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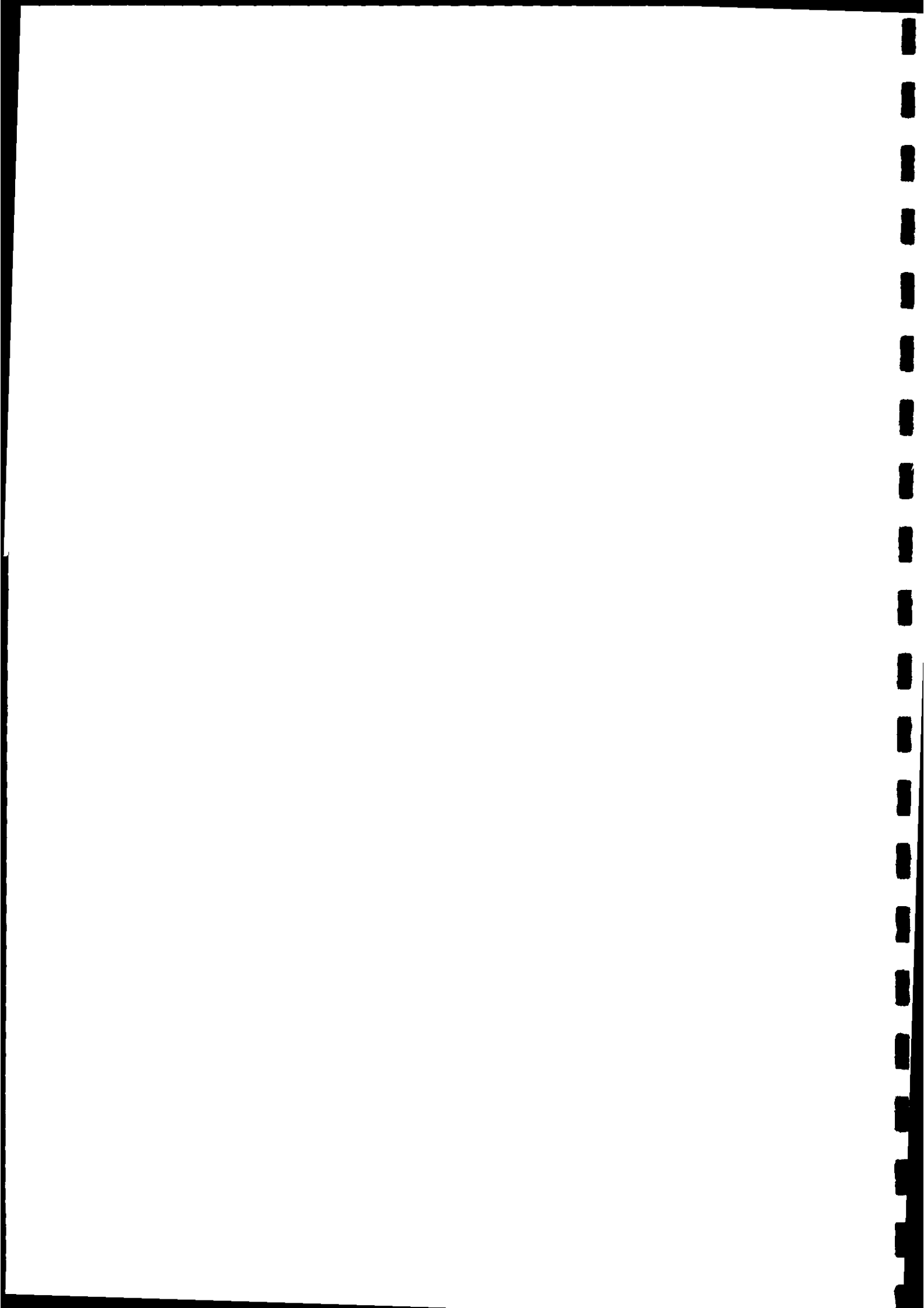


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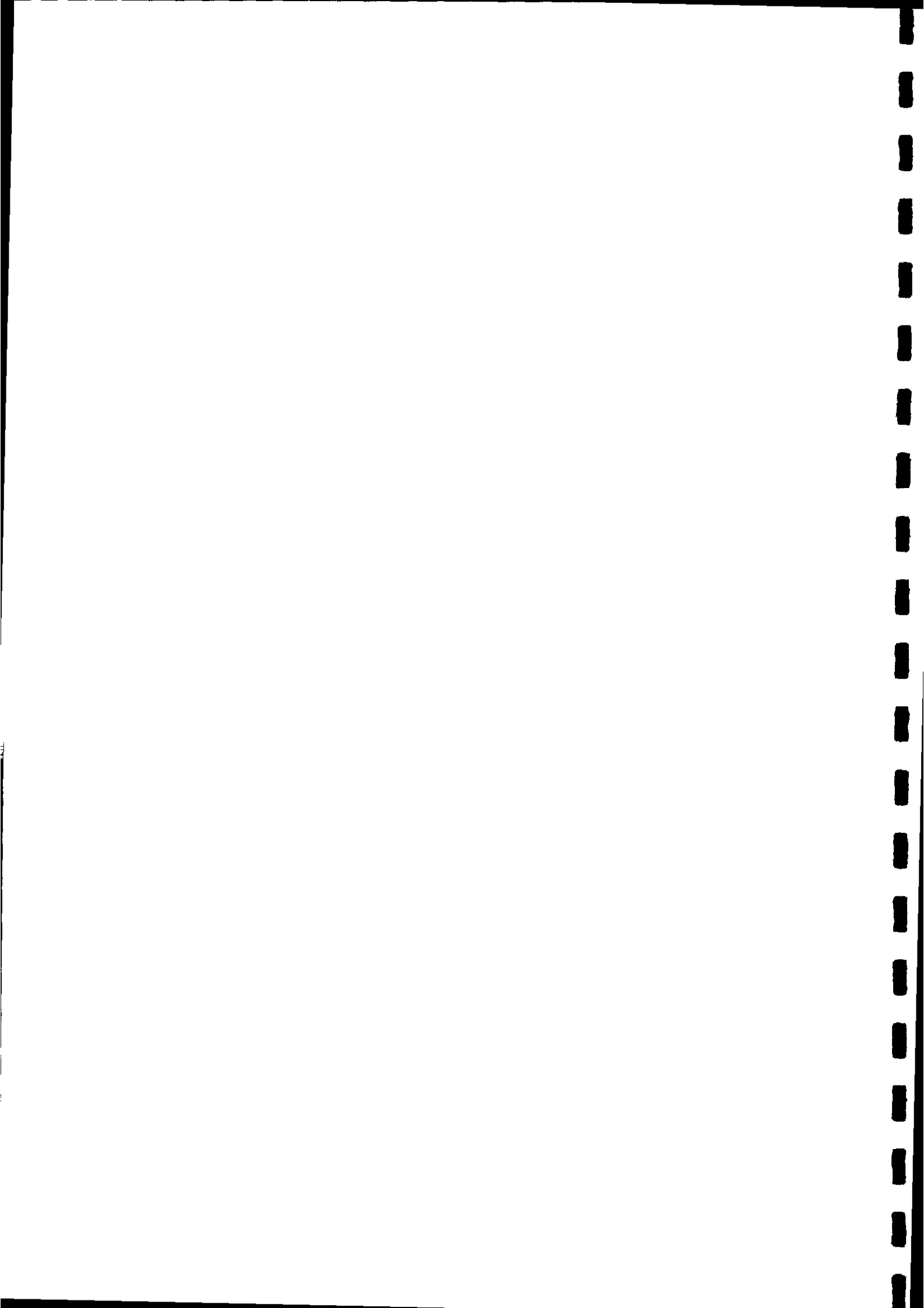
ECCLESIASTICAL INSURANCE OFFICE plc

REPORT AND ACCOUNTS 31 DECEMBER 2002

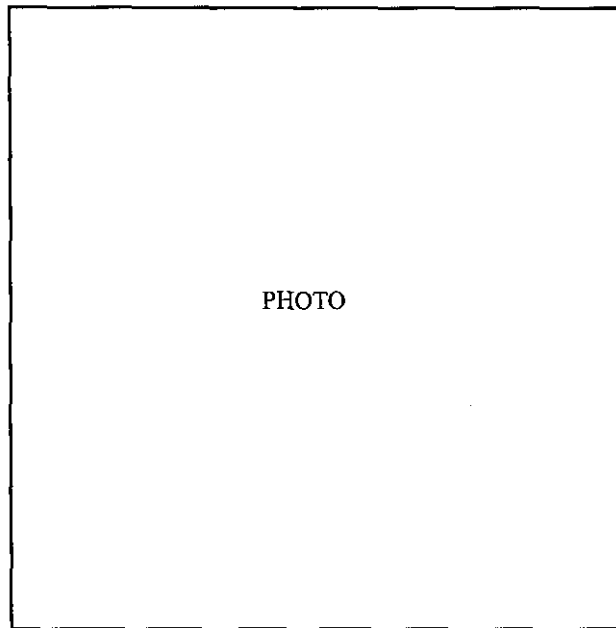


Report and Accounts 31 December 2002

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Mark Cornwall-Jones



Mark Cornwall-Jones joined the Board of the Ecclesiastical in 1979. He became Deputy Chairman and Chairman of the Finance and Investment Committee in 1983 and succeeded Alan McLintock as Chairman of the Company in 1993.

His period as Chairman over the last ten years has seen substantial change both to the Ecclesiastical itself and the insurance industry as a whole. These changes have embraced, inter alia, greater use of technology, the creation of new savings products, increased corporate governance and regulation as well as a wider spread of business and increased competitive pressures. His tenure began when the UK was emerging from recession and continued through the overheated bull markets of the late 90's to the depressed world economy in the early years of this century and the uncertain state of the world today.

During his ten year period as Chairman, gross premium income has more than doubled to £334 million as have shareholders' funds, which have risen to £132 million. Perhaps most importantly, charitable grants of £33.5 million have been made to Allchurches Trust for distribution to dioceses and parishes and other charitable organisations.

Mark's detailed knowledge of investment markets, his ability to analyse opportunities and threats with clarity and apply a steady hand to the tiller have been of invaluable help to his Board and managers. His open and courteous approach has won him friends everywhere. On a personal note, it has been a great pleasure to serve as his deputy.

Mark's knowledge and advice will not be lost to us, as he will continue to serve on the Board of our ultimate parent company, Allchurches Trust Limited. The company owes him a debt of gratitude, not only for his long and valuable service on the Board, but for his commitment and wisdom as Chairman.

W. H. Yates
Deputy Chairman

Chairman's Statement

PHOTO

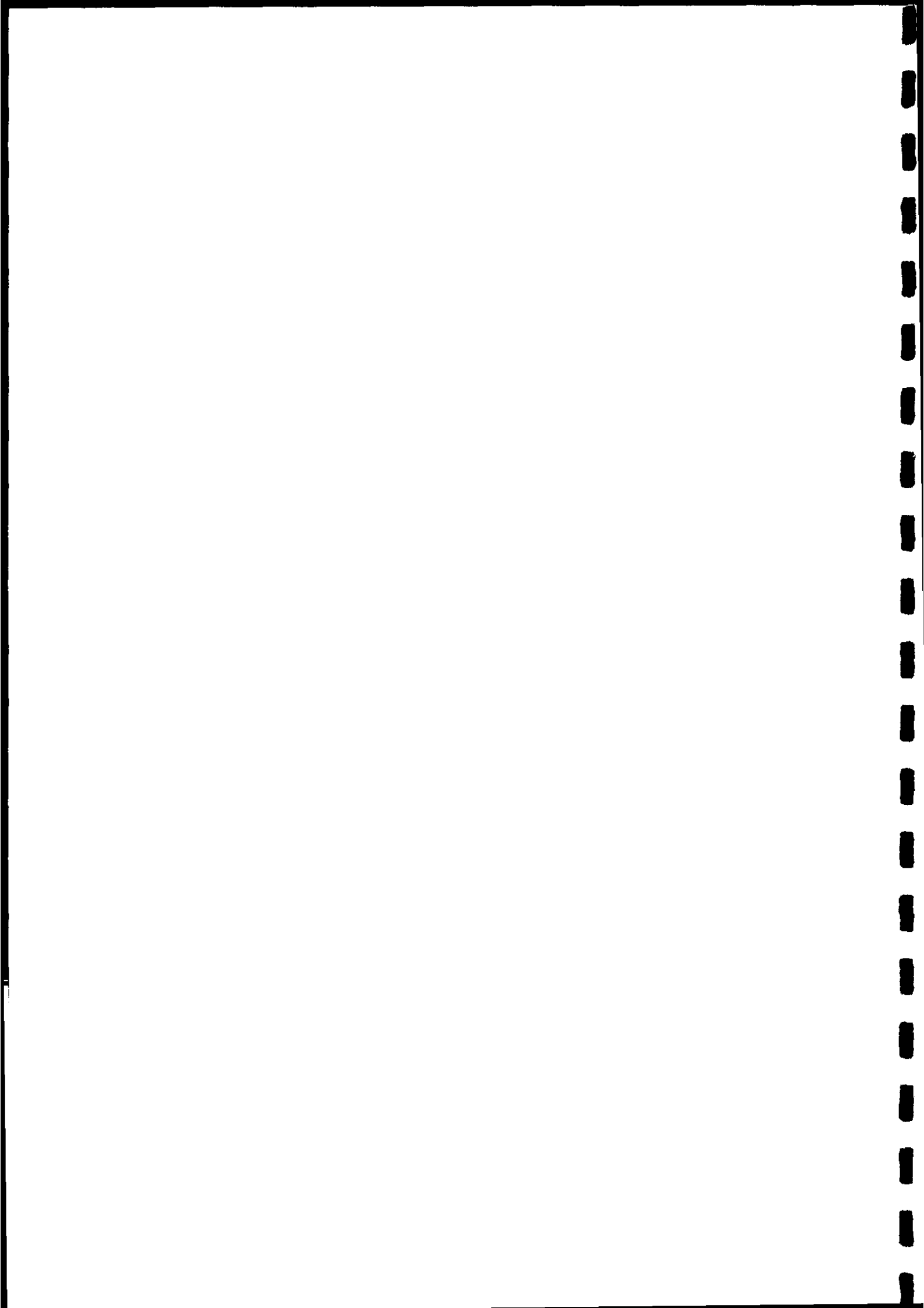
As insurers and reinsurers worldwide grappled with the task of rebuilding their capital strength in the wake of several years of inadequate profitability from general business underwriting and the terrorist attacks in New York and Washington on September 11th, 2001, further sharp and sustained falls in stock markets compounded the difficulties already faced by the industry. The severity of the decline has in addition brought immense pressure on the Life assurance industry in this country at the very time when the shape of its future role in the retail savings market is the subject of fundamental review. All of these factors have combined to make 2002 one of the most challenging years on record and it is against that background that I report to you on the progress of the Ecclesiastical.

In terms of financial performance, the key figures drawn from the Consolidated Profit and Loss Accounts and Balance Sheets on pages 20 to 24 are set out with comparable information for 2001 and 2000.

	2002	2001	2000
	£million	<i>Restated</i> £million	<i>Restated</i> £million
Gross Premium Income (General and Long Term)	333.6	304.1	271.7
Balance on General Business Technical Account	1.9	(15.4)	(23.3)
Investment Income	17.5	16.4	17.1
General Business Result before Investment Gains and Losses	<u>19.4</u>	<u>1.0</u>	<u>(6.2)</u>
Realised Investment Gains	4.7	3.6	12.7
Unrealised Investment Losses	(29.2)	(23.7)	(14.7)
Total Investment Losses	<u>(24.5)</u>	<u>(20.1)</u>	<u>(2.0)</u>
Balance on Long Term Business Technical Account	1.2	1.1	2.4
Loss Attributable to Shareholders	(4.6)	(16.5)	(2.9)
Dividends and Grant to Allchurches Trust (net of tax)	(6.8)	(7.2)	(7.2)
Retained Loss	<u>(11.4)</u>	<u>(23.7)</u>	<u>(10.1)</u>
Shareholders' Funds	131.9	145.3	170.9

I draw the attention of shareholders to the principal features of these results. Growth in overall premium income has been slower at 9.7% than in recent years, held back by a reduction in premiums from the long term business. At 11%, positive growth in general insurance has, however, been maintained supported by the continued application of premium rate increases across the organisation. This action and the other underwriting measures we have steadily taken over the last three years have successfully strengthened the rating base of our general insurance business enabling us to continue the strongly improving trend in underwriting performance. The positive balance on the General Business technical account of £1.9 million is a most welcome and encouraging outcome, with virtually all areas of our operations having achieved better results.

