered in order to hide the evidence of murder, and the husband was duly convicted of both crimes.

His insurers have, therefore, invoked their right to refuse payment to any except the mortgagees of the exploded house, although we are continuing to press them for a more satisfactory conclusion.

Directors and Management

Directors		M. R. Cornwall-Jones MA, ACIS *Chairman*
		W. H. Yates FRICS *Deputy Chairman*
	*	B. V. Day BA, LLB, FCII
	*	G. V. Doswell FCII
		The Venerable R. B. Harris MA *the Archdeacon of Manchester*
		P. J. C. Mawer MA, DPA
		J. D. McArdell ACII
		M. C. D. Roberts MA, CA
		H. H. Scurfield MA, FIA
		D. R. W. Silk JP, MA
		The Very Revd. J. A. Simpson MA *the Dean of Canterbury*
General Management		B. V. Day BA, LLB, FCII *Managing Director*
		K. J. Burdett FCII
		G. V. Doswell FCII
		M. Goodale BA, FIA
		F. J. Holland MBCS
		G. A. Prescott BA, FCA
Chief Accountant		W. J. Lumsden FCCA
Actuaries		K. Bogue BA, FIA *General Business*
		P. C. Sparkhall FIA *Long Term Business*
Company Secretary		R. W. Clayton BSc, ACIS
Registered and Head Office		Beaufort House, Brunswick Road, Gloucester GL1 1JZ Tel: 01452 528533
Company Registration Number		1718196
Principal London and Investment Office		19-21 Billiter Street, London EC3M 2RY Tel: 0171 528 7364
Auditors		Binder Hamlyn, 20 Old Bailey, London EC4M 7BH
Registrar		The Royal Bank of Scotland plc, PO Box 82, Caxton House, Redcliffe Way, Bristol BS99 7NH
Trustee for the Debenture Stock		The Law Debenture Trust Corporation plc, Princes House, 95 Gresham Street, London EC2V 7LY

* *Executive directors*

Directors

M. R. Cornwall-Jones
Chairman

Appointed to the Board in 1979, becoming Chairman in July 1993. He is Chairman of Govett Oriental Investment Trust plc and Capital Gearing Trust plc. He also serves on the Boards of Halifax Financial Services (Holdings) Ltd, St Andrew Trust plc and other companies.

B. V. Day
Managing Director

Joined the Group in 1975 and became Chief Executive in 1977. A past President of the Chartered Insurance Institute. His other directorships include St Andrew Trust plc, URC Insurance Company Ltd and Pool Reinsurance Company Ltd. He is also Chairman of Chatham Holdings Incorporated.

W. H. Yates
Deputy Chairman

Appointed to the Board in 1985 and became Deputy Chairman in March 1995. He was Senior Partner of Knight Frank until April 1996. He is Deputy Chairman of the Woolwich Building Society.

G. V. Doswell

Appointed to the Board in April 1997. He joined the Group in 1984 as Chief Underwriting Manager, becoming the member of the General Management team responsible for Management Services in 1989. He became General Manager of the UK and International Divisions in April 1994.

M. C. D. Roberts

Appointed to the Board in 1992. He was a partner in KPMG, Chartered Accountants, until 1991 and now acts as a consultant. He is also Treasurer of Guildford Cathedral.

R. B. Harris
The Archdeacon of Manchester

Appointed to the Board in 1993. The Archdeacon is a member of the Manchester Diocesan Board of Finance Ltd.

H. H. Scurfield

Appointed to the Board in 1994. He was the Actuary and a director of the Norwich Union Insurance Group until 1992. He was a past President of the Institute of Actuaries. He is a director of the Royal Shrewsbury Hospitals NHS Trust and Chairman of the Shropshire and Mid Wales Hospice.

P. J. C. Mawer

Appointed to the Board in May 1996. He is the Secretary General of the General Synod of the Church of England.

D. R. W. Silk

Appointed to the Board in 1988. He was Warden of Radley College from 1968 until 1991. He was President of the MCC from 1992 until 1994 and was Chairman of the TCCB from 1994 to 1996.

J. D. McArdell

Appointed to the Board in 1988. His whole career has been with the Ecclesiastical Insurance Group, retiring from his executive position of Deputy Managing Director in 1994. He is a director of Westonbirt School Ltd, a member of the Council for the Care of Churches and consultant to the Cathedral's Fabric Commission and English Heritage.

J. A. Simpson
The Dean of Canterbury

Appointed to the Board in 1983 when he was Archdeacon of Canterbury. He is Chairman of the Board of Governors of the King's School, Canterbury.

Directors' Report

The directors present their report and the audited accounts for the year ended 31 December 1996.

Principal activity

The principal activity of the company is that of an investment holding company. Its principal subsidiary is Ecclesiastical Insurance Office plc. That company and its life assurance subsidiary, Allchurches Life Assurance Limited, transact most forms of general and long term insurance.

Review of the year and future developments

These are described in the chairman's statement and the managing director's review of group operations.

Results

The results of the group for the year and the appropriations are shown in the consolidated profit and loss account on page 16.

Accounting policies

The changes are explained in the accounting policies on page 22. The effects of the changes are explained in note 25 to the accounts.

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 1996.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss for the financial year and which comply with the provisions of the Companies Act 1985 applicable to insurance companies.

In preparing those financial statements, the directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the accounts for the year ended 31 December 1996. The directors also confirm that applicable accounting standards have been followed and that the accounts have been prepared on the going concern basis.

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 which enable them to ensure that the financial statements comply with the Companies Act 1985. They also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent fraud and other irregularities.

Directors

The directors of the company at the date of this report are stated on page 9.

The directors record with very great regret the death of the Very Revd. T. E. Evans MA, the Dean of St Paul's, on 17 August 1996.

Mr G. V. Doswell was appointed to the board on 1 April 1997. In accordance with the articles of association, he retires at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

Mr W. H. Yates, the Venerable R. B. Harris and the Very Revd. J. A. Simpson retire by rotation and, being eligible, offer themselves for re-election.