On the investment side we have suffered from the further severe fall in equity prices during the year of 24.5% as measured by the FTSE 100 Index. The effect has been mitigated to a degree by our sequential decisions to reduce exposure to equity markets with a consequent growth in income and value from our increased holdings of fixed interest investments and cash. Whilst our investment portfolios have continued to perform well in comparison to relevant stock-market indices, the inescapable result is that we have taken a charge of £29.2 million for unrealised losses through the Profit and Loss account in accordance with the requirements of the ABI SORP.



Chairman's Statement

The timing of the results emerging from our determined strategy to improve the profitability of our general insurance operations has fortunately coincided with this latest period of stock-market weakness and, combined with our policy of reducing equity holdings, has limited the reduction in shareholders' funds. These stood at £132 million compared to £145 million at the previous year end and in solvency terms our margin of 63% has stood up well to the buffeting. Payment of dividends to preference shareholders and the charitable grant to Allchurches Trust have been met from the improved profits of the year's trading operations but the Board has decided not to recommend a dividend on the ordinary shares which are owned by our immediate parent, Ecclesiastical Insurance Group, an indication of the difficulties we have faced.

Producing profit and service for the benefit of the Church of England and its partner churches is the primary purpose of the Ecclesiastical's mission. It was, nevertheless, only after careful consideration of the Company's financial strength and the future prospects for its business that the Board felt justified in maintaining its charitable grant of £4 million to Allchurches Trust, which it is anticipated will be available to fund distributions by the Trust to the Church at large in 2003.

I have commented before on the dangers inherent in relying on unsustainable levels of investment return as a substitute for an appropriate profit from the business of underwriting. After three years of declining stock-markets and continuing economic uncertainty, it is clear that this message is now widely understood. Our own established focus on growing balance sheet strength through positive returns from our underwriting operations has been reiterated following a regular review by the Board of the future strategic direction of the Ecclesiastical. This is a robust process which includes a careful assessment of the prospects for the various parts of our business and required rates of return. It leads to the implementation of plans designed to meet appropriate financial targets whilst providing all our customers with the high standard of service that will help to reinforce the positive differentiation which the Ecclesiastical seeks to maintain and deserve. In this way we can ensure that the business is run in a way that continues to provide secure protection for all our policyholders and that we develop the human and financial resources needed to fulfil our mission.

The emphasis I have placed on the need to underwrite at a profit through increased insurance premiums does, I know, create pressures on our policyholders and has led generally to public debate, especially in relation to the cost of liability insurance both here and abroad. The pressures are, however, genuine in the industry as a whole and largely unavoidable. There are no signs of relief from the unremitting increase in the size of personal injury claims settlements which are rising in excess of 10% per annum. New causes of action and continued legal reform are adding to the size and uncertainty of the costs to be met from liability premiums. To these factors must be added the imperceptible but steady shift by the Treasury of social cost from the public purse onto the insurance industry. As our own figures show, there is also greater volatility in claims experience due to the more frequent incidence of weather events and large fire losses. When these trends are coupled with the significant reduction in available capital brought about by weaker investment returns there is no option but for insurance premiums to rise. If they do not, the ability of the industry to play its part in the economy by securely shouldering risk on behalf of policyholders and to absorb ever larger exposures will be impaired. These macro-economic influences are evident in the results of the Ecclesiastical reported in these accounts.

Details of the progress made in the various parts of the organisation can be read in the Managing Director's review of Group operations on pages 6 to 9. I would like however to comment briefly on a few areas of particular interest.

Like most insurance companies, the Ecclesiastical depends on reinsurance to help it manage risk and protect its capital base. Our philosophy of seeking enduring relationships with secure partners is of long standing and has enabled us to maintain a high quality panel of reinsurers for 2003. Although costs have increased overall once more, adding in turn to the need for us to charge higher premiums, we believe that the security and extent of the protection purchased continue to be appropriate to the needs of the business and the interests of policyholders.

In a year of well publicised difficulty for the Life assurance industry as a whole, the progress made towards implementation of our strategy to equip the Group's Financial Services operation so that it is able to compete effectively in the changing market conditions inevitably slowed. Developing an effective Financial Services capability is an area of strategic importance to our mission and it remains high on the Board's agenda to ensure that our aim to provide specialist advice to those in the church can be met. Whilst we do, naturally, regret the need to reduce bonuses on our with-profit policies, all pay-outs on maturities continue to represent a real gain to policyholders in excess of the average rate of inflation, to which our investment performance relative to others has contributed positively. Policyholders should recognise that returns in nominal terms inevitably come down in a period of low inflation and interest rates.

Chairman's Statement

The changes facing the life sector proposed by the FSA and the Treasury are wide-ranging and will ultimately have a dramatic impact on the way the retail savings industry develops. Current proposals are steering towards product regulation through the implementation of price caps. Whilst we are encouraged by the willingness of the Government to hear the arguments about the impact of such controls, the objective of helping more people to make proper provision for retirement will not be achieved if there is not an adequate reward for the capital providers nor a reduction in conduct of business regulation commensurate with the simplified nature of the new generation products.

As this is my valedictory statement as Chairman perhaps I may be allowed to reflect for a moment on my conviction that there is a need for more maturity and balance in the statements and actions of politicians, officials, regulators and consumer interests when addressing the after-effects of the late bull market in equities – after, it should be remembered, a lengthy period of hyperinflation which seriously damaged the value of savings. City practitioners of long standing have had to live with periods of excess before and recognise and accept that corrective measures are required. However, all are interested in and dependent upon a strong financial sector, one of the most important in the UK economy, and it is surely now time to look forward rather than backwards. Financial markets may on occasion be slow to react to fiscal and regulatory changes, but in the end they will, and the result may not be as palatable as their promoters intended. I urge those in authority to work with the grain of experience and seek to harness the best instincts latent in all. As an industry we need to speak with a stronger voice and deserve a more attentive hearing in the present debate if the outcome is to stand the test of time.

The Ecclesiastical has come through an extremely testing year and will be seen, I believe, to have emerged in a sound condition. The immediate outlook is one of continuing uncertainty as world events unfold in the Middle East and it is right that I should sound a cautionary note about the future. Looking forward from a business viewpoint, however, we need to build on the foundations we have successfully laid and to sustain the improvement in the profitability of the general insurance business we have achieved. We have a clear view on the direction of our future development and I am confident that the Ecclesiastical will be in safe hands when I hand over as Chairman after the Annual General Meeting on 26 June to Nick Sealy.

Nick Sealy joined the Board in 1999 after a distinguished career as Chairman of Smith & Williamson. He brings a wide experience in the fields of banking, accounting and finance, skills which are all highly relevant to our affairs. I hand over the baton to him in the confidence that the business will flourish under his guidance.

I am privileged to have been a director of the Ecclesiastical and have enormously enjoyed my period of service. I have learned and benefited from the advice of successive generations of colleagues and friends on the Board and amongst the management team. I express my gratitude to all for their unfailing support and kindness. In thanking Graham Doswell for his commitment and leadership over the last year, which I do, I also thank through him all those who work for the Ecclesiastical and who have upheld with honour the reputation of our Company.

Mark Cornwall-Jones

Chairman

Review of Group Operations

PHOTO

The most notable achievement in 2002 has been the further significant improvement in the results of our general insurance operations. The turn-around this year in underwriting performance to the positive balance of £1.9 million (after equalisation provisions of £3.8 million) reported in the technical account for general business has helped to cushion the impact of falling equity investment values on shareholders' funds.

A generally heightened awareness of risk and the need for stronger technical profits from underwriting to bolster insurers' balance sheets have contributed to favourable market conditions. These, in turn, have enabled us to make continued progress towards raising premiums across the Group to the levels justified by the heavy losses suffered by all insurers in recent years. Whilst the out-turn for 2002 is a very welcome reward for the considerable efforts we have been making for some time, this performance will need to be sustained if the capital committed to the insurance business is to earn an adequate return.

The higher premium levels already mentioned have contributed to the increase in gross premium income of 11% but, at the net level, the growth rate of 4% has been suppressed by the increased cost of reinsurance protection purchased in all territories. The combined ratio on an earned basis was 97% prior to equalisation charges.

Global equity markets fell for the third successive year in 2002. Although we have fared better in comparison to relevant benchmark indices, we are reporting an unrealised loss on investments of £29.2 million.

After the payment of dividends and a maintained charitable grant of £4 million to Allchurches Trust, shareholders' funds at the end of the year stood at £132 million compared to £145 million previously. The equivalent solvency margin was reduced to 63% but, on the statutory basis of measurement, remained well in excess of the level appropriate to our business profile.

The uncertain economic background has affected the general level of sales of investment products across the industry and our growth in financial services slowed in line with this overall trend. Long term premiums written were 11% lower than in 2001 but there was another profitable result from our proprietary life subsidiary, Allchurches Life, which contributed almost £1 million to the profit and loss account.

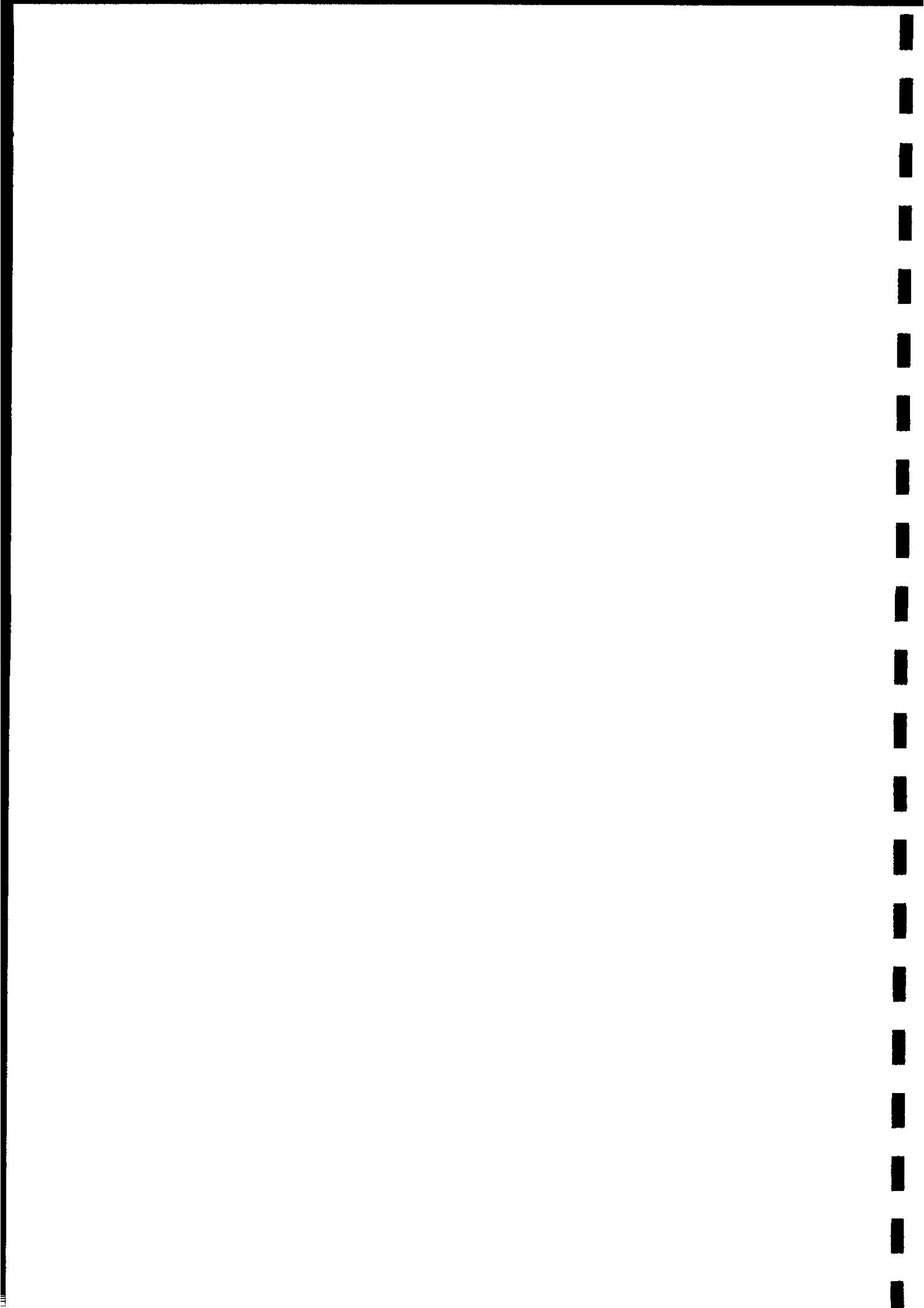
General Business - United Kingdom

The strong recovery in underwriting results continued in 2002 with a profitable and well deserved out-turn to the year's trading. The further remedial action that was needed has been closely targeted on poorly performing parts of the business while premium rating levels have been rising generally to offset the upward trend in claims and reinsurance costs. Gross premium income in Ecclesiastical's UK retail division increased by 12% to £177 million and the combined ratio improved to 93% from 103%.

Although the year was not marked by any major weather event, the total cost of weather-related claims was the second highest in the last ten years and approached the level recorded in 2000 when the country was affected by widescale flooding. The results achieved are, therefore, all the more satisfactory. Nevertheless the worsening trend in weather losses is a cause for concern and emphasises the need for fast implementation of the Government's commitment to improve flood defences.

Unusual events do, however, create practical opportunities to show our customer service policy in action. We were particularly pleased to have been honoured in November by the Trustees of Mayville School in Southsea, policyholders since 1987, on the opening of a new building to replace classrooms irreparably damaged by flooding in 2000. In recognition of the service provided by our claims team, the replacement building has been named "Ecclesiastical House". This one event out of so many is tangible evidence of the consistently high levels of customer satisfaction recorded in our annual surveys.

Though improving, results in the liability account require further attention not least to keep pace with the high cost of personal injury claims which continue to rise faster than the normal rate of price inflation. There has been considerable publicity surrounding the reported problems faced by both businesses and charitable organisations in obtaining liability cover but we believe that the issues relate to cost rather than availability. In our view, a proactive approach to risk management will be of considerable help in meeting needs in this area.



Review of Group Operations

There has been a special focus in the wide range of risk management services provided by our specialist team of surveyors on helping policyholders comply with the requirements of Health and Safety legislation. The publication of a draft policy statement and guidance notes directed specifically to the particular impact of this legislation on churches has been very well received and is another example of the value-added services we supply to this important group of customers. Similar support has been provided to our partnership brokers for the benefit of our small business policyholders.

Measured solely in terms of the numbers of churches we insure, our relationship with the Anglican church has strengthened further. *Of equal importance is the very positive feedback we receive on the quality of all-round service provided which we value greatly and work hard to achieve.* Although church insurance is also subject to the general upward pressure of rising claims and other costs, we are doing our best to contain premium increases.

Throughout the year there was considerable uncertainty about the basis on which it would be possible to maintain cover against acts of terrorism as insurance and reinsurance markets came to terms with the aftermath of the attack on the World Trade Center. In the event we were able to make cover available in line with the changes successfully negotiated between the Treasury and Pool Reinsurance Company Limited albeit subject to some residual exclusions.

General Insurance - International

The group of businesses comprising overseas branches and agencies, reinsurance accepted and London market operations progressed strongly as their results benefited from continuation of the wide-ranging corrective action already in place. Despite the adverse effects of a number of large church fires in the business we manage for the Methodist insurance company, the overall underwriting result improved substantially to a loss of £2.1 million after the £8.1 million loss reported in 2001. The combined ratio was 103% and gross premiums written grew by 3% to £93 million.

Stringent action to increase premium rates and tighten underwriting acceptance criteria had the effect of reducing premium income written by our Canadian branch and the size of our portfolio. Despite rising insurance costs and the largest single risk loss in our Canadian experience, the strategy has been successful in improving the underwriting result to a loss of £0.5 million from £2.2 million in 2001. In local currency, gross premiums written declined by 11%.