Remuneration and appointments committee

The committee membership consists of the following non-executive directors:

M. R. Cornwall-Jones *Chairman*
The Venerable R. B. Harris
P. J. C. Mawer
J. D. McArdell
M. C. D. Roberts
H. H. Scurfield
D. R. W. Silk
The Very Revd. J. A. Simpson
W. H. Yates

Audit committee

The committee membership consists of the following non-executive directors:

M. C. D. Roberts *Chairman*
M. R. Cornwall-Jones
H. H. Scurfield
W. H. Yates

Directors' Report

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 31.12.1996	*Interest at 1.1.1996 or date of appointment*
M. R. Cornwall-Jones	500	*500*
W. H. Yates	500	*500*
B. V. Day	3,220	*3,220*
G. V. Doswell	500	*500*
The Venerable R.B. Harris *the Archdeacon of Manchester*	500	*500*
P. J. C. Mawer	500	*500*
J. D. McArdell	1,000	*1,000*
M. C. D. Roberts	500	*500*
H. H. Scurfield	500	*500*
D. R. W. Silk	500	*500*
The Very Revd. J. A. Simpson *the Dean of Canterbury*	500	*500*

No director had an interest in any other shares or debentures of the group. No contract of significance subsisted during or at the end of the financial year in which a director was or is materially interested.

Status

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company.

Ownership

The entire equity capital of the company is owned by Allchurches Trust Limited.

Charitable and political donations

Charitable donations given by the company and its subsidiary undertakings in the year amounted to £3,050,000.

During the last five years a total of £11.2 million has been provided by group companies for church and charitable purposes.

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

Employees

The company recognises the importance of employee communication and aims to keep employees informed about its affairs through the use of briefing groups, company newsletters and the annual publication of financial reports to all employees. Regular meetings are held between management and employees and discussion encouraged. It is the company's policy to give full consideration to applications for employment by disabled persons. Where possible, employment of persons who become disabled is continued and the necessary retraining provided to allow continuing service with the company.

Policy on payment of creditors

It is the company's policy to pay creditors promptly and fully, in accordance with the terms of their contracts.

Auditors

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

By order of the board

R. W. Clayton
Secretary

1 May 1997

Auditors' Report

To the members of Ecclesiastical Insurance Group plc

We have audited the financial statements on pages 14 to 39 which have been prepared under the historical cost convention, as modified by the revaluation of certain assets, and in accordance with the accounting policies set out on pages 22 to 24.

Respective responsibilities of directors and auditors

As described on page 11 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

Our evaluation of the presentation of information in the financial statements has had regard to the statutory requirement for insurance companies to maintain an equalisation provision. The nature of the equalisation provision, the amount set aside at 31 December 1996, and the effect of the movement in the provision during the year on the balance on the general business technical account and profit on ordinary activities before taxation, are disclosed in the accounting policies and note 19 to the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 1996 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Binder Hamlyn

Binder Hamlyn
Chartered Accountants and Registered Auditors

20 Old Bailey
London
EC4M 7BH

1 May 1997

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1996

TECHNICAL ACCOUNT – GENERAL BUSINESS		Notes	1996 £000	*1995 £000*
Gross premiums written	– continuing operations		176,792	*175,407*
	– acquisitions		12,308	–
			189,100	*175,407*
Outward reinsurance premiums		3(a)	63,526	*65,734*
Net premiums written			125,574	*109,673*
Change in the gross provision for unearned premiums			414	*1,702*
Change in the provision for unearned premiums, reinsurers' share			(195)	*(297)*
Change in the net provision for unearned premiums			609	*1,999*
Earned premiums, net of reinsurance			124,965	*107,674*
Claims paid	– gross amount		109,140	*78,968*
	– reinsurers' share		26,564	*24,306*
			82,576	*54,662*
Change in the provision for claims	– gross amount		(2,389)	*22,498*
	– reinsurers' share		(11,283)	*(652)*
			8,894	*23,150*
Claims incurred, net of reinsurance			91,470	*77,812*
Net operating expenses		5	32,037	*28,794*
Change in the equalisation provision		19	(704)	–
Total technical charges			122,803	*106,606*
Balance on the technical account for general business			2,162	*1,068*

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1996

		Notes	1996	*1995 Restated*
TECHNICAL ACCOUNT – LONG TERM BUSINESS			£000	*£000*
Gross premiums written		3(b)	17,470	*15,929*
Outward reinsurance premiums			242	*259*
Earned premiums, net of reinsurance			17,228	*15,670*
Investment income		4	20,667	*20,615*
Unrealised gains on investments			14,991	*23,078*
Total technical income			52,886	*59,363*
Claims paid	– gross amount		32,967	*32,080*
	– reinsurers' share		134	*2,264*
			32,833	*29,816*
Change in the provision for claims	– gross amount		(55)	*443*
	– reinsurers' share		19	*6*
			(74)	*437*
Claims incurred, net of reinsurance			32,759	*30,253*
Change in other technical provisions				
Long term business provision	– gross amount		(9,079)	*(1,913)*
	– reinsurers' share		26	*(1,547)*
			(9,105)	*(366)*
Technical provision for linked business			4,425	*3,641*
Change in other technical provisions, net of reinsurance			(4,680)	*3,275*
Bonuses and rebates, net of reinsurance			5,676	*6,006*
Net operating expenses		5	3,097	*2,868*
Investment expenses and charges			523	*472*
Tax attributable to the long term business		9	1,157	*770*
Transfer to the fund for future appropriations			13,754	*15,714*
			24,207	*25,830*
Total technical charges			52,286	*59,358*
Balance on the technical account for long term business			600	*5*

All the amounts above are in respect of continuing operations

Financial Statements

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1996

NON-TECHNICAL ACCOUNT	Notes	1996 £000	*1995 Restated £000*
Balance on the general business technical account		2,162	*1,068*
Balance on the long term business technical account		600	*5*
Tax credit attributable to the shareholders' long term business profits		296	*2*
		3,058	*1,075*
Investment income	4	24,023	*19,086*
Investment expenses and charges	4	(1,634)	*(1,227)*
Other operations	4	326	*218*
Other charges including value adjustments	4	(1,998)	*(2,041)*
Profit on ordinary activities before tax			
– continuing operations		22,849	*17,111*
– acquisitions		926	*–*
		23,775	*17,111*
Tax on profit on ordinary activities	9	6,260	*4,968*
Profit on ordinary activities after tax		17,515	*12,143*
Minority interests	17	3,368	*2,219*
Profit attributable to shareholders		14,147	*9,924*
Charitable grants net of tax relief	10	2,043	*1,685*
Profit for the financial year		12,104	*8,239*

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 1996

	1996 £000	*1995* *£000*
Profit attributable to shareholders	14,147	*9,924*
Discount on acquisition of shares in a subsidiary undertaking	–	*2*
Unrealised surplus on revaluation of investments	7,318	*16,917*
Realised investment gains of investment trust subsidiary	3,069	*2,259*
Currency translation differences	(924)	*590*
Other movements	282	*(103)*
Total recognised gains and losses for the financial year	23,892	*29,589*