In Ireland, our branch had another successful year. Supported by rate increases, growth in premium income was strong and there was an increase in underwriting profitability. The process of conversion to the euro was completed smoothly.

There has been further change in the scope of our commitment to the London market. Our active association with Gerling Global General and Reinsurance Company has come to an end after its parent company was placed into run-off. In addition, our exposure to transit business has been considerably scaled down. Results of the successful facultative property portfolio underwritten through Ecclesiastical Underwriting Management Limited have developed positively with significant growth being achieved through the application of rate increases. The underwriting result from all our London market operations, including discontinued businesses, was a profit of £0.8 million.

The results of our partnership with the Baptist and Methodist insurance companies are included within our portfolio of inwards reinsurance accepted. The co-operative working arrangements we enjoy have continued to flourish. Good progress was made in the year towards migrating the businesses on to a more cost-effective systems platform and towards building an enhanced risk-management capability that should benefit all parties in the long run. The underwriting outcome in 2002, though, was disappointing being badly affected by an exceptional sequence of five major fires in Methodist churches with a total gross estimated cost in excess of £3 million.

There was an improvement in the underwriting performance of the accounts produced by our agency businesses managed by GAP Vassilopoulos Group and John Makriyiannis & Son Ltd. in Cyprus, SMS Insurance Agency in Malta and W. A. Hienfeld in Holland. Some further action is required and we are working positively with our partners in the areas concerned.

General Insurance - Subsidiary Companies

Ansvar Insurance Company in the UK is positioned to meet the insurance needs of organisations in the "not for profit" sector. It has had another successful year achieving a profitable underwriting result after providing for equalisation charges and contributing a pre-tax profit of £0.8 million to the Group. Gross premium growth has been strong rising by 27% to £14 million and has been assisted by premium rate increases across the portfolio.

In accordance with the terms of the agreement under which we acquired the United Reformed Church Insurance Company in December 2000, the name of this subsidiary was changed to Ecumenical Insurance Company Limited last December.

Review of Group Operations

In Australia, EIG-Ansvar, also made strong progress achieving a profitable result overall in an extraordinarily challenging market environment. The difficulties constraining capacity elsewhere in the world were compounded by the effects of the previous failure in Australia of that country's leading liability insurer and the ever-rising expectations of compensation from accident victims. The response has been a further significant increase in premium rates and recognition of the need for reform of legal systems by State Governments.

Our subsidiary has performed well in these difficult conditions and was able to increase premiums to contain the impact of significant rises in the cost of reinsurance. During the year, EIG-Ansvar successfully applied for re-authorisation as required generally by the provisions of the General Insurance Reform Act (2001). Business trends in New Zealand followed a similar pattern of premium growth generated by rate increases although there was some planned increase in exposure. Results were satisfactory but a deterioration in the motor portfolio held back progress.

Reserving Standards

There has been a net addition of £3.8 million to the statutory provision for claims equalisation compared to £2.4 million in 2001. The total provision now stands at £9.9 million. This amount is available to smooth the effect of exceptional claims experience in future years and may be released according to the application of a prescribed formula. It is excluded from calculation of the solvency margin.

Standards for the calculation of levels of reserves have been maintained in accordance with established practice as described in the Notes to the Accounts.

Long Term Business

The progress we have made over recent years slowed in 2002 in an environment of considerable economic uncertainty and poorly performing stock-markets for the third year in a row. Consumer confidence and our ability to plan for the future were also impaired by the exceptionally high number of regulatory and other reviews that are in the course of fundamentally re-shaping the distribution systems and product offerings of the financial services industry in the UK.

Despite continued development of initiatives designed to help our Financial Services Division to compete successfully in this evolving market-place, sales performance slowed. New business premiums declined by 5% on the industry standard measure compared to 1% growth for the industry as a whole. Sales performance overall was also weaker with a fall in single premium business offsetting a modest increase of 3% in gross sales of OEIC funds, growth in mortgage sales and increased commission earnings from our specialist IFA, Hinton and Wild, in the equity release market. Commissions received from another provider whose stakeholder pension we adopted in 2001 have also risen but we are concerned about the inadequacy of the margin available to support the full advice process which still frequently precedes the recommendation of this product. The Directors' valuation of our proprietary life subsidiary, Allchurches Life, included in the balance sheet has been reduced to £4 million (from £5 million) reflecting a continued lower level of sales activity. This amount represents the estimated present value of future profits yet to emerge.

The very sharp falls in stock-markets had to be reflected by adjustments to bonus rates payable on participating with profits policies. Final bonuses were reduced for policies maturing from July onwards and again in September and it has also been necessary to reduce regular bonuses following the declaration made for 2002. One key objective of our with profits fund is to smooth the reduction in bonuses when investment values fall sharply as they have done over the last three years and we believe that, despite the reductions made, with profits policyholders have been protected by this process. As at 1st January 2003 all policyholders are receiving returns in excess of the average rate of inflation. For policy periods of fifteen years and longer, the excess ranges between 4% and 6% compound per annum. At shorter durations, ten year policies are returning 1.8% above the corresponding average inflation rate of 2.4%.

In a year of considerable challenge for the financial services sector as a whole, we have paid close attention to the strength of the Group's funds in relation to the regulatory requirements for solvency which are drawn on a conservative basis relative to contractual liabilities. As a result of the variety of measures we have taken, the actuarial valuations undertaken as at year-end demonstrate that these requirements continue to be met. Whilst it is not our policy to use complex financial instruments, use was made of hedging to protect the value of shares held in the Life Fund. This action successfully achieved the intended purpose.



Review of Group Operations

Finance and Investment

The early recovery in stock-markets after the economic shocks of 2001 was short-lived and indices fell sharply after the end of the first quarter. The erosion of investor confidence was fuelled by accounting scandals, largely in the USA, concerns about the prospects for a global economic recovery and continued downgrades in the expectations for corporate earnings. Increasing tension about the possible failure to implement by peaceful means United Nations resolutions concerning Iraq also overshadowed sentiment. As well as the considerable falls, investment markets were characterised by high levels of volatility.

Investment strategy continued to be kept under close review and, after a careful assessment, decisions were made to reduce the equity content of our investment portfolios. We were able to take advantage of market volatility when adjusting to new asset allocations. Most sales were made at prices above the levels prevailing at the end of 2002. Supported by the proceeds of strong cash flow from general insurance operations, new investment was directed primarily to fixed interest securities.

The improved cash flow and increased holdings of bonds and cash has helped to lift investment earnings. After excluding gains on the realisation of investments, which were slightly up at £4.7 million compared to £3.6 million in 2001, investment income increased by 6.5%.

Against the background of very difficult investment conditions, our funds performed well relative to peer groups and equivalent benchmarks. In particular, our retail funds had another successful year with all five maintaining their first quartile ranking on a total return basis over the one year period to 31 December. In addition, we were presented with two prestigious awards - the Citywire Fund Group of the year in the overall equity category and first place in the UK Marketed Funds category by Standard & Poor's.

The prolonged period of stock-market weakness and sharp decline in equity investment values since their peak in 1999 have had a profound effect on the economics of the insurance industry. Whilst there have been some publicly expressed concerns about the consequences of these events, the action we have been taking to manage risk by increasing premium rates and reducing exposure to equity investments has been largely successful in preserving Ecclesiastical's financial strength. Although shareholders' funds have fallen, we believe that our solvency margin remains at a prudently high level.

Regulatory Developments

The pace of regulatory reform of the insurance industry as a whole quickened in 2002 and we face a continued programme of change on a quite unprecedented scale over the next few years. The amount of time invested in raising consciousness of the importance of effective systems of risk management across the Group has been considerable but has, we believe, paid dividends in the context of our relationship with the FSA as well as with relevant regulatory authorities overseas. In the UK there remains concern about the cost of the new regime and the real likelihood of it weighing disproportionately on the smaller firms in the regulated community. It is vital in the interests of preserving a thriving and profitable business which serves its customers well that the benefits of continued regulatory change genuinely outweigh the costs of implementation.

Conclusion

We have managed our business in 2002 through a period of major regulatory change and economic uncertainty. The strategic direction to which we had already committed has, however, enabled us to achieve a worthwhile improvement in our trading performance and to achieve our mission to provide profit and service to the Church. More work is needed to consolidate the substantial progress made in so many areas so that Ecclesiastical can continue to prosper in a fundamentally changed and evolving market. We believe we are well placed to be the best specialist insurer in our chosen sectors offering a secure, credible and customer-focused service.

The hard work of everyone in the Group has played a vitally important role in the success we have achieved in a turbulent year. My sincere thanks go to all our staff across our wide span of operations and to our customers for their support and understanding.

Graham Doswell
Managing Director

Caption/Photos

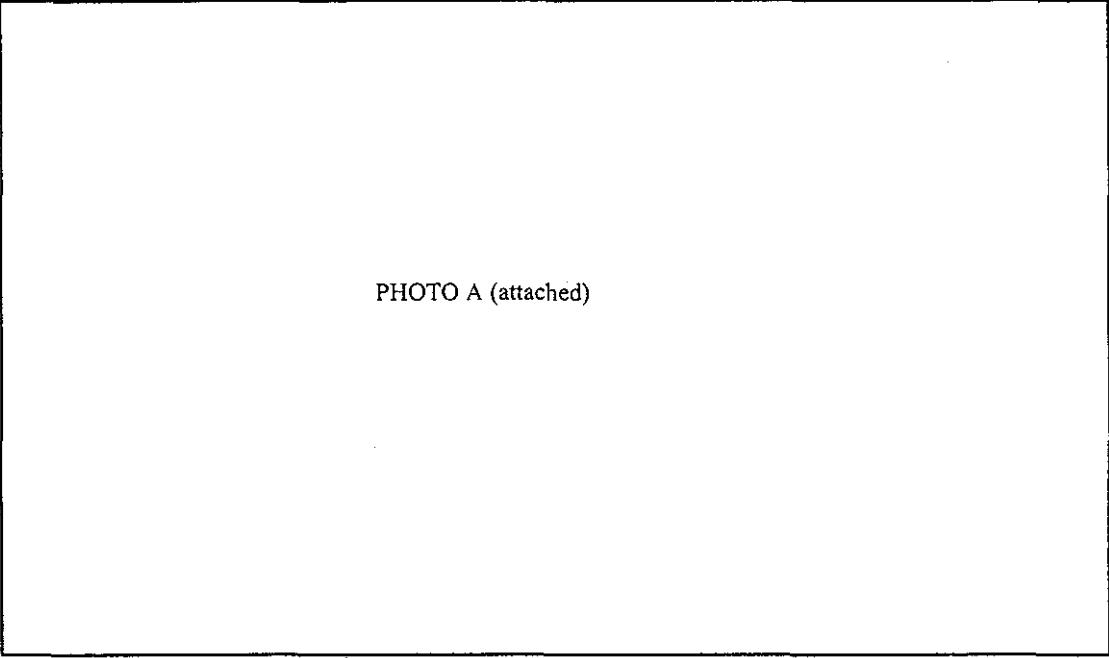


PHOTO A (attached)

Malicious damage came close to home for Ecclesiastical on 19 November 2002, when twenty-five windows were smashed at Gloucester Cathedral. The cost of restoration is estimated at £50,000.

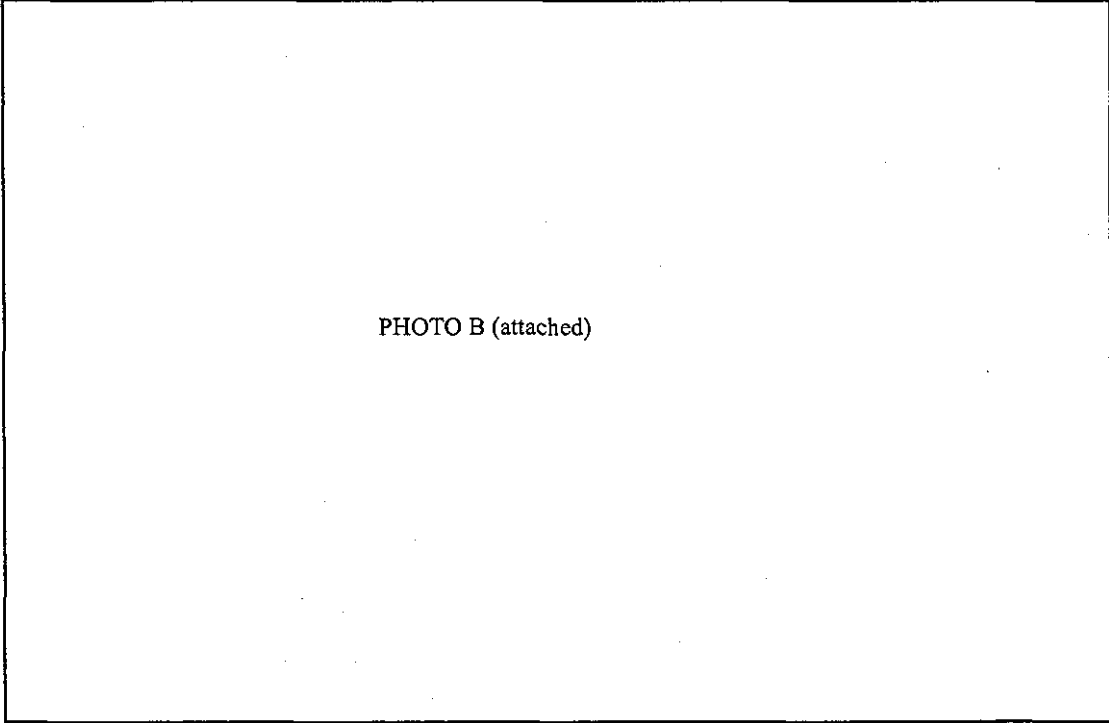
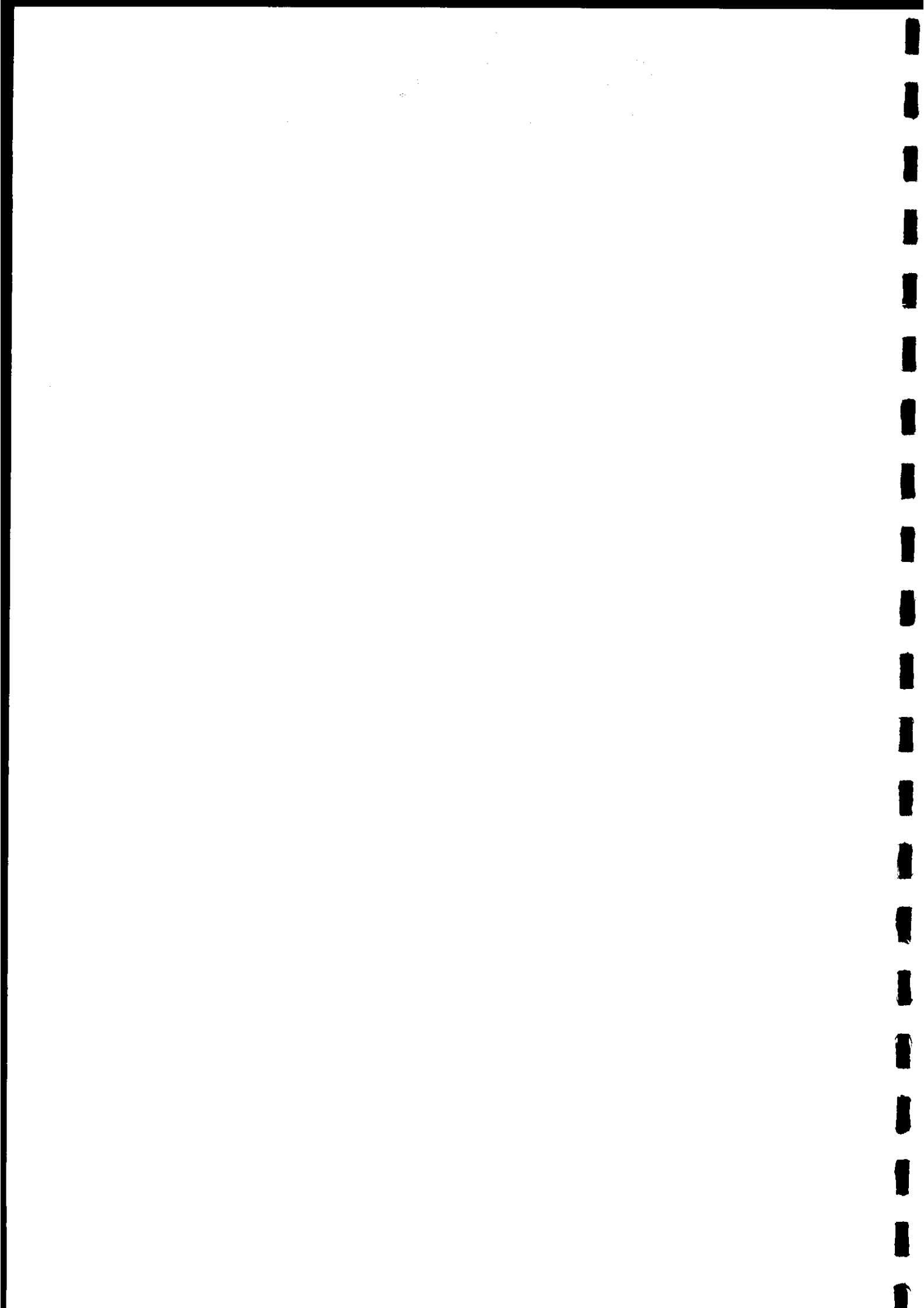


PHOTO B (attached)

Speedy, expert and flexible handling of a flood claim received a unique reward in November 2002, when Mayville School, Southsea named a replacement building : Ecclesiastical House. Managing Director Graham Doswell is pictured with a pupil at the official opening. A 2002 claims survey recorded that 93.3% of our customers regard our service as satisfactory or very satisfactory.