The effects of the changes in accounting policies are shown in note 25 to the accounts

CONSOLIDATED BALANCE SHEET
at 31 December 1996

ASSETS	Notes	1996 £000	*1995 Restated £000*
Investments			
Land and buildings	11	9,804	*13,633*
Investments in group undertakings		250	*250*
Investments in participating interests		59	*5,468*
Other financial investments		581,266	*497,969*
Value of long term insurance business		6,000	*6,000*
		597,379	*523,320*
Assets held to cover linked liabilities	12	17,563	*13,138*
Reinsurers' share of technical provisions			
Provision for unearned premiums		19,931	*20,203*
Long term business provision	18	1,643	*1,621*
Claims outstanding		43,178	*52,945*
		64,752	*74,769*
Debtors			
Debtors arising out of direct insurance operations	13	34,224	*36,784*
Debtors arising out of reinsurance operations		26,888	*15,640*
Other debtors		3,145	*3,471*
		64,257	*55,895*
Other assets			
Tangible assets	14	2,745	*2,972*
Cash at bank and in hand		50,267	*52,520*
		53,012	*55,492*
Prepayments and accrued income			
Accrued interest and rent		5,755	*4,298*
Deferred acquisition costs		11,787	*10,852*
Other prepayments and accrued income		2,496	*1,407*
		20,038	*16,557*
Total assets		817,001	*739,171*

CONSOLIDATED BALANCE SHEET
at 31 December 1996

LIABILITIES	Notes	1996 £000	*1995 Restated £000*
Capital and reserves			
Called up share capital	15(a)	20,000	*20,000*
Revaluation and other reserves	15(b)	49,752	*39,127*
Long term business reserve	15(c)	6,000	*6,000*
General reserve	15(d)	5,500	*5,500*
Profit and loss account	15(e)	34,730	*23,506*
Equity shareholders' funds	16	115,982	*94,133*
Minority interests	17	79,658	*68,707*
Fund for future appropriations		67,330	*53,576*
Technical provisions			
Provision for unearned premiums		70,167	*66,529*
Long term business provision	18	216,732	*220,139*
Claims outstanding		190,952	*166,634*
Equalisation provision	19	5,296	*6,000*
		483,147	*459,302*
Technical provision for linked liabilities		17,563	*13,138*
Provisions for other risks and charges	20	4	*32*
Deposits received from reinsurers		1,102	*625*
Creditors			
Creditors arising out of direct insurance operations		5,538	*6,300*
Creditors arising out of reinsurance operations		13,755	*11,742*
Other creditors including taxation and social security	21	30,684	*30,120*
		49,977	*48,162*
Accruals and deferred income		2,238	*1,496*
Total liabilities		817,001	*739,171*

PARENT COMPANY BALANCE SHEET
at 31 December 1996

	Notes	1996 £000	1995 *Restated* £000
Tangible assets			
Investments in subsidiaries		130,835	*107,609*
Investments in participating interests		59	*34*
Other financial investments	11	2,863	*2,839*
		133,757	*110,482*
Current assets			
Amounts owed by subsidiary undertakings		–	*2,427*
Taxation		46	*520*
Other debtors		34	*28*
Cash at bank		3,510	*2,036*
		3,590	*5,011*
Creditors			
Amounts falling due within one year: other creditors		5,365	*360*
Net current liabilities		(1,775)	*4,651*
Total assets less current liabilities		131,982	*115,133*
Creditors			
Amounts falling due after more than one year			
Debenture stock		6,000	*6,000*
Corporate business loans		10,000	*15,000*
		16,000	*21,000*
Net assets		115,982	*94,133*
Capital and reserves			
Share capital	15	20,000	*20,000*
Revaluation and other reserves		90,155	*69,758*
Profit and loss account		5,827	*4,375*
		115,982	*94,133*

The financial statements on pages 14 to 39 were approved by the board of directors on 1 May 1997 and signed on their behalf by

M. R. Cornwall-Jones

M. R. CORNWALL-JONES *Chairman*
B. V. DAY *Managing Director*

B. Day

CASH FLOW STATEMENT
for the year ended 31 December 1996
(excluding long term insurance business)

	Notes	1996 £000	*1995 £000*
Net cash inflow from operating activities	22(a)	35,867	*33,775*
Servicing of finance			
Charitable grants paid		(2,033)	*(1,883)*
Dividends paid to minority shareholders		(1,600)	*(2,042)*
Lease purchase interest paid		(106)	*(100)*
Loan interest paid		(2,001)	*(2,114)*
Net cash outflow from servicing of finance		(5,740)	*(6,139)*
Taxation		(4,957)	*(4,054)*
Investing activities			
Purchases of liquid investments		(91,651)	*(87,536)*
Sales of liquid investments		74,415	*46,807*
Purchases of tangible assets		(507)	*(754)*
Sales of tangible assets		2	*29*
Purchase of subsidiary undertaking		(3,112)	*–*
Reduction in minority interests		(3,199)	*(4)*
Net cash outflow from investing activities		(24,052)	*(41,458)*
Net cash inflow/(outflow) before financing		1,118	*(17,876)*
Financing activities			
Issue of 8.625% Irredeemable Non-Cumulative Preference shares		–	*15,000*
Capital element of lease purchase rental payments		(277)	*(260)*
Net cash (outflow)/inflow from financing	22(c)	(277)	*14,740*
Increase/(decrease) in cash and cash equivalents	22(b)	841	*(3,136)*

Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with Section 255A and Schedule 9A to the Companies Act 1985, as amended by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993. The balance sheet of the parent company is drawn up in accordance with Section 226 and Schedule 4 of the Companies Act 1985. As permitted by Section 230 of the Act, a separate profit and loss account for the company is not presented. The financial statements have been prepared in accordance with applicable accounting standards and the guidance on accounting for insurance business issued by the Association of British Insurers.

Changes in accounting policies

Investments

Fixed interest securities are included in the balance sheet at amortised cost. They were previously included at mid-market value. The charge or credit for amortisation is included in investment income. Prior year figures have been restated.

Equalisation provisions

Provision is made in the group accounts for the equalisation provision required by the Insurance Companies (Reserves) Act 1995.

Basis of consolidation

The assets, liabilities and results of subsidiary undertakings are included in the consolidated accounts on the basis of accounts made up to 31 December. In the parent company balance sheet investments in subsidiary and associated undertakings are stated at the lower of net asset value or directors' valuation.

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 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.

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 comprise premiums receivable in respect of the financial year.

The excess of premiums written over claims and expenses paid in respect of business commenced 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 first or 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 premium 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 anticipated 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.

Accounting Policies

Claims
Full provision for outstanding claims is made on an individual basis for the estimated cost of claims notified but not settled by the balance sheet date after taking into account handling costs, salvage and other recoveries and settlement trends. A provision for claims incurred but not reported is established using statistical methods by the general business actuary. 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.

Long term business technical account

Premiums
Premiums 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 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 Insurance Companies Act 1982, principally using the net premium valuation method. 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 a 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 business are determined by actuarial valuation of the assets and liabilities relating to those funds. These surpluses are appropriated by the directors, for the purpose of preparing the financial statements, 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 full rate of corporation tax.

Investments

Listed equity investments are included in the balance sheet at mid-market value, and unlisted equity investments at directors' valuation. Mortgages, loans and other fixed interest securities are valued at amortised cost.

Investment properties were valued at 31 December 1996 on an open market existing use basis by independent chartered surveyors. Owner occupied properties were valued at 31 December 1994 at market value based on vacant possession. 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.

Accounting Policies

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 and are grossed up for applicable tax credits. 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. General business investment income and expenses are dealt with through the non-technical account. Long term business investment income and expenses are dealt with through the long term business technical account.

Unrealised investment gains and losses

Unrealised gains and losses on investments are calculated as the difference between market value and original or amortised cost. General business unrealised gains and losses are dealt with through the revaluation reserve. Long term business unrealised gains and losses are dealt with through the long term business technical account.

Deferred taxation

Deferred taxation is provided at appropriate rates of corporation tax in respect of timing differences where there is a reasonable probability that such taxation will become payable. 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 investment properties	50 years or length of lease, if shorter

Value of long term insurance business

This item 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 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 the acquisition of subsidiary and associated undertakings is written off directly to reserves.

Notes to the Accounts

1 Profit after taxation

Of the group profit after taxation £1,452,000 *(£529,000)* has been dealt with in the accounts of the parent company.

2 Exchange rates

	1996	*1995*
The principal rates of exchange used for translation are:		
United States of America	US $1.71	*US $1.55*
Canada	C $2.35	*C $2.12*
Republic of Ireland	IR £1.01	*IR £0.97*

3 Segmental analysis

(a) General business premiums

	1996		*1995*	
	Gross £000	Net £000	*Gross £000*	*Net £000*
Class of business				
Direct:				
Accident	3,956	3,853	*2,980*	*2,840*
Motor	19,091	17,752	*15,844*	*14,784*
Property	110,588	62,867	*112,443*	*62,655*
Liability	17,497	16,165	*16,154*	*15,046*
	151,132	100,637	*147,421*	*95,325*
Reinsurance accepted and London market	37,968	24,937	*27,986*	*14,348*
Total	189,100	125,574	*175,407*	*109,673*
Geographical analysis – on the basis of location of office.				
United Kingdom	156,569	103,397	*154,633*	*98,548*
North America	29,090	19,765	*17,358*	*8,781*
Other overseas	3,441	2,412	*3,416*	*2,344*
Total	189,100	125,574	*175,407*	*109,673*

(b) Long term business premiums

Geographical analysis – on the basis of location of office.				
United Kingdom	17,470	17,228	*15,929*	*15,670*

3 Segmental analysis (continued)

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

	1996 £000	*1995 £000*
Life insurance business		
– Single premiums	515	*5*
– Regular premiums	7,032	*7,098*
Annuity business		
– Single premiums	4,201	*3,523*
– Regular premiums	–	*1*
Pension business		
Non-linked contracts		
– Single premiums	277	*360*
– Regular premiums	2,232	*2,009*
Linked contracts		
– Single premiums	450	*386*
– Regular premiums	2,598	*2,412*
PHI business	162	*133*
Endowment certain business	3	*2*
	17,470	*15,929*
Gross new annualised regular premiums		
Life insurance	609	*506*
Pensions	569	*433*
	1,178	*939*

Regular payments include recurrent single premiums designated as likely to result in regular premium payments at the time such contracts are written. Thereafter only increases in premiums originally designated as such are treated as new business.

(c) Profit before taxation		*Restated*
United Kingdom	19,411	*14,370*
North America	3,893	*2,109*
Other overseas	471	*632*
	23,775	*17,111*
(d) Net assets		*Restated*
United Kingdom	105,478	*83,302*
North America	9,717	*9,751*
Other overseas	787	*1,080*
	115,982	*94,133*

3 Segmental analysis (continued)

(e) Balance sheet analysis

1996	General business	Long term business			Eliminations	Total
		Linked contracts	Non-linked contracts	Fund for future appropriations		
	£000	£000	£000	£000	£000	£000
Investments	334,535	–	203,614	67,330	(8,100)	597,379
Assets held to cover linked liabilities	–	17,563	–	–	–	17,563
Reinsurers' share of technical provisions	63,079	–	1,673	–	–	64,752
Other assets	123,095	–	14,212	–	–	137,307
	520,709	17,563	219,499	67,330	(8,100)	817,001
Capital and reserves	115,982	–	–	–	–	115,982
Fund for future appropriations	–	–	–	67,330	–	67,330
Technical provisions	264,962	17,563	218,185	–	–	500,710
Other liabilities	139,765	–	1,314	–	(8,100)	132,979
	520,709	17,563	219,499	67,330	(8,100)	817,001

1995 Restated	*General business*	*Long term business*			*Eliminations*	*Total*
		Linked contracts	*Non-linked contracts*	*Fund for future appropriations*		
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Investments	*271,232*	–	*205,555*	*53,576*	*(7,043)*	*523,320*
Assets held to cover linked liabilities	–	*13,138*	–	–	–	*13,138*
Reinsurers' share of technical provisions	*73,137*	–	*1,632*	–	–	*74,769*
Other assets	*112,331*	–	*15,613*	–	–	*127,944*
	456,700	*13,138*	*222,800*	*53,576*	*(7,043)*	*739,171*
Capital and reserves	*94,133*	–	–	–	–	*94,133*
Fund for future appropriations	–	–	–	*53,576*	–	*53,576*
Technical provisions	*237,655*	*13,138*	*221,647*	–	–	*472,440*
Other liabilities	*124,912*	–	*1,153*	–	*(7,043)*	*119,022*
	456,700	*13,138*	*222,800*	*53,576*	*(7,043)*	*739,171*

Eliminations relate to the long term business investment holdings in St Andrew Trust plc.