Caption/Photos

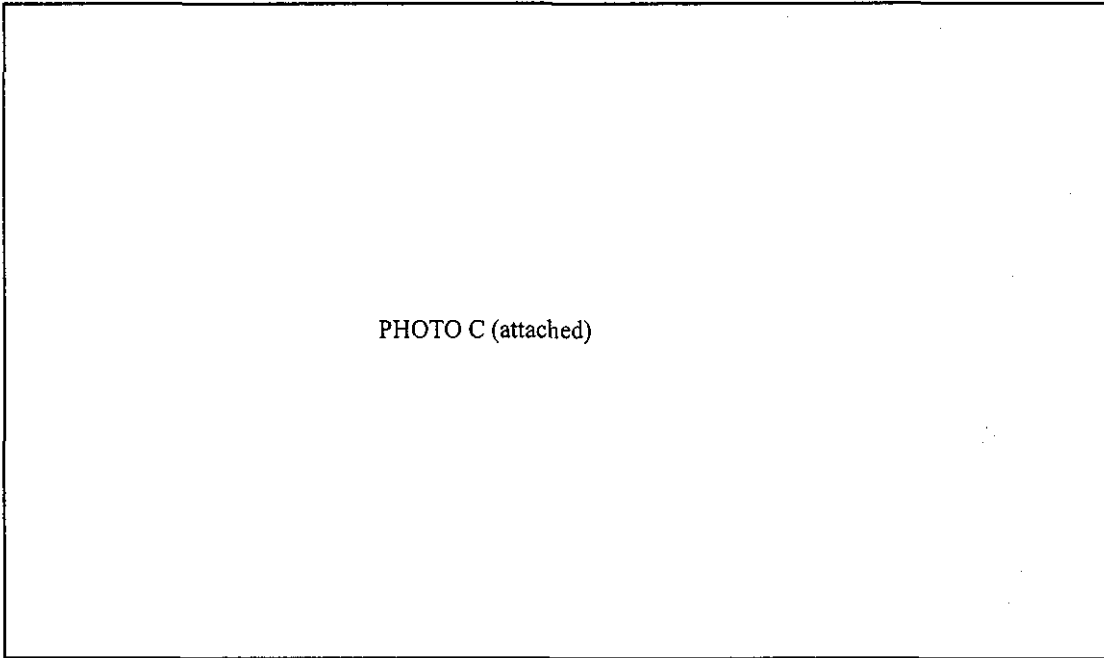


PHOTO C (attached)

Floods in central and eastern Europe - as evidenced in this photo of Dresden - caused severe losses in 2002, some of which became our concern via our International Division.

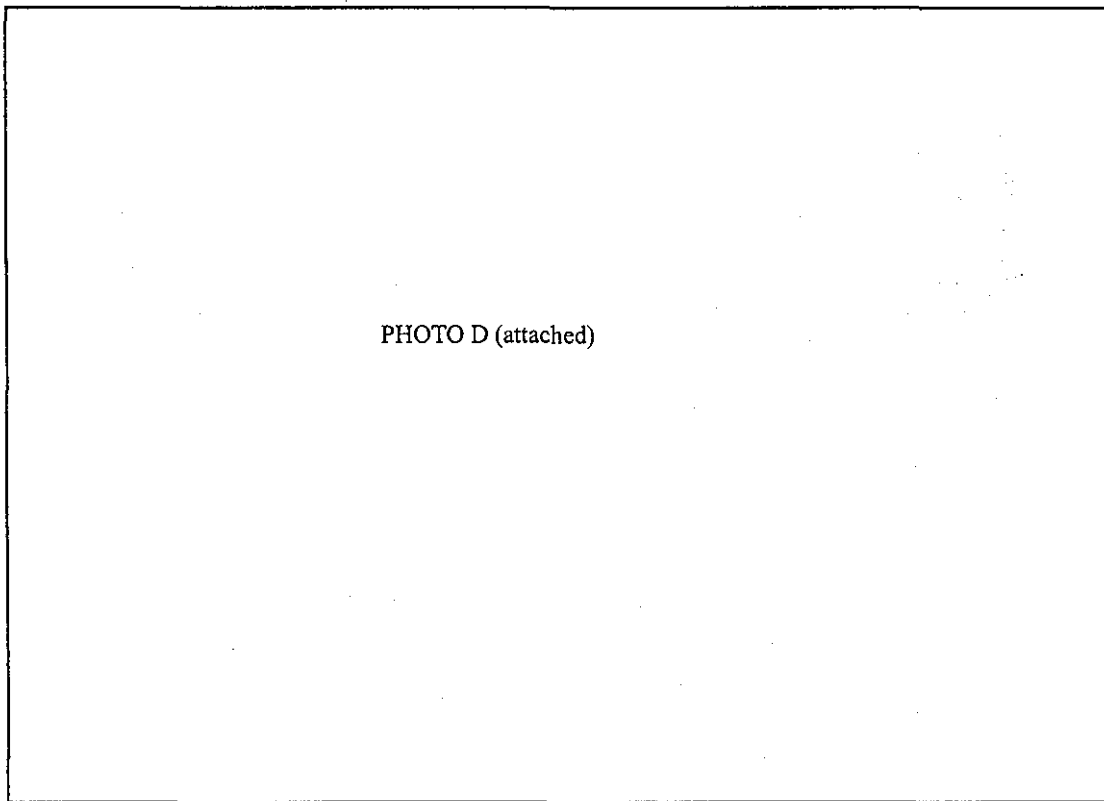


PHOTO D (attached)

The Wellington Arch at Hyde Park Corner was one of several buildings of historic importance we insured, with the acquisition of English Heritage business in 2002.

Courtesy of English Heritage



Directors and General Management

Directors

- * M. R. Cornwall-Jones MA, ACIS *Chairman*
- * W. H. Yates FRICS *Deputy Chairman and Senior Independent Director*
- * N. J. E. Sealy *Deputy Chairman*
- * The Venerable N. Baines BA *Archdeacon of Lambeth*
- * D. Christie BA, BSc (Econ) Dip. Ed.
- * The Very Revd. N. G. Coulton BD *Sub-Dean of Christ Church Cathedral, Oxford*
G. V. Doswell FCII *Managing Director*
- * D. R. Losse MA
G. A. Prescott BA, FCA *Group Executive Director*
- * M. C. D. Roberts MA, CA
- * H. H. Scurfield MA, FIA

General Management

G. V. Doswell FCII *Managing Director*
G. A. Prescott BA, FCA *Group Executive Director*
K. Bogue MA, FIA
K. J. Burdett FCII
M. Goodale BA, FIA
F. J. Holland MBCS
W. J. Lumsden FCCA
W. G. Shearn BA, FCII

Appointed Actuary

I. J. Stirrups FIA

Company Secretary

Mrs R. J. Hall ACIS

Registered and Head Office

Beaufort House,
Brunswick Road,
Gloucester GL1 1JZ
Tel: 01452 528533

Company Registration Number

24869

Principal London and Investment Office

19-21 Billiter Street,
London EC3M 2RY
Tel: 020 7528 7364

Auditors

Deloitte & Touche,
London

Registrar

Computershare Services PLC,
PO Box 82,
The Pavilions,
Bridgwater Road,
Bristol BS99 7NH

* *Non-Executive and Independent Directors*



Directors' Biographies



M. R. Cornwall-Jones

Chairman

Appointed to the Board in 1979, and became Chairman in 1993.

He was appointed Treasurer of the Corporation of Church House in 2002. He is Chairman of Capital Gearing Trust and a Director of other Companies. He also acts as a Trustee of a number of charities and pension funds.

Aged 70.

N. J. E. Sealy

Deputy Chairman

Appointed to the Board in 1999 and became a Deputy Chairman in September 2002. He retired as Chairman of Smith & Williamson, a firm of Chartered Accountants and a banking and investment house, in 2000 but remains a non-executive Director.

Aged 64.

N. Baines

Archdeacon of Lambeth

Appointed to the Board in 2002. Prior to ordination he was a professional government linguist. He serves on the General Synod of the Church of England and the Board of Mission. He regularly broadcasts on the BBC.

Aged 45.

D. Christie

Appointed to the Board in 2001. He has been Warden of St Edward's School, Oxford since 1988. Previously he taught and researched in economics in schools and universities in the United Kingdom and Europe. He is a Governor of several schools.

Aged 60.

N. G. Coulton

Sub-Dean of Christ Church Cathedral, Oxford
Appointed to the Board in 1997. Until January 2003, Dean of Newcastle where he was a Governor of two independent schools and represented the Faith Communities on the North East Assembly. Prior to ordination he was a solicitor. He is a member of the Church of England Legal Advisory Commission and on the Executive of the Association of English Cathedrals.

Aged 62.

G. V. Doswell

Managing Director

Joined the Group in 1984. Appointed to the Board in 1995 and became Chief Executive in 1997. His other directorships include The Baptist Insurance Company PLC, Methodist Insurance PLC and Pool Reinsurance Company Limited. Member of the Board, Association of British Insurers. A Vice President, the Chartered Insurance Institute.

Aged 57.

W. H. Yates

Deputy Chairman

Appointed to the Board in 1985 and became a Deputy Chairman in 1995. He was Senior Partner of Knight Frank and Deputy Chairman of Woolwich plc.

Aged 67.

D. R. Losse

Appointed to the Board in 2002. Until 2000 he was Deputy Chairman of international reinsurance broker, the Benfield Group plc, and retired as an Adviser to that company in 2002. A past President of the Insurance Institute of London and a past Master of the Worshipful Company of Insurers. He is Chairman of Eton End School Trust and is actively involved with a number of other charities.

Aged 65.

G. A. Prescott

Group Executive Director

Appointed to the Board in 1995 and became Group Executive Director in 1997. He serves on the investment committees of the Save the Children Fund and of the Worshipful Company of Coopers. He is a Director of Martin Currie Income and Growth Trust plc and Mapfre Re.

Aged 58.

M. C. D. Roberts

Appointed to the Board in 1992. He was a partner in KPMG, Chartered Accountants, until 1991 and subsequently Treasurer of Guildford Cathedral. He is a Director of CCLA Investment Managers Ltd and also Chairman of the Church Commissioners Audit Committee.

Aged 64.

H. H. Scurfield

Appointed to the Board in 1994. He was the Actuary and a Director of the Norwich Union Insurance Group until 1992. A past President of the Institute of Actuaries. He is Vice Chairman of the Royal Shrewsbury Hospitals NHS Trust and Deputy Chairman of Help the Hospices.

Aged 67.



Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activity

The principal activity of the group is the transaction of most forms of general and long term insurance in the United Kingdom and overseas. A list of the company's subsidiary undertakings is given on page 48.

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 22.

Dividends	2002	2001
Dividends paid and accrued were as follows:	£000	£000
First Preference shares	7	7
Second Preference shares	300	300
Third Preference shares	1,520	1,520
Irredeemable Preference shares	2,156	2,156
Ordinary shares - interim	-	410
	<u>3,983</u>	<u>4,393</u>

The directors do not recommend a final dividend on the Ordinary shares (2001:nil).

Directors

The directors of the company at the date of this report are stated on page 12. The Very Revd. N. G. Coulton and Mr H. H. Scurfield retire by rotation and, being eligible, offer themselves for re-election.

Mr M. R. Cornwall-Jones retires by rotation and does not offer himself for re-election.

Mr D. R. Losse and The Venerable N. Baines were appointed to the board on 27 June 2002. In accordance with the articles of association, they retire at the forthcoming annual general meeting and, being eligible, offer themselves for election.

Mr N. J. E. Sealy will be appointed as chairman with effect from 26 June 2003.

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 31.12.2002	Interest at 1.1.2002 or date of appointment
	No.	No.
M. R. Cornwall-Jones	500	500
W. H. Yates	500	500
N. J. E. Sealy	500	500
The Venerable N. Baines	500	500
D. Christie	500	500
The Very Revd. N. G. Coulton	500	500
G. V. Doswell	500	500
D. R. Losse	500	-
G. A. Prescott	1,000	1,000
M. C. D. Roberts	500	500
H. H. Scurfield	500	500

No director had an interest in any other shares or debentures of the group as at 31 December 2002. 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.

Directors' Report

Ownership

At 10 March 2003 all the issued equity capital of the company and all the 16 million 9.5% Redeemable Third Non-Cumulative Preference shares, together with 173,450 of the 2.8% First Cumulative Preference shares, were owned by Ecclesiastical Insurance Group plc. In turn, the entire equity capital of Ecclesiastical Insurance Group plc was owned by Allchurches Trust Limited.

Charitable and political donations

Charitable donations paid and provided for by the company in the year amounted to £4.0 million (2001:£4.0 million).

During the last five years, a total of £21.6 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 group recognises the importance of employee communication and aims to keep employees informed about its affairs through the use of briefing 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.

Policy on payment of creditors

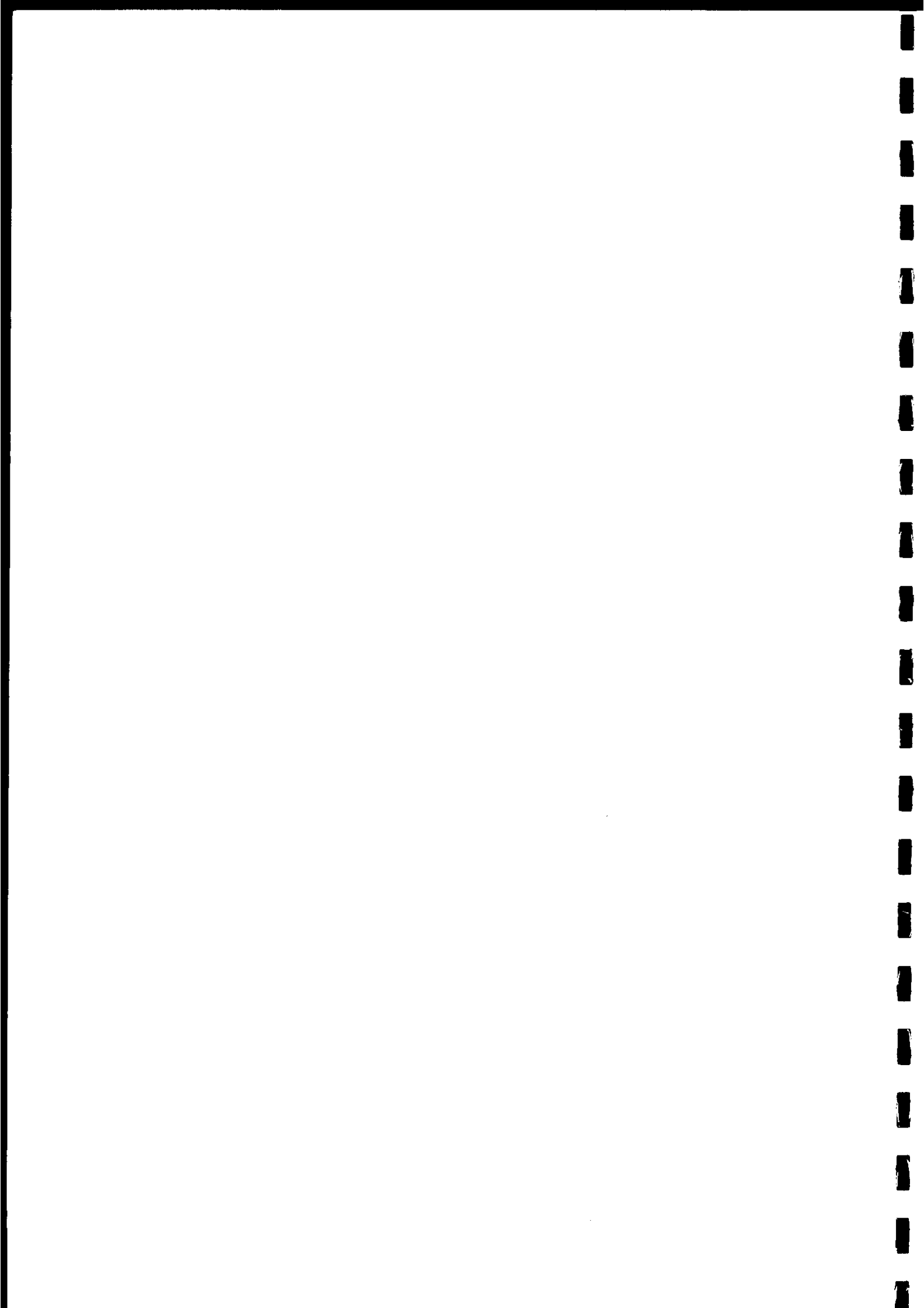
It is the group's policy to pay creditors promptly and fully, in accordance with the terms of their contracts. The group has not adopted any particular external code. The number of days' purchases represented by the amounts due to trade creditors of the company in the United Kingdom at 31 December 2002, calculated in accordance with Schedule 7 of the Companies Act 1985, was 9.8 days (2001:22.2 days).

Corporate governance

The Ordinary shares of the company are not quoted on the Stock Exchange and therefore its operations do not come within the ambit of the Combined Code issued by the London Stock Exchange in June 1998. However, the board of directors of the company intends and believes that the affairs of the company should be conducted in accordance with best business practice, and uses Section 1, subsection A-Directors, of the Combined Code, by which Stock Exchange quoted companies are measured, to review performance in this area.

Board of directors

The board comprises the chairman M. R. Cornwall-Jones, eight other non-executive directors and two executive directors and has ten scheduled meetings each year. The board is responsible for the overall strategic direction of the group. Executive management of the group is delegated to the managing director and general management team. The board has an established audit and compliance committee and a remuneration and appointments committee, details of which are given on page 16.



Directors' Report

Audit and compliance committee

The audit and compliance committee comprises the following directors, appointed by the board:

M. C. D. Roberts *Chairman*
M. R. Cornwall-Jones
D. R. Losse

H. H. Scurfield
N. J. E. Sealy
W. H. Yates

The committee has ten scheduled meetings each year and deals with accounting, legal and compliance, internal control and security matters, reviews the group's annual results and the work and reports of internal and external auditors.

Remuneration and appointments committee

The remuneration and appointments committee comprises the following directors, appointed by the board:

M. R. Cornwall-Jones *Chairman*
The Venerable N. Baines
D. Christie
The Very Revd. N. G. Coulton
D. R. Losse

M. C. D. Roberts
H. H. Scurfield
N. J. E. Sealy
W. H. Yates

The committee meets when necessary to consider all aspects of remuneration paid to the executive directors and general management team.

The board itself determines the level of fees paid to the non-executive directors, following consultation with the managing director.

Remuneration policy

The group's objectives are broadly the same for all employees, that is to provide competitive remuneration packages, relevant to the particular market in which it operates, that will attract and retain high calibre employees and will encourage and reward superior performance.

The group's policies are aimed at meeting those objectives and ensuring that all employees are rewarded fairly for their individual contributions to its performance.

Executive directors and general management

The remuneration of the executive directors and general management team comprises a basic salary, pension contributions, annual bonuses at the discretion of the remuneration and appointments committee and certain benefits in kind, including a company car. Other available benefits in kind consist of a mortgage subsidy and private medical insurance, on the same terms as for all eligible staff. There are no incentive or share option schemes.

External professional advice has been sought in the process of determining appropriate remuneration packages.

Service contracts

No director or general manager has a service contract with the company.

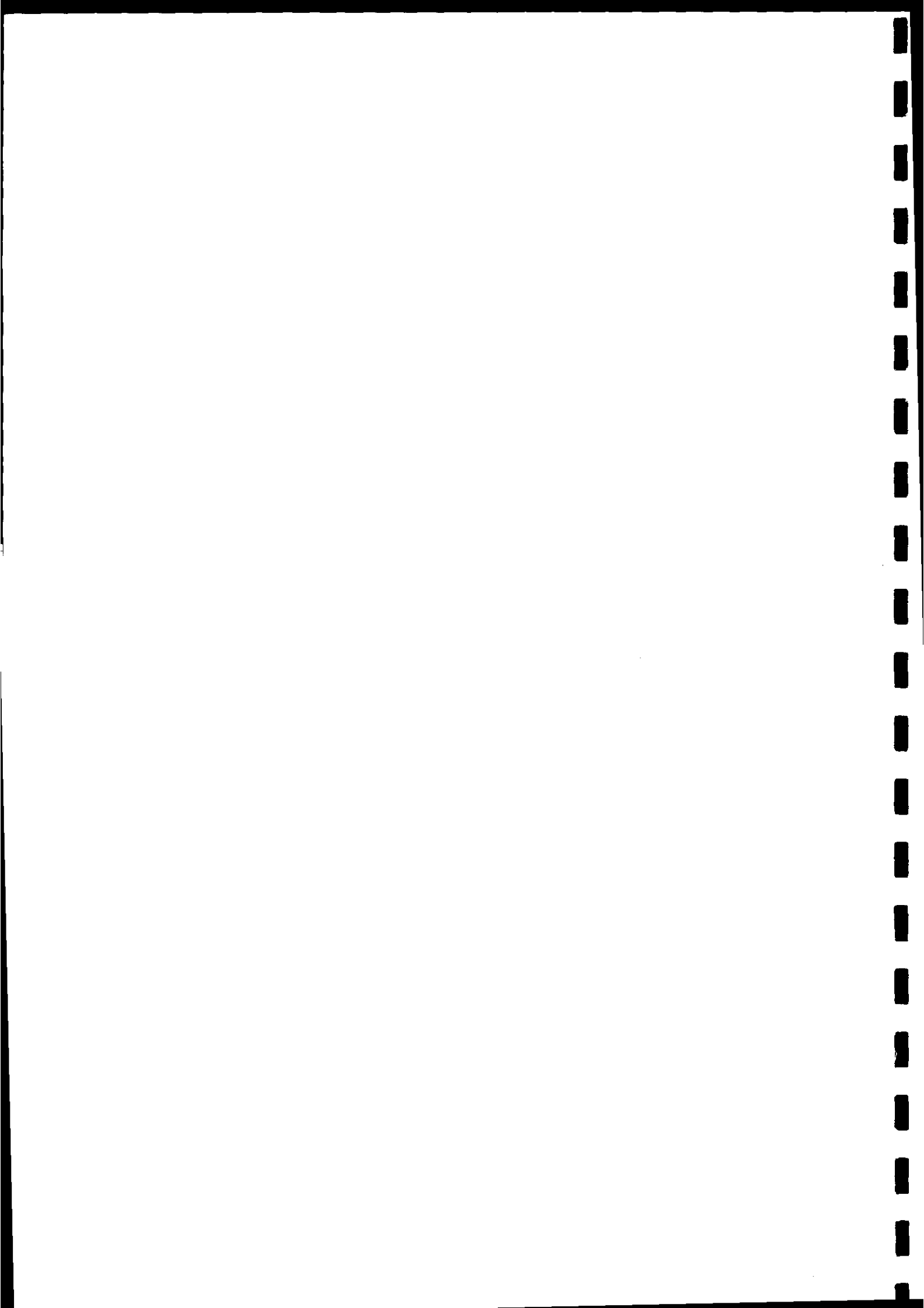
Pensions arrangement

The executive directors are members of the group's defined benefits pension scheme.

In accordance with the Scheme rules, a common retirement age of 63 applies to all members, and pensionable service accrues at a rate of one-eightieth of pensionable salary for each year of service. No pension benefits are accrued on bonuses or other benefits.

Overseas branches

Details of overseas branches are shown on page 51.



Directors' Report

Internal controls

The board is ultimately responsible for the systems of internal controls maintained by the group. The systems of internal controls are considered to be appropriate to the group and are intended to provide reasonable assurance, but not an absolute guarantee, against material errors, financial misstatements or loss. The key features of the control systems are as follows:

- The board approves financial, business and investment strategies and plans, reviews exposure limits and then monitors the results on a regular basis.
- The group operates a comprehensive annual budgetary control system which monitors results against business plans on a monthly basis. Monthly business and investment reports are submitted to the board, and financial results are reported to the board on a quarterly basis.
- The group has an internal audit function whose role is to review and monitor the various control mechanisms. The internal audit manager reports to the manager of the corporate governance department and has direct access to the managing director and to the chairman of the audit committee.

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



Mrs R. J. Hall
Secretary

27 March 2003

Statement of Directors' Responsibilities

United Kingdom company law requires the directors 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 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.

Independent Auditors' Report

Independent auditors' report to the members of Ecclesiastical Insurance Office plc

We have audited the financial statements of Ecclesiastical Insurance Office plc for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, the statement of accounting policies and the related notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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, which are required to be prepared 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 or the Listing Rules regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and the other information contained in the annual 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 at 31 December 2002, 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 22.

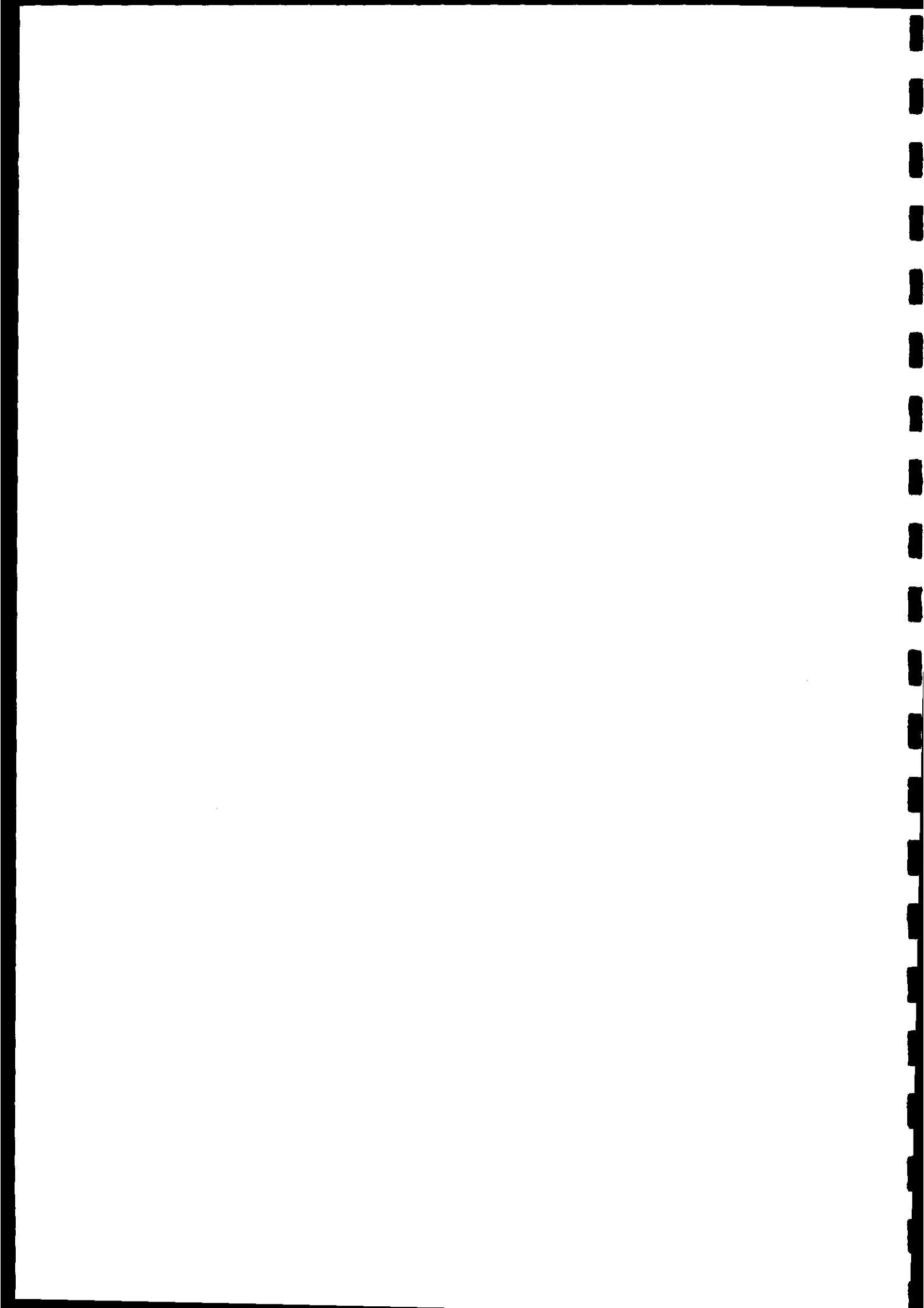
Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs and of the group as at 31 December 2002 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 27 March 2003