4 Investment activity account

	1996 General business £000	1996 Long term business £000	1995 Restated General business £000	1995 Restated Long term business £000
Investment income:				
– land and buildings	440	789	691	996
– listed investments	14,812	10,241	13,045	10,399
– other investments	5,479	6,206	4,120	6,424
– group undertakings	326	227	218	209
Gains on the realisation of investments	3,292	3,204	1,230	2,587
	24,349	20,667	19,304	20,615
Investment management expenses, including interest	(1,634)	(523)	(1,227)	(472)
	22,715	20,144	18,077	20,143
Debenture interest	(780)	–	(780)	–
Corporate business loan interest	(1,218)	–	(1,261)	–
Unrealised gains on investments	10,625	14,991	19,231	23,078
Total investment return	31,342	35,135	35,267	43,221

Unrealised investment gains not relating to long term business are dealt with in the revaluation reserve.

5 Net operating expenses

		1996 General business £000	1996 Long term business £000	1995 Restated General business £000	1995 Restated Long term business £000
Acquisition costs		43,597	1,111	36,080	1,195
Change in deferred acquisition costs		(471)	41	(303)	139
Administrative expenses		9,001	1,972	11,878	1,592
Reinsurance commissions and profit participation		(20,090)	(27)	(18,861)	(58)
		32,037	3,097	28,794	2,868
Administrative expenses include:					
Depreciation	– property	78	5	258	19
	– owned assets	661	93	465	80
	– leased assets	71	67	50	–
Auditors' remuneration	– UK	127	29	102	25
	– overseas	99	–	17	–
	– fees for non-audit services	36	2	31	–

6 Employee information

The average weekly number of employees, including executive directors, during the year by geographical location was:

	1996 General business No.	1996 Long term business No.	1995 General business No.	1995 Long term business No.
United Kingdom	693	53	*649*	*48*
North America	59	–	*43*	–
Republic of Ireland	13	–	*13*	–
	765	53	*705*	*48*
	£000	£000	*£000*	*£000*
Wages and salaries	13,042	1,138	*11,742*	*973*
Social security costs	961	98	*887*	*88*
Other pension costs	2,199	210	*2,090*	*189*
	16,202	1,446	*14,719*	*1,250*

7 Directors' emoluments

	1996	*1995*
The aggregate emoluments of the directors of the company were:	£	*£*
In respect of services as non-executive directors	136,500	*109,928*
In respect of executive directors' salaries, pension contributions and other benefits	226,932	*191,074*
	363,432	*301,002*
Chairman's fees	27,000	*22,000*

The chairman also received £7,500 *(£7,500)* as a director of St Andrew Trust plc and was reimbursed £7,800 *(£7,900)* in respect of the cost of running his office and the provision of secretarial assistance.

Highest paid director		
Salary and benefits	190,932	*161,074*
Pension contributions	36,000	*30,000*
Charged in accounts	226,932	*191,074*

Other directors, excluding pension contributions	No.	*No.*
£5,001 to £10,000	6	*6*
£10,001 to £15,000	–	*3*
£15,001 to £20,000	2	–
£20,001 to £25,000	1	–

8 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, using the aggregate method. The most recent valuation was at 31 August 1995. The assumptions which have the greatest effect on the valuation results are those related to the rate of return on investment 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 by the company.

The most recent actuarial valuation showed that the market value of the scheme's assets was £40,407,000 and that the actuarial value of the assets was sufficient to cover 103.9% 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, plus additional amounts in accordance with recommendations by the Scheme Actuary. The scheme is registered with the Registry of Pension Schemes. Canadian pension liabilities are dealt with by payment to a Canadian Trustee Fund. Republic of Ireland pension liabilities are dealt with by payment to an Irish life office. The total funding cost for the year was £2,398,000 *(£2,289,000)*. Of this £2,308,000 *(£2,227,000)* related to the UK scheme.

9 Taxation

	Long term business technical account		Non-technical account	
	1996	*1995*	1996	*1995*
	£000	*£000*	£000	*£000*
UK Corporation tax	417	*98*	4,618	*4,140*
Tax on franked investment income	717	*671*	1,183	*1,028*
Overseas tax	23	*26*	30	*28*
Prior year adjustment	–	*(25)*	131	*(316)*
Share of associated undertakings' tax	–	–	2	*86*
Tax attributable to shareholders' long term business profits	–	–	296	*2*
	1,157	*770*	6,260	*4,968*

10 Charitable grants

Charitable grants consist mainly of gift aid payments to the ultimate parent company, Allchurches Trust Limited.

11 Investments

	1996			1995 Restated		
	General business £000	Long term business £000	Total £000	*General business £000*	*Long term business £000*	*Total £000*
Current value						
Freehold land and buildings						
– occupied by the group	718	–	718	*3,104*	*1,191*	*4,295*
– other	1,508	7,578	9,086	*1,494*	*7,844*	*9,338*
	2,226	7,578	9,804	*4,598*	*9,035*	*13,633*
Investments in group undertakings						
– preference shares	250	–	250	*250*	–	*250*
Other financial investments						
Shares and other variable yield securities and units in unit trusts:						
– listed	184,520	135,396	319,916	*151,798*	*120,166*	*271,964*
– unlisted	243	1	244	*44*	–	*44*
	184,763	135,397	320,160	*151,842*	*120,166*	*272,008*
Debt and other fixed income securities:						
– listed	140,004	53,803	193,807	*101,800*	*52,916*	*154,716*
– unlisted	274	311	585	*450*	*450*	*900*
Loans secured by mortgages	877	65,230	66,107	*704*	*68,871*	*69,575*
Other loans	82	525	607	*119*	*651*	*770*
	141,237	119,869	261,106	*103,073*	*122,888*	*225,961*
Total	326,000	255,266	581,266	*254,915*	*243,054*	*497,969*
Cost						
Freehold land and buildings	2,148	8,232	10,380	*5,372*	*8,995*	*14,367*
Investments in group undertakings	250	–	250	*250*	–	*250*
Other financial investments	258,226	172,891	431,117	*200,708*	*172,837*	*373,545*
	260,624	181,123	441,747	*206,330*	*181,832*	*388,162*

In the parent company balance sheet, other financial investments comprise UK government securities at market value with an original cost of £2,818,000 *(£2,818,000)*.