Deloitte & Touche
Chartered Accountants and Registered Auditors

London
2003

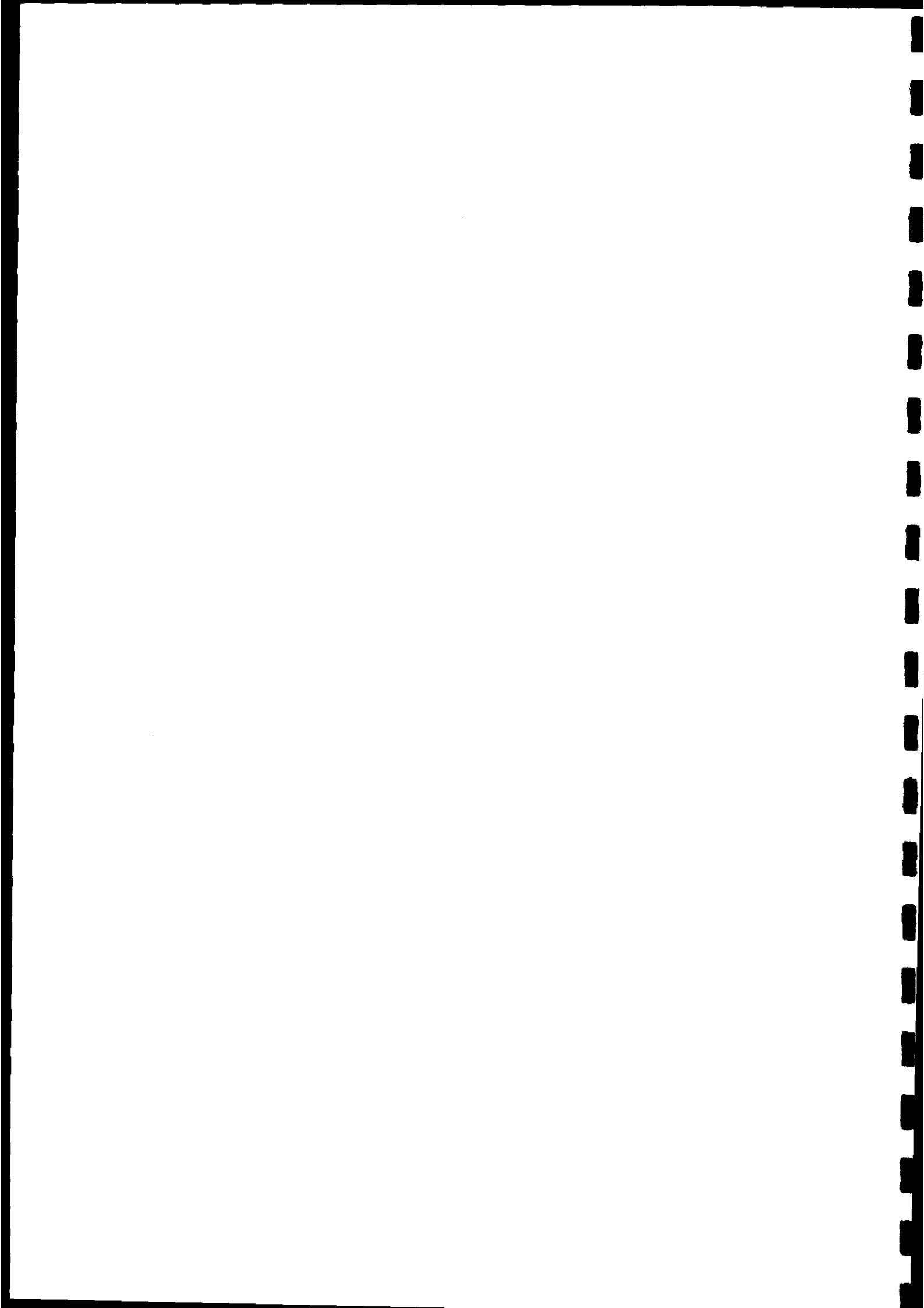


Consolidated Profit and Loss Account

for the year ended 31 December 2002

	Notes	2002 £000	2001 £000
TECHNICAL ACCOUNT - GENERAL BUSINESS			
Gross premiums written	3(a)	313,685	281,649
Outward reinsurance premiums		(109,463)	(85,773)
Net premiums written	3(a)	204,222	195,876
Change in the gross provision for unearned premiums		11,039	11,625
Change in the provision for unearned premiums, reinsurers' share		(2,566)	(4,859)
Change in the net provision for unearned premiums		8,473	6,766
Earned premiums, net of reinsurance		195,749	189,110
Claims paid			
- gross amount		167,947	177,376
- reinsurers' share		(55,067)	(60,470)
		112,880	116,906
Change in the provision for claims			
- gross amount		15,265	33,370
- reinsurers' share		(1,491)	(12,057)
		13,774	21,313
Claims incurred, net of reinsurance		126,654	138,219
Net operating expenses	5(a)	63,456	63,867
Total technical charges		190,110	202,086
Balance on the technical account before equalisation provision		5,639	(12,976)
Change in the equalisation provision	22	(3,782)	(2,421)
Balance on the technical account for general business		1,857	(15,397)

All the amounts above are in respect of continuing operations.

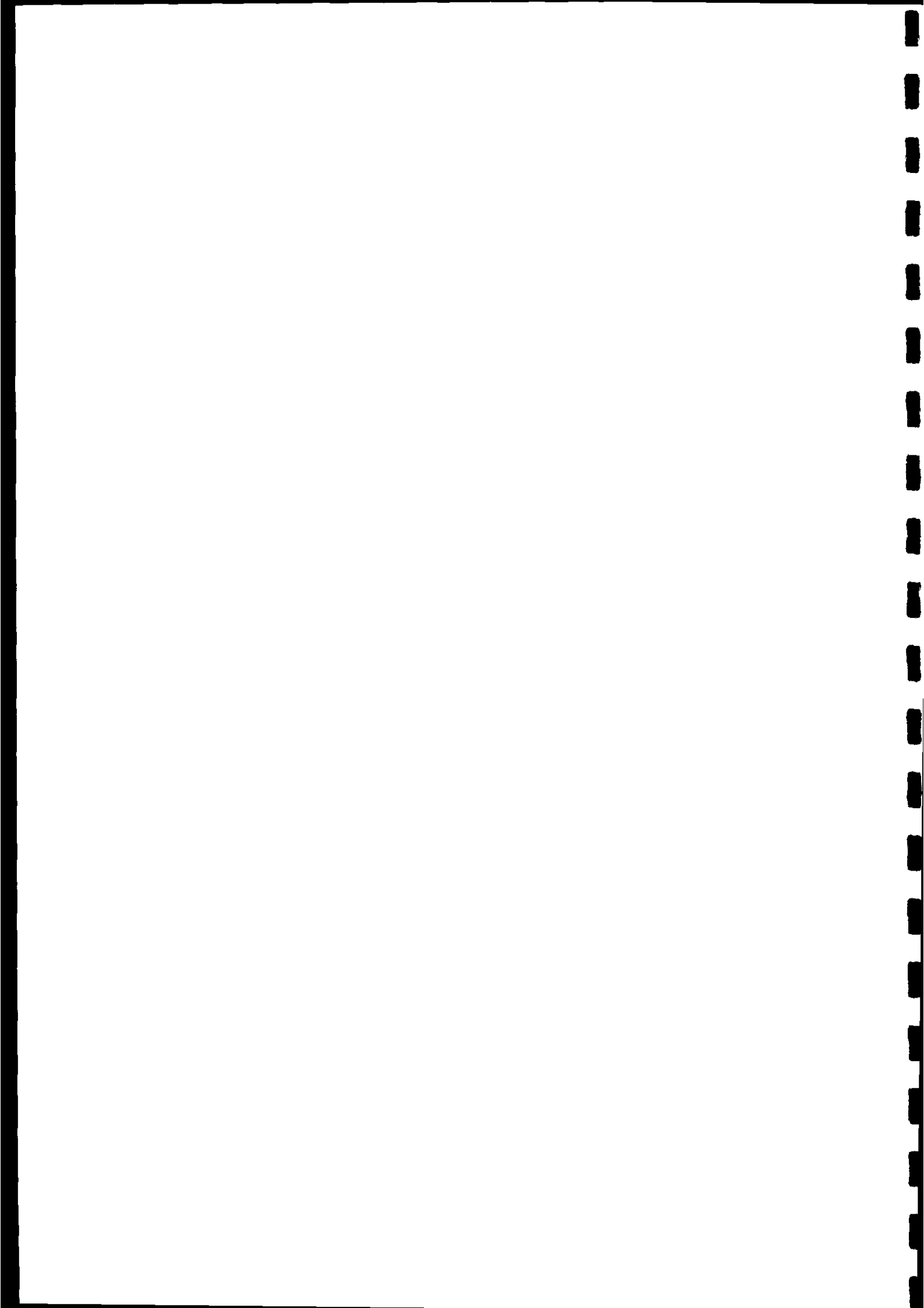


Consolidated Profit and Loss Account

for the year ended 31 December 2002

	Notes	2002	2001
		£000	Restated £000
TECHNICAL ACCOUNT - LONG TERM BUSINESS			
Gross premiums written	3(b)	19,925	22,498
Outward reinsurance premiums		(522)	(255)
Earned premiums, net of reinsurance		19,403	22,243
Investment income	4	32,899	19,605
Unrealised losses on investments		(58,670)	(32,895)
Total technical income		(6,368)	8,953
Claims paid			
- gross amount		32,012	36,152
- reinsurers' share		(166)	(445)
		31,846	35,707
Change in the provision for claims			
- gross amount		685	(375)
- reinsurers' share		(34)	1
		651	(374)
Claims incurred, net of reinsurance		32,497	35,333
Change in other technical provisions			
Long term business provision			
- gross amount		(8,361)	(2,952)
- reinsurers' share		175	(3)
		(8,186)	(2,955)
Technical provision for linked business		(4,074)	3,096
Change in other technical provisions, net of reinsurance		(12,260)	141
Net operating expenses	5(a)	5,569	6,096
Investment expenses and charges		610	510
Tax attributable to long term business	9	(2,484)	(2,543)
Allocated investment return transferred to the non-technical account		(1,231)	797
Transfer from the fund for future appropriations		(30,276)	(32,526)
		(27,812)	(27,666)
Total technical charges		(7,575)	7,808
Balance on the technical account for long term business		1,207	1,145

All the amounts above are in respect of continuing operations.



Consolidated Profit and Loss Account

for the year ended 31 December 2002

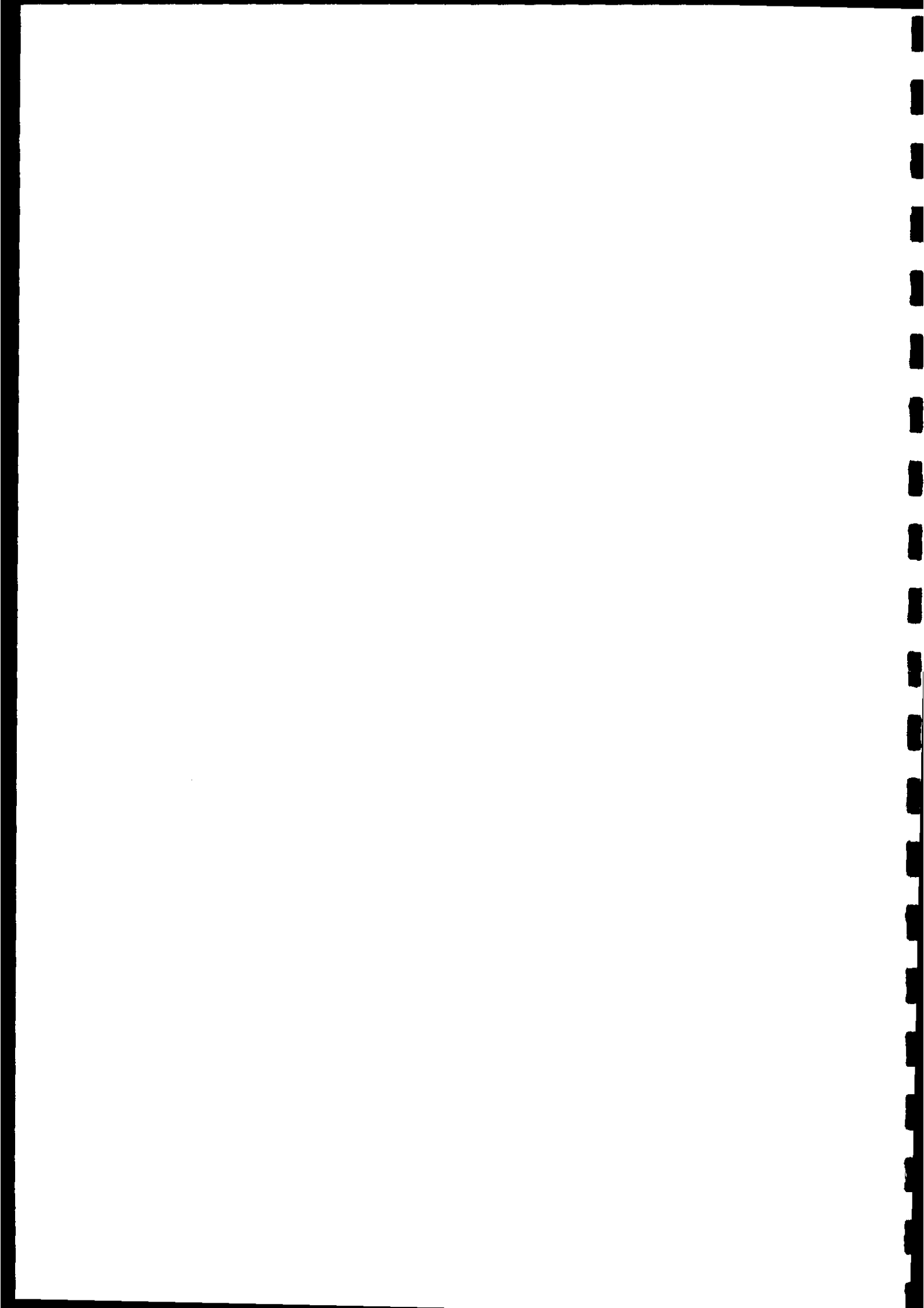
	Notes	2002 £000	2001 £000
NON-TECHNICAL ACCOUNT			
Balance on the general business technical account		1,857	(15,397)
Balance on the long term business technical account		1,207	1,145
Tax attributable to the shareholders' long term business profits	9	517	490
		<u>3,581</u>	<u>(13,762)</u>
Investment income	4	22,166	20,040
Unrealised losses on investments		(29,172)	(23,675)
Allocated investment return transferred from the long term business technical account		(1,231)	797
Investment expenses and charges		(1,038)	(1,401)
Other charges	5(b), 12	(461)	(455)
		<u>(9,736)</u>	<u>(4,694)</u>
Operating loss		(2,373)	(16,035)
Change in equalisation provision	22	(3,782)	(2,421)
Loss on ordinary activities before tax	3(c)	(6,155)	(18,456)
Tax on loss on ordinary activities	9	(1,601)	(1,908)
Loss attributable to shareholders		(4,554)	(16,548)
Dividends	10	3,983	4,393
Charitable grants net of tax relief	11	2,800	2,800
		<u>6,783</u>	<u>7,193</u>
Retained loss for the financial year	18	(11,337)	(23,741)

Non-equity interests included in dividends are disclosed in note 10 to the accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2002

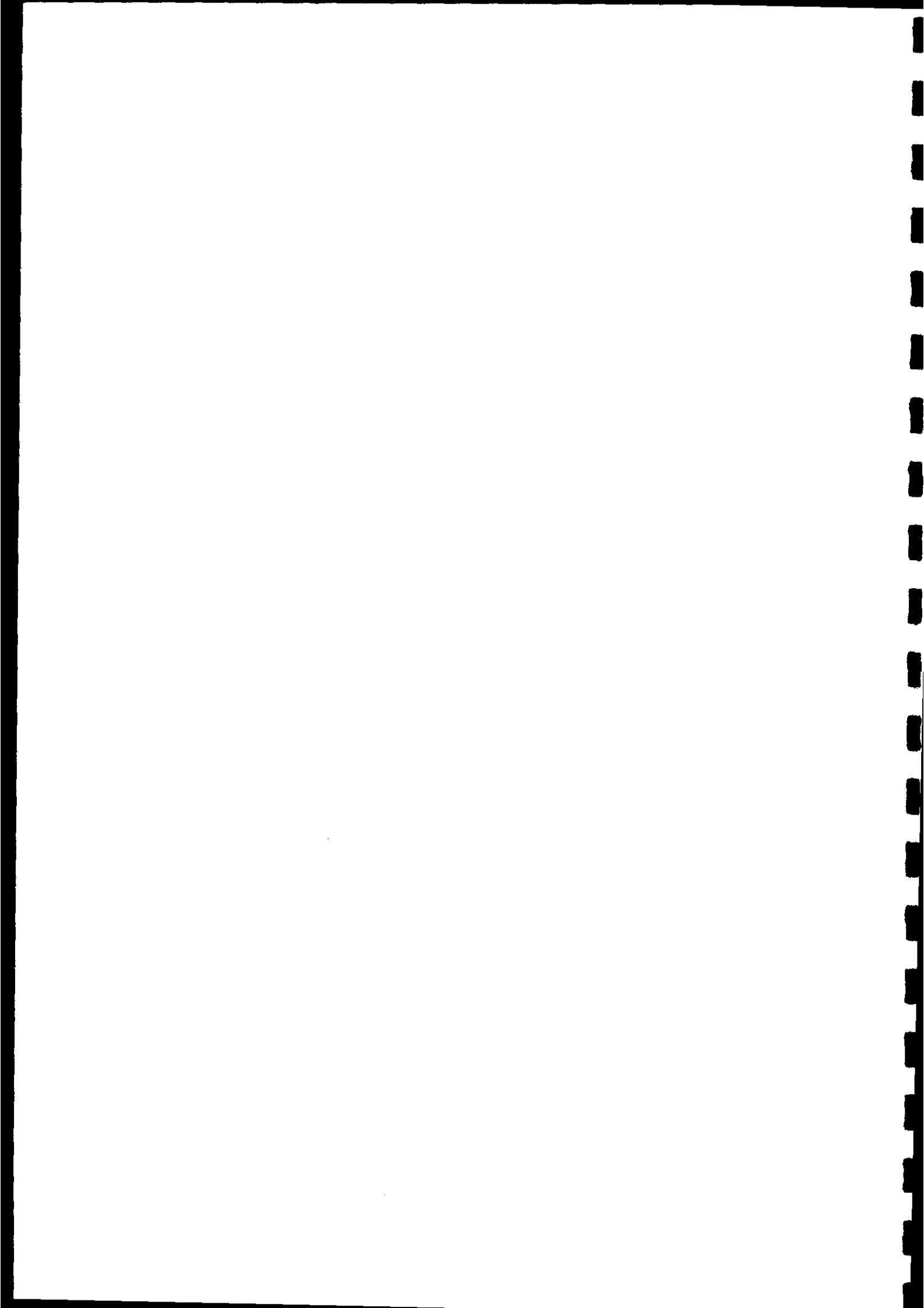
Loss attributable to shareholders		(4,554)	(16,548)
Revaluation of long term business		(1,000)	(1,000)
Currency translation differences		(1,137)	(850)
Total recognised gains and losses for the financial year	19	(6,691)	(18,398)
Prior period adjustment	23	(366)	-
Total recognised gains and losses since last annual report		(7,057)	(18,398)