12 Assets held to cover linked liabilities

	1996		*1995*	
	Current Value £000	Historical Cost £000	*Current Value £000*	*Historical Cost £000*
Assets held to cover linked liabilities	17,563	13,438	*13,138*	*10,862*

13 Debtors arising out of direct insurance operations

	1996			1995		
	General business	Long term business	Total	*General business*	*Long term business*	*Total*
	£000	£000	£000	*£000*	*£000*	*£000*
Policy holders	10,590	2,008	12,598	*10,899*	*1,805*	*12,704*
Intermediaries	21,626	–	21,626	*24,080*	–	*24,080*
	32,216	2,008	34,224	*34,979*	*1,805*	*36,784*

14 Tangible assets

	£000
Cost:	
At 1 January 1996	10,181
Additions	1,047
Disposals	(404)
At 31 December 1996	10,824
Depreciation:	
At 1 January 1996	7,209
Provided in the year	1,106
Disposals	(236)
At 31 December 1996	8,079
Net book value at 31 December 1996	
General business	2,212
Long term business	533
	2,745
Net book value at 1 January 1996	
General business	2,439
Long term business	533
	2,972

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

15 Share capital and reserves

	1996 Group £000	1996 Parent £000	*1995 Restated Group £000*	*1995 Restated Parent £000*
(a) Share capital				
Authorised, allotted, issued and fully paid Ordinary share capital 20,000,000 shares of £1 each	20,000	20,000	*20,000*	*20,000*
(b) Revaluation and other reserves				
As previously reported	42,408	73,004	*22,284*	*44,973*
Prior year adjustments	(3,281)	(3,246)	*(2,388)*	*(2,388)*
Balance 1 January 1996 as restated	39,127	69,758	*19,896*	*42,585*
Currency translation differences	(44)	-	*156*	-
Other movements	282	-	*(101)*	-
Surplus arising from revaluation of investments	7,318	20,397	*16,917*	*27,173*
Realised investment gains of investment trust subsidiary	3,069	-	*2,259*	-
Balance 31 December 1996	49,752	90,155	*39,127*	*69,758*
(c) Long term insurance business reserve				
Balance 31 December 1996	6,000	-	*6,000*	-
(d) General reserve				
Balance 31 December 1996	5,500	-	*5,500*	-
(e) Profit and loss account				
As previously reported	23,450	4,354	*15,035*	*3,846*
Prior year adjustment	56	21	*42*	-
Balance 1 January 1996 as restated	23,506	4,375	*15,077*	*3,846*
Currency translation differences	(880)	-	*434*	-
Issue costs	-	-	*(244)*	-
Profit for the financial year	12,104	1,452	*8,239*	*529*
Balance 31 December 1996	34,730	5,827	*23,506*	*4,375*
Total capital and reserves	115,982	115,982	*94,133*	*94,133*

16 Reconciliation of movements in group shareholders' funds

	1996 £000	1995 £000
Profit for the financial year	14,147	9,924
Other recognised gains and losses	9,745	19,665
	23,892	29,589
Charitable grants net of tax relief	(2,043)	(1,685)
Issue costs	-	(244)
Net movement in shareholders' funds	21,849	27,660
Opening shareholders' funds	97,358	68,819
Restatement	(3,225)	(2,346)
Closing shareholders' funds	115,982	94,133

17 **Minority interests**

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

	Profit and Loss Account		Balance Sheet	
	1996 £000	1995 £000	1996 £000	1995 £000
Equity interests				
St Andrew Trust plc				
Ordinary shares of £1 each	1,501	1,539	56,638	50,164
Chatham Holdings Inc.				
Common stock	257	-	4,536	-
	1,758	1,539	61,174	50,164
Non-equity interests				
Ecclesiastical Insurance Office plc				
2.8% First Cumulative Preference shares of £1 each	6	6	212	211
10% Redeemable Second Cumulative Preference shares of £1 each	300	300	3,000	3,000
8.625% Irredeemable Non-Cumulative Preference shares of £1 each	1,294	362	15,000	15,000
St Andrew Trust plc				
5.25% Cumulative Preference stock (now 3.675% plus tax credit)	10	12	272	332
	1,610	680	18,484	18,543
	3,368	2,219	79,658	68,707

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
1997	7 1/2 per cent
1998 to 2002	5 per cent
2003 to 2007	2 1/2 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

		%
Assurances:		
Life		2.5 – 4.0
Pensions		3.5
Annuities:		
With profit	– deferred	2.5 – 5.5
Without profit	– deferred	5.75 – 6.5
	– vested	6.0 – 7.0

(b) Mortality tables

Assurances:		A67 – 70
Deferred annuities	– pensions	PA (90)
	– school fees	no mortality
Vested annuities	– pensions	PA (90)
	– other	a (90)

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. The amount charged for bonuses and rebates in the long term business technical account relates entirely to reversionary and terminal bonuses paid and payable for the year, £5,676,000 *(£6,006,000)* of which has been included in the long term business provision.

19 Equalisation provision

As described in the accounting policies on page 23, the company has established a statutory equalisation provision. Of the amount included in the balance sheet, £2,296,000 relates to the statutory provision. The non-statutory claims equalisation reserve brought forward has been reduced from £6m to £3m.

20 Provisions for other risks and charges

The provision shown in the accounts relates to deferred taxation of a subsidiary company, St Andrew Trust plc, in respect of short term timing differences. 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 £18.9m *(£18.7m)* would arise. No provision has been made in respect of these unrealised investment gains.

Notes to the Accounts

21 Other creditors including taxation and social security

	1996 £000	1995 £000
Amounts falling due within one year:		
Corporate business loans	5,000	–
Other creditors	4,150	4,430
Taxation	4,731	3,863
Bank overdraft	4	30
	13,885	8,323
Amounts falling due after more than one year:		
Debenture stock	6,000	6,000
Corporate business loans	10,000	15,000
Other creditors	799	797
	16,799	21,797
Total	30,684	30,120
Included in other creditors are obligations under lease purchase contracts due:		
In 1 year or less	400	364
Between 2 and 5 years	794	797
Over 5 years	5	–
	1,199	1,161

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.

The corporate business loans are secured on the company's holdings of Ordinary shares and 9.5% Redeemable Third Non-Cumulative Preference shares in Ecclesiastical Insurance Office plc and are repayable:

	1996 £000	1995 £000
Within 1 year	5,000	–
Between 1 and 5 years	–	5,000
Over 5 years	10,000	10,000
	15,000	15,000

22 Notes to the cash flow statement

(a) Reconciliation of profit on ordinary activities before tax to net cash inflow from operating activities

	1996 £000	1995 Restated £000
Profit on ordinary activities before tax	23,775	17,111
Depreciation charges	810	1,090
Amortisation of fixed interest securities	85	(51)
Realised investment gains	(3,292)	(1,230)
Loss/(profit) on sale of tangible fixed assets	7	(5)
Increase in insurance funds and net outstanding claims	13,794	25,384
Tax credit on franked investment income	(1,183)	(1,020)
Movements in debtors less creditors	370	(9,104)
Profit retained in associated undertakings	(6)	(536)
Transfer from long term business	(600)	(5)
Lease purchase interest payable	106	100
Loan interest payable	2,001	2,041
	35,867	33,775

22 Notes to the cash flow statement (continued)

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

	1996 £000	*1995 £000*
Balance 1 January 1996	45,266	*47,615*
Net cash inflow/(outflow)	841	*(3,136)*
Movements on exchange	(927)	*787*
Balance 31 December 1996	45,180	*45,266*

(c) Analysis of changes in financing during the year

	1996		*1995*	
	Share capital £000	Loans and lease contracts £000	*Share capital £000*	*Loans and lease contracts £000*
Balance 1 January 1996	20,000	36,900	*20,000*	*21,842*
Cash (outflow)/inflow from financing	–	(277)	*–*	*14,740*
Inception of lease contracts	–	345	*–*	*318*
Balance 31 December 1996	20,000	36,968	*20,000*	*36,900*

23 Operating leases

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

	1996		*1995*	
	Premises £000	Equipment £000	*Premises £000*	*Equipment £000*
Commitments				
Expiring:				
Within 1 year	89	–	*16*	*–*
Between 2 and 5 years	174	447	*152*	*447*
Over 5 years	847	–	*880*	*–*
	1,110	447	*1,048*	*447*
Payments included in operating expenses	1,468	335	*1,023*	*10*

24 Capital commitments

At 31 December 1996 outstanding contracts for capital expenditure amounted to £226,000 *(£Nil)*.

25 The effects of changes in accounting policies

The effect of the change to valuing fixed interest securities at amortised cost is to reduce the reported profits for the current year by £85,000 *(£14,000)*. The cumulative effect is an increase in retained profits at 31.12.95 of £56,000.

26 Purchase of subsidiary undertaking

During the year, Ecclesiastical Insurance Group plc sold the entire equity share capital of Eccint Limited to its subsidiary undertaking, Ecclesiastical Insurance Office plc.

On 23 May 1996, Eccint Limited increased its holding in Chatham Holdings Inc.'s Common Stock from 39.9% to 66.0% and thereby gained control of the company which had previously been an associated undertaking. The fair values of the assets and liabilities of Chatham Holdings Inc. acquired on 23 May, as shown below, were consistent with the consideration paid.

Net assets:	£000
Investments	30,026
Debtors	12,757
Cash at bank	599
Net technical provisions	(21,794)
Fair value adjustment to technical provisions	(6,863)
Creditors	(537)
	14,188
Share of assets previously held as associated undertaking	(6,544)
Minority interest remaining after acquisition	(3,933)
Net assets acquired on 23 May 1996, satisfied by cash	3,711
Analysis of net outflow of cash in respect of purchase	
Cash consideration	3,711
Cash at bank and in hand acquired	(599)
	3,112

Chatham Holdings Inc. contributed £764,000 to the group's net operating cash flow, recovered £148,000 in respect of taxation, utilised £3,221,000 for investing activities and added £32,000 to tangible fixed assets.

The results of the acquired undertaking from 1 January to the date of acquisition, after the fair value adjustment to technical provisions, at 31 December 1996 rate of exchange, were as follows:

Gross written premiums	11,371
Loss on ordinary activities before tax	(5,939)
Taxation	28
Loss on ordinary activities after tax	(5,911)
Minority interests	1,639
Loss on ordinary activities after tax and minority interests	(4,272)

There were no other significant recognised gains and losses during the period.

Profits for the year ended 31 December 1995 amounted to £1,444,000.

On 18 September 1996 Eccint further increased its holding in Chatham Holding Inc.'s Common Stock to 72.3%. These additional shares were acquired for cash.

27 Related party transactions

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 the payment of £1.3m school fee annuities were paid by the group to Beaufort House Trust Limited, a company under common control.

28 Parent and subsidiary undertakings

Parent company

The company's ultimate parent company is Allchurches Trust Limited incorporated in Great Britain. Copies of the accounts for all companies are available from the registered office as shown on page 9.

All the subsidiaries listed are included within the consolidated financial statements.

Subsidiary undertakings	Share capital	Holdings 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 Office plc	Ordinary shares	100%	
	2.8% First Cumulative Preference shares	15.2%	
	9.5% Redeemable Third Non-Cumulative Preference shares	100%	
	8.625% Irredeemable Non-Cumulative Preference shares	9.1%	
Ecclesiastical Group Asset Management Limited	Ordinary shares	100%	
The Churches Purchasing Scheme Limited	Ordinary shares	100%	
Ecclesiastical Underwriting Management Limited	Ordinary shares	100%	
Eccint Limited	Ordinary shares		100%
Allchurches Investment Management Services Limited	Ordinary shares		100%
Allchurches Life Assurance Limited	Ordinary shares		100%
Blaisdon Properties Limited	Deferred shares		100%
	Ordinary shares		100%
Incorporated and operating in Great Britain, engaged in investment trust business:			
St Andrew Trust plc	Ordinary shares		59.5%
	5.25% Cumulative Preference stock (now 3.675% plus tax credit)		63.3%
Incorporated and operating in the United States of America, engaged in insurance business:			
Chatham Holdings Inc.	Common Stock		72.3%
Chatham Reinsurance Corporation	Common Stock		100%

Of the 59.5% holding of Ordinary shares in St Andrew Trust plc, 5.8% is held by the mutual life fund of Ecclesiastical Insurance Office plc.

There are also three other wholly owned subsidiary undertakings whose assets and contribution to group income are not significant.

Associated undertaking

Incorporated and operating in Great Britain, engaged in insurance business:

Wright Underwriting Group Limited	100,000 issued ordinary shares of £1 each	25%	

Ecclesiastical Insurance Office plc holds 250,000 6% Non-Cumulative Redeemable Preference shares in Allchurches Mortgage Company Limited which is a wholly owned subsidiary of Allchurches Trust Limited.