Consolidated Balance Sheets

at 31 December 2002

	Notes	2002		2001	
		Group	Parent	Group	Parent Restated
ASSETS		£000	£000	£000	£000
Goodwill	12	2,507	2,507	2,962	2,962
Investments					
Land and buildings	13	19,021	18,779	22,456	22,096
Shares in group undertakings	13	250	48,708	250	47,912
Other financial investments	13	486,040	378,906	563,300	454,597
Value of long term insurance business		4,000	-	5,000	-
		<u>509,311</u>	<u>446,393</u>	<u>591,006</u>	<u>524,605</u>
Assets held to cover linked liabilities	14	30,959	5,664	35,033	4,771
Reinsurers' share of technical provisions					
Provision for unearned premiums		29,614	23,543	27,295	22,812
Long term business provision	20	1,242	1,192	1,416	1,346
Claims outstanding	21	95,855	86,315	93,938	77,877
		<u>126,711</u>	<u>111,050</u>	<u>122,649</u>	<u>102,035</u>
Debtors					
Debtors arising out of direct insurance operations	15(a)	51,720	39,657	51,238	42,272
Debtors arising out of reinsurance operations	15(b)	14,111	13,577	36,411	35,964
Amounts due from group undertakings		-	1,549	-	100
Other debtors		1,498	909	2,619	1,725
		<u>67,329</u>	<u>55,692</u>	<u>90,268</u>	<u>80,061</u>
Other assets					
Tangible assets	16	11,358	10,286	13,192	12,087
Cash at bank and in hand		125,959	111,135	69,913	62,064
		<u>137,317</u>	<u>121,421</u>	<u>83,105</u>	<u>74,151</u>
Prepayments and accrued income					
Accrued interest and rent		4,904	3,940	4,960	3,839
Deferred acquisition costs		17,247	13,134	16,698	13,114
Other prepayments and accrued income		2,496	1,970	3,625	2,717
		<u>24,647</u>	<u>19,044</u>	<u>25,283</u>	<u>19,670</u>
Total assets	3(e)	<u>898,781</u>	<u>761,771</u>	<u>950,306</u>	<u>808,255</u>



Consolidated Balance Sheets

at 31 December 2002

	Notes	2002		2001	
		Group	Parent	Group Restated	Parent Restated
LIABILITIES		£000	£000	£000	£000
Capital and reserves					
Called up share capital	17	58,277	58,277	58,277	58,277
Share premium account	18	352	352	352	352
Revaluation reserve	18	-	29,541	-	28,745
Long term business reserve	18	4,000	-	5,000	-
General reserve	18	10,000	10,000	10,000	10,000
Profit and loss account	18	59,227	33,686	71,701	47,956
Shareholders' funds	19	<u>131,856</u>	<u>131,856</u>	<u>145,330</u>	<u>145,330</u>
Fund for future appropriations		11,600	11,600	41,876	41,876
Technical provisions					
Provision for unearned premiums		117,240	93,195	106,766	87,976
Long term business provision	20	214,655	164,953	223,000	167,400
Claims outstanding	21	334,059	303,522	319,446	287,187
Equalisation provision	22	9,938	9,602	6,156	5,956
		<u>675,892</u>	<u>571,272</u>	<u>655,368</u>	<u>548,519</u>
Technical provision for linked liabilities		30,959	5,664	35,033	4,771
Provisions for other risks and charges	23	10,004	9,896	18,969	18,027
Deposits received from reinsurers		24	24	1,052	1,052
Creditors					
Creditors arising out of direct insurance operations		2,034	643	2,195	914
Creditors arising out of reinsurance operations	15(b)	16,931	12,487	34,679	33,304
Other creditors including taxation and social security	24	11,855	9,796	9,630	7,993
Amounts due to group undertakings		-	2,409	-	1,858
		<u>30,820</u>	<u>25,335</u>	<u>46,504</u>	<u>44,069</u>
Accruals and deferred income		7,626	6,124	6,174	4,611
Total liabilities		<u>898,781</u>	<u>761,771</u>	<u>950,306</u>	<u>808,255</u>

Shareholders' funds comprise £87,606,000 (2001:£101,080,000) equity interests and £44,250,000 (2001:£44,250,000) non-equity interests.

The financial statements on pages 20 to 48 were approved by the board of directors on 27 March 2003 and signed on their behalf by:


M. R. CORNWALL-JONES

Chairman


G. V. DOSWELL

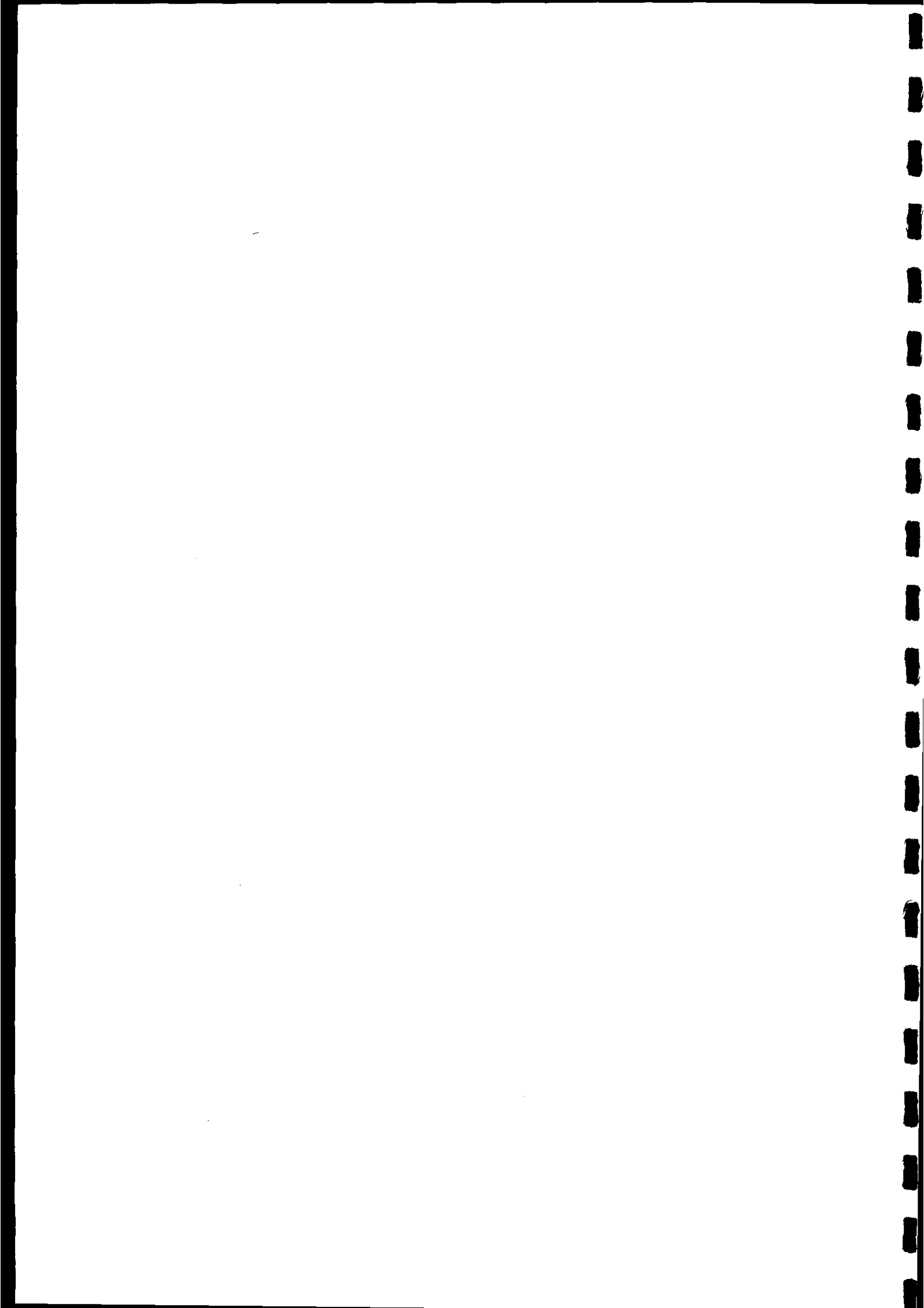
Managing Director



Consolidated Cash Flow Statement

for the year ended 31 December 2002 (excluding long term insurance business)

	Notes	2002 £000	2001 £000
Net cash inflow from operating activities	25(a)	50,136	32,901
Servicing of finance			
Interest paid		(111)	(150)
Preference dividends paid		(3,983)	(3,983)
Taxation paid		(1,458)	(908)
Capital expenditure		(915)	(2,114)
Acquisitions and disposals		(6)	(295)
Equity dividends paid		-	(410)
Charitable grants paid		(2,000)	(1,400)
Financing			
Capital element of lease purchase rental payments		(425)	(391)
	25(b)	<u>41,238</u>	<u>23,250</u>
Cash flows were invested as follows:			
Increase in cash holdings		25,235	19,979
Net portfolio investment			
Purchases of shares and other variable yield securities		5,471	6,189
Purchases of fixed income securities		111,807	25,838
Purchases of properties		11,990	2,448
Sales of shares and other variable yield securities		(34,599)	(11,574)
Sales of fixed income securities		(74,693)	(18,012)
Sales of properties		(3,973)	(1,618)
Net investment of cash flows		<u>41,238</u>	<u>23,250</u>
Movement arising from cash flows		41,238	23,250
Movement in long term business		(39,780)	(36,734)
Changes in market values and exchange rate effects		(30,181)	(22,573)
Total movement in portfolio investments net of financing		<u>(28,723)</u>	<u>(36,057)</u>
Portfolio investments net of financing 1 January		690,952	727,009
Portfolio investments net of financing 31 December	25(b)	<u>662,229</u>	<u>690,952</u>



Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with Section 255A of, and Schedule 9A to, 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 United Kingdom accounting standards and with the material recommendations of the Statement of Recommended Practice issued by the Association of British Insurers.

Change in accounting policy

The provisions of FRS19 'Deferred Tax' have been adopted for the first time in these financial statements. As a consequence, full provision has been made for deferred tax on tax assets and liabilities arising on timing differences. The effect of this change in accounting policy is disclosed in note 23.

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.

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 administrative expenses.

General business technical account

Premiums

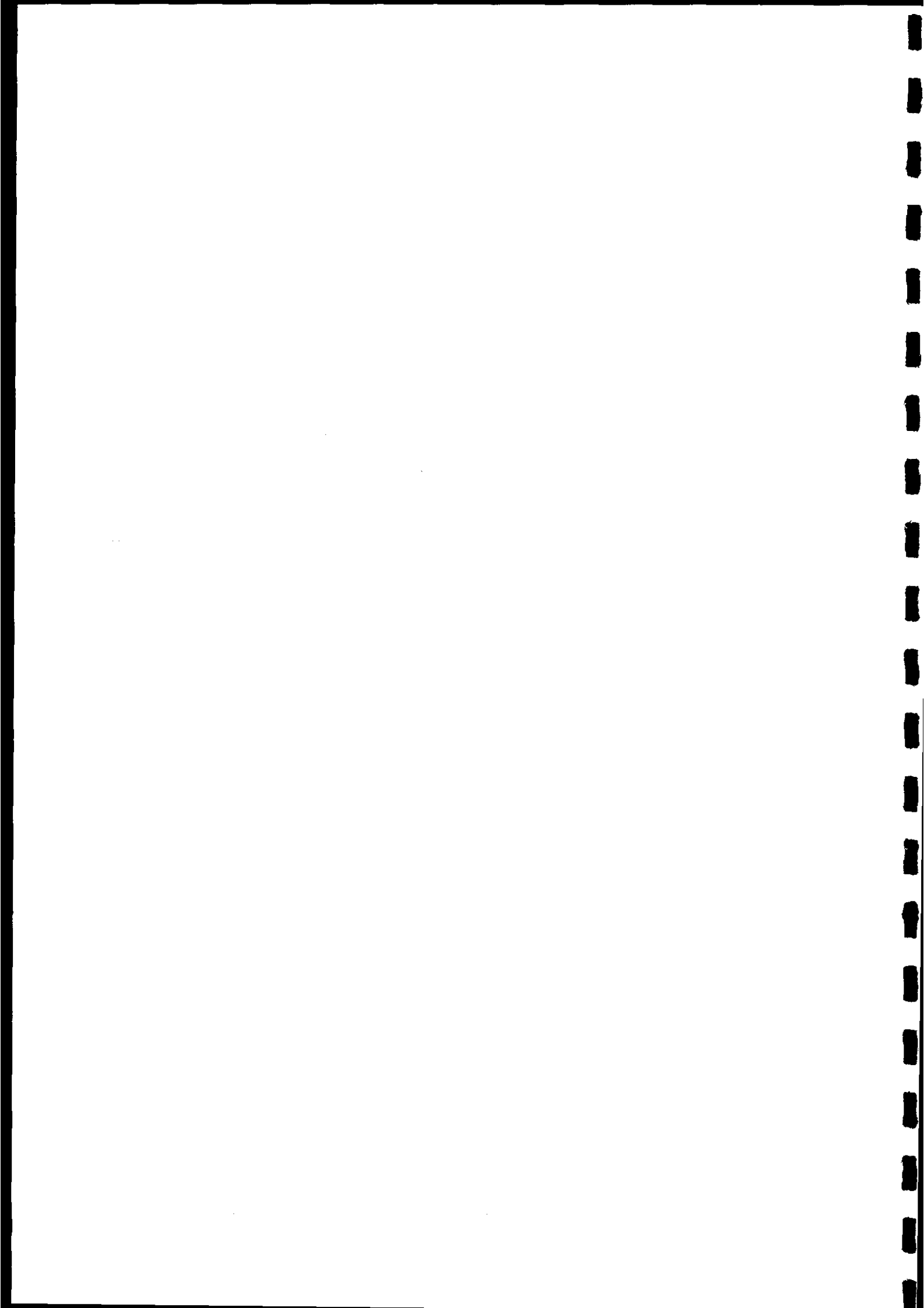
The annual basis of accounting has been adopted except for London market and certain inwards reinsurance business. Under the annual basis of accounting, written premiums, gross of commission payable to intermediaries, comprise the premiums on contracts entered into during a financial year, regardless 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. 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 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.