Branches and Agencies – United Kingdom

Belfast	*Branch Manager:*	W. C. McGrath ACII
	Office:	Chamber of Commerce House, 22 Great Victoria Street, Belfast BT2 7LX
	Tel:	01232 233130
Birmingham	*Branch Manager:*	P. T. Bloxham ACII
	Office:	Berwick House, 35 Livery Street, Birmingham B3 2PB
	Tel:	0121 200 3200
Bristol	*Branch Manager:*	C. J. Langton
	Office:	Kings Court, King Street, Bristol BS1 4EE
	Tel:	0117 926 6211
Cambridge	*Branch Manager:*	A. M. M. Fraser ACII
	Office:	Abbeygate House, 164-167 East Road, Cambridge CB1 1DB
	Tel:	01223 460611
Cardiff	*Branch Manager:*	P. March
	Office:	5th Floor, Riverside House, 31 Cathedral Road, Cardiff CF1 9HB
	Tel:	01222 223983
City	*City Manager:*	D. S. Bullock ACII
	Office:	19-21 Billiter Street, London EC3M 2RY
	Tel:	0171 528 7363
East Grinstead	*Branch Manager:*	D. M. F. Byrne FCII
	Office:	Kings House, 13-21 Cantelupe Road, East Grinstead, Sussex RH19 3BE
	Tel:	01342 410281
Edinburgh	*Manager for Scotland:*	T. G. Lawrie ACII
	Office:	55 North Castle Street, Edinburgh EH2 3QA
	Tel:	0131 225 5422

Branches and Agencies – United Kingdom

Harrogate	*Branch Manager:*	R. W. Marshall FCII
	Office:	7 Cambridge Road, Harrogate, North Yorkshire HG1 1PB
	Tel:	01423 524221
Manchester	*Branch Manager:*	J. M. Lindsey
	Office:	Lincoln House, 1 Brazennose Street, Manchester M2 5FJ
	Tel:	0161 832 2616
Southampton	*Branch Manager:*	S. N. Willcock
	Office:	Adyar House, 32 Carlton Crescent, Southampton SO15 2YP
	Tel:	01703 634488
London Market Agencies		
Admiral Underwriting Agencies	*Managing Director:*	C. R. Scoones
	Office:	No. 1 Seething Lane London EC3N 4AX
	Tel:	0171 481 2464
Ecclesiastical Underwriting Management Limited	*Manager and Underwriter:*	K. P. Cannon
	Office:	Suite 10, 2nd Floor, London Underwriting Centre, 3 Minster Court, Mincing Lane, London EC3R 7DD
	Tel:	0171 283 0666
Gloucester Underwriting Agency Limited	*Chairman:*	N. C. Herbert
	Office:	2nd Floor, 37-39 Lime Street, London EC3M 7AY
	Tel:	0171 929 2266
Wright Underwriting Group Limited	*Managing Director:*	V. J. Wright
	Office:	5th Floor, 40 Lime Street, London EC3M 5BS
	Tel:	0171 621 1224

Branches and Agencies – International

Canada	*Manager for Canada:*	S. H. Oxley
	Chief Office:	2300 Yonge Street, Toronto, Ontario M4P 1E4
	Advisory Board:	M. R. Cornwall-Jones, B. V. Day, C. Alan McLintock, S. H. Oxley, M. E. T. Payne, D. M. Stovel, Prof. W. Waters
	Manager:	H. Meek
	Maritimes Office:	1969 Upper Water Street, Halifax, Nova Scotia B3J 3R7
	Manager:	T. D. Cowan
	British Columbia Office:	545 Clyde Avenue, West Vancouver, British Columbia V7T 1C5
	Provincial General Agent:	R. C. Anthony
	Newfoundland:	c/o Anthony Insurance Incorporated, P. O. Box 8130, Kenmount Road, St John's, Newfoundland A1B 3N2
	Provincial General Agent:	Johanne Lépine
	Quebec:	Reed Stenhouse Limitée, 500 Réné Levesque Blvd West, Montreal, Quebec H2Z 1Y4
Eire	*Manager:*	D. E. Campbell
	Office:	65 Fitzwilliam Square, Dublin 2
Malta	*Underwriting Agents:*	SMS Insurance Agency Ltd., 44a Ordnance Street, Valletta
Greece	*Underwriting Agents:*	Manthos J. Zoides & Co Ltd, 5 Stadiou Street, Athens 105 62
Cyprus	*Underwriting Agents:*	A. Pierides & P. Megalemos Ltd, Schoolteachers' Building, 18 Makarios III Avenue, P. O. Box 1493, CY-1509 Nicosia
Holland	*Underwriting Agents:*	W. A. Heinfeld B.V., Drentestraat 5, 1083 H. K. Amsterdam

Financial Summary

	1996	1995 Restated	1994	1993	1992	1991
	£000	£000	£000	£000	£000	£000
Premium income						
Gross premiums written						
General business	189,100	175,407	162,672	152,444	134,220	117,781
Long term business	17,470	15,929	17,636	23,191	20,146	32,284
Total	206,570	191,336	180,308	175,635	154,366	150,065
Net premiums written						
General business	125,574	109,673	102,618	99,057	86,852	77,244
Long term business	17,228	15,670	17,334	22,876	19,886	31,991
Total	142,802	125,343	119,952	121,933	106,738	109,235
Summary of results						
Profit on ordinary activities before tax	23,775	17,111	14,164	13,876	6,903	2,039
Profit on ordinary activities after tax	17,515	12,143	10,333	9,807	5,101	1,454
Minority interests	3,368	2,219	1,669	1,634	335	319
	14,147	9,924	8,664	8,173	4,766	1,135
Dividends	–	–	–	–	–	300
Charitable grants net of tax relief	2,043	1,685	1,340	1,500	800	130
	2,043	1,685	1,340	1,500	800	430
Retained profit	12,104	8,239	7,324	6,673	3,966	705
Capital and reserves						
Share capital	20,000	20,000	20,000	20,000	20,000	20,000
Revaluation and other reserves	49,752	39,127	22,284	34,802	15,022	5,862
Long term insurance business reserve	6,000	6,000	6,000	5,000	6,500	6,500
General reserve	5,500	5,500	5,500	5,500	3,500	1,500
Retained profits	34,730	23,506	15,035	8,210	3,720	1,101
	115,982	94,133	68,819	73,512	48,742	34,963

The 1995 figures have been restated to reflect the changes in accounting policies. The figures for 1994 and prior years have not been restated as any adjustments are not considered to be material.

Notice of Meeting

NOTICE is hereby given that the Annual General Meeting of the company will be held at Beaufort House, Brunswick Road, Gloucester GL1 1JZ on Thursday 26 June 1997 at 12.30 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 1996 and declare a dividend.

2. To re-elect directors.

3. To re-appoint the auditors and to authorise the directors to fix their remuneration.

By order of the board

R. W. CLAYTON
Secretary

Gloucester
1 May 1997

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.
A proxy need not also be a member.

There are no service contracts with directors which are required to be made available for inspection.

This notice is sent for information to the holders of the 13% Debenture Stock 2018.