Accounting Policies

General business technical account (continued)

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 21. 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

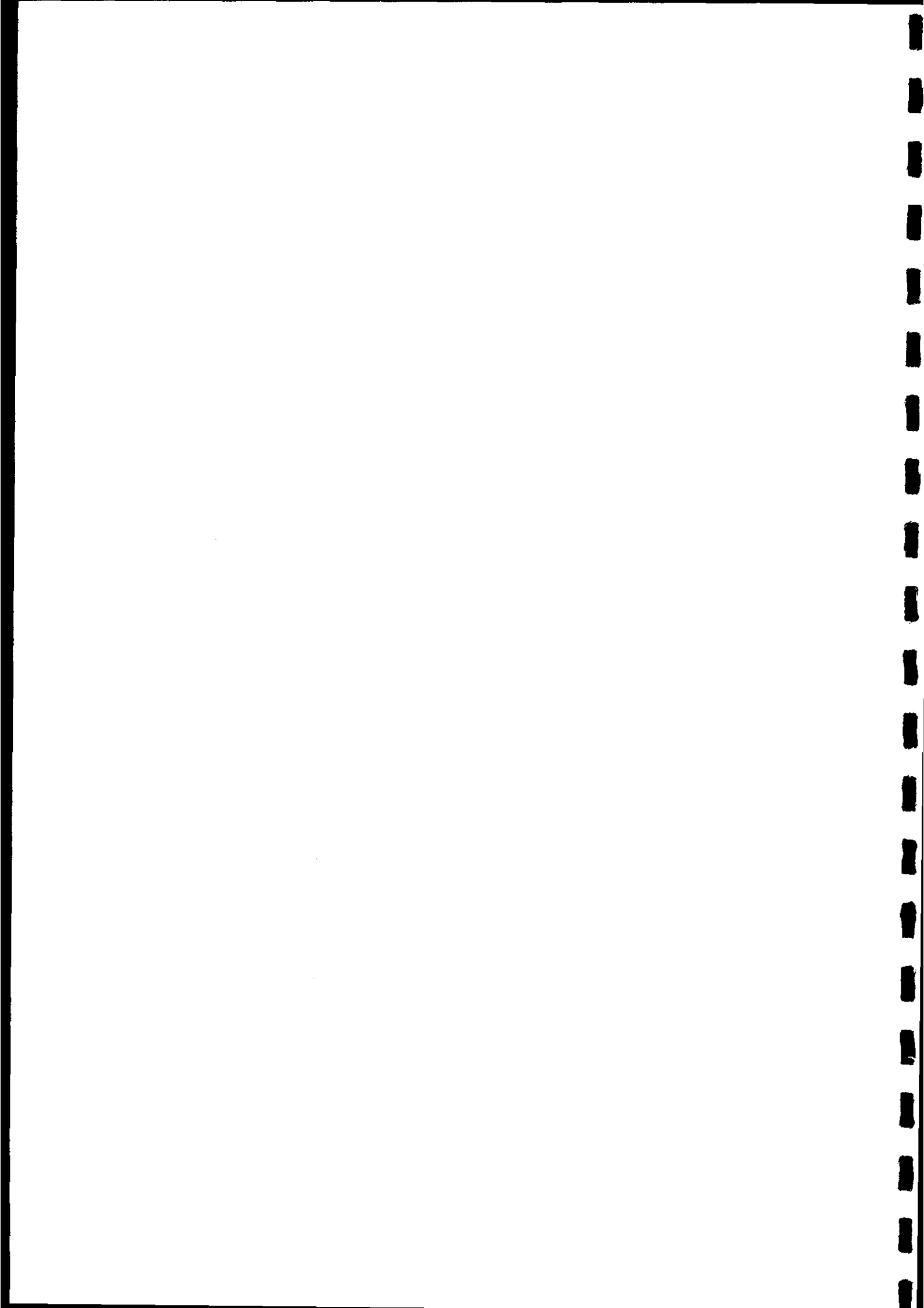
Maturity claims and annuities are charged against revenue when they become payable. Surrenders are accounted for when paid or, if earlier, on the date when the policy ceases to be included within the calculation of the long term business provision or the technical provision for linked liabilities. Death 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

Regular bonuses are recognised in the long term business technical account when declared and final bonuses when paid.



Accounting Policies

Long term business technical account (continued)

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, which does not exceed their net realisable value. Land and buildings are stated at open market value as determined by independent qualified surveyors. The full market value has been reduced by 2% to reflect anticipated selling costs.

From this year, no depreciation is provided on properties held for own use since such depreciation is immaterial.

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.

The company uses futures contracts in a limited way to protect against stock market movements. These are included at market value and shown under the category of investments to which the contracts relate.

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

Provision for deferred tax includes timing differences relating to the revaluation of gains and losses on investments, at rates at which it is expected that the tax will arise and discounted to take account of the likely timing of payments and the pattern of the expected realisation of investments. The discount rates used are the post-tax yields to maturity that could be obtained at the balance sheet date on government bonds with maturity dates and in currencies similar to those of the deferred tax assets or liabilities. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

No deferred tax asset or liability arises in respect of unrealised gains or losses on the assets held to cover linked liabilities.

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

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

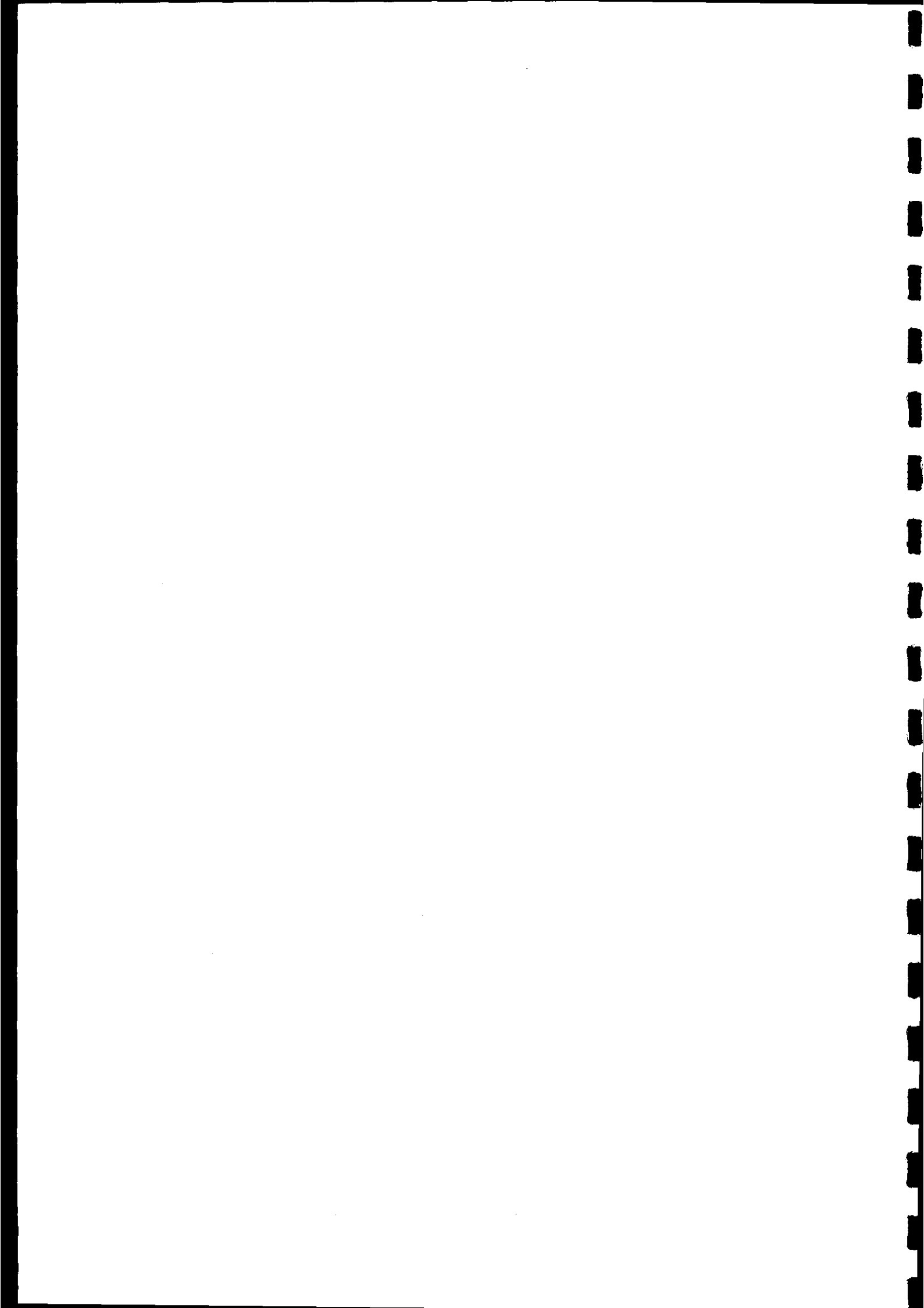
Pension costs are charged so as to spread the long term cost over the expected service lives of employees.

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 of between 2 and 10 years, 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 Loss after taxation

Of the group loss after taxation, £6,164,000 loss (2001:£18,813,000 loss) has been dealt with in the accounts of the parent company.

2 Exchange rates

The principal rates of exchange used for translation are:

	2002	2001
Canada	CS\$2.54	CS\$2.32
Republic of Ireland	€ 1.53	€1.63
Australia	AUS\$2.86	AUS\$2.84

3 Segmental analysis

(a) General business premiums

	2002		2001	
	Gross £000	Net £000	Gross £000	Net £000
Direct:				
Accident	6,925	6,640	5,975	5,782
Motor	35,862	31,244	35,639	33,350
Property	164,047	84,645	148,868	87,605
Liability	48,403	41,131	37,095	31,507
	<u>255,237</u>	<u>163,660</u>	<u>227,577</u>	<u>158,244</u>
Reinsurance accepted and London market	58,448	40,562	54,072	37,632
Total	<u>313,685</u>	<u>204,222</u>	<u>281,649</u>	<u>195,876</u>

Geographical analysis - on the basis of location of office

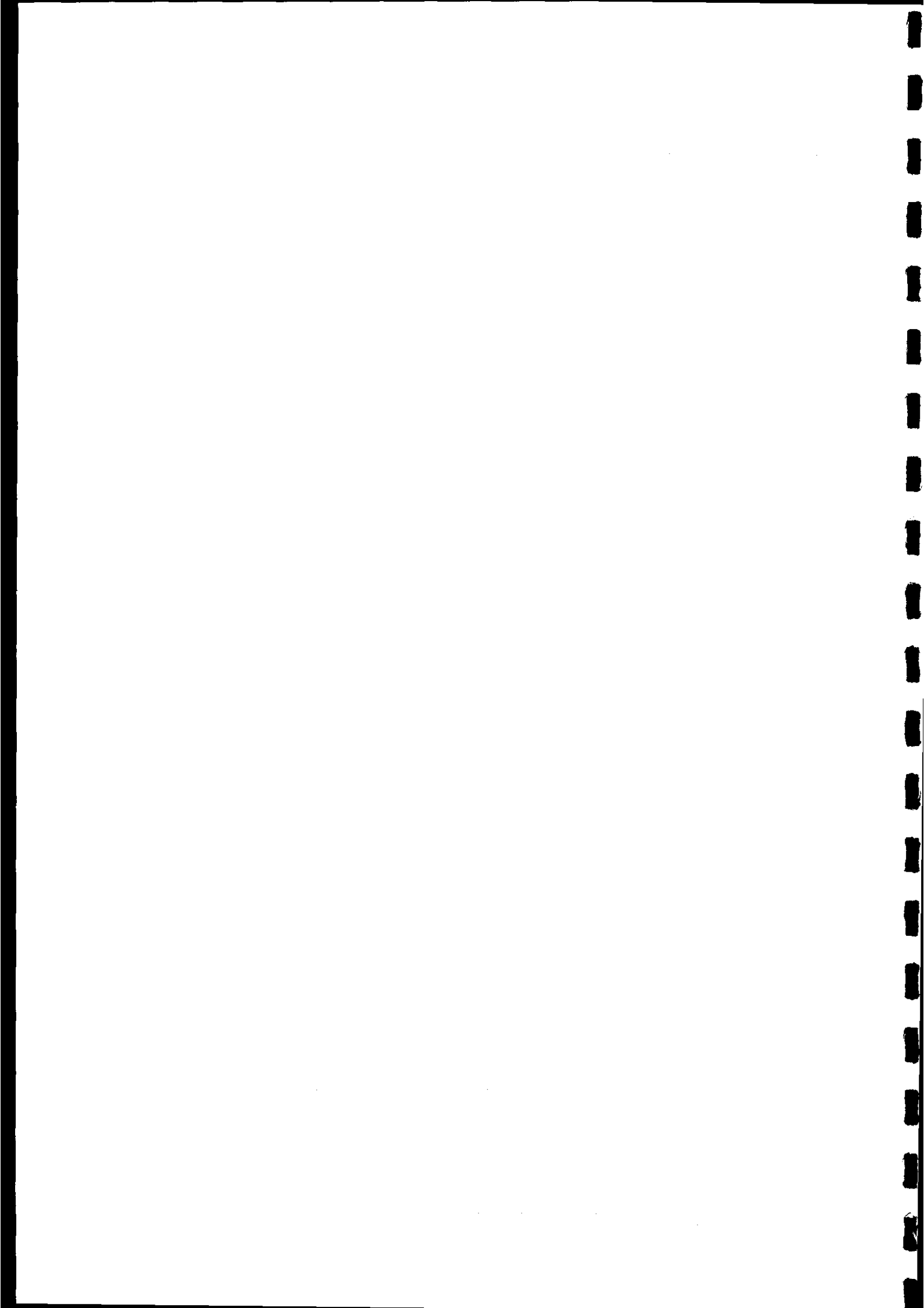
United Kingdom	249,933	166,004	222,932	158,671
Australia and New Zealand	32,292	20,137	25,018	17,151
Canada	20,767	10,805	25,457	13,760
Other overseas	10,693	7,276	8,242	6,294
Total	<u>313,685</u>	<u>204,222</u>	<u>281,649</u>	<u>195,876</u>

(b) Long term business premiums

Geographical analysis - on the basis of location of office

United Kingdom	19,815	19,339	22,407	22,188
New Zealand	110	64	91	55
Total	<u>19,925</u>	<u>19,403</u>	<u>22,498</u>	<u>22,243</u>

The directors are of the opinion that no meaningful analysis of profit before taxation and net assets can be prepared by class of business.



Notes to the Accounts

3 Segmental analysis (continued)	2002	2001
(b) Long term business premiums (continued)		<i>Restated</i>
The analysis of long term business premiums written before reinsurance is:	£000	£000
Life insurance business		
- Single premiums	6,522	8,287
- Regular premiums	6,477	6,985
Annuity business		
- Single premiums	785	960
Pension business		
Non-linked contracts		
- Single premiums	653	482
- Regular premiums	2,136	2,160
Linked contracts		
- Single premiums	477	456
- Regular premiums	2,635	2,964
Permanent health insurance	240	204
	<u>19,925</u>	<u>22,498</u>
Gross new annualised regular premiums		
Life insurance	169	344
Pensions	300	290
	<u>469</u>	<u>634</u>
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	(15,358)	(18,570)
Australia and New Zealand	943	(223)
Canada	1,181	(340)
Other overseas	355	(958)
Long term business	6,724	1,635
Total	<u>(6,155)</u>	<u>(18,456)</u>
(d) Net assets		
United Kingdom	95,670	115,904
Australia and New Zealand	5,998	4,792
Canada	14,493	14,287
Other overseas	(1,573)	(1,714)
Long term business	17,268	12,061
Total	<u>131,856</u>	<u>145,330</u>
(e) Total assets		
Of the total assets shown on page 23, £279,266,000 (2001:£319,050,000) are attributable to the long term business fund.		



Notes to the Accounts

4 Investment income	2002		2001	
	General business £000	Long term business £000	General business £000	Long term business £000
Land and buildings	1,544	745	782	877
Other investments	15,918	14,359	15,616	15,114
Realised investment gains	4,704	17,795	3,642	3,614
	<u>22,166</u>	<u>32,899</u>	<u>20,040</u>	<u>19,605</u>

5 Expenses	2002		2001	
	General business £000	Long term business £000	General business £000	Long term business £000
(a) Net operating expenses				
Commission paid on direct business	48,734	60	45,937	241
Other acquisition costs	19,823	1,735	20,047	1,729
Change in deferred acquisition costs	(767)	218	(991)	269
Administrative expenses	24,986	3,736	24,362	3,879
Reinsurance commissions and profit participation	(29,320)	(180)	(25,488)	(22)
	<u>63,456</u>	<u>5,569</u>	<u>63,867</u>	<u>6,096</u>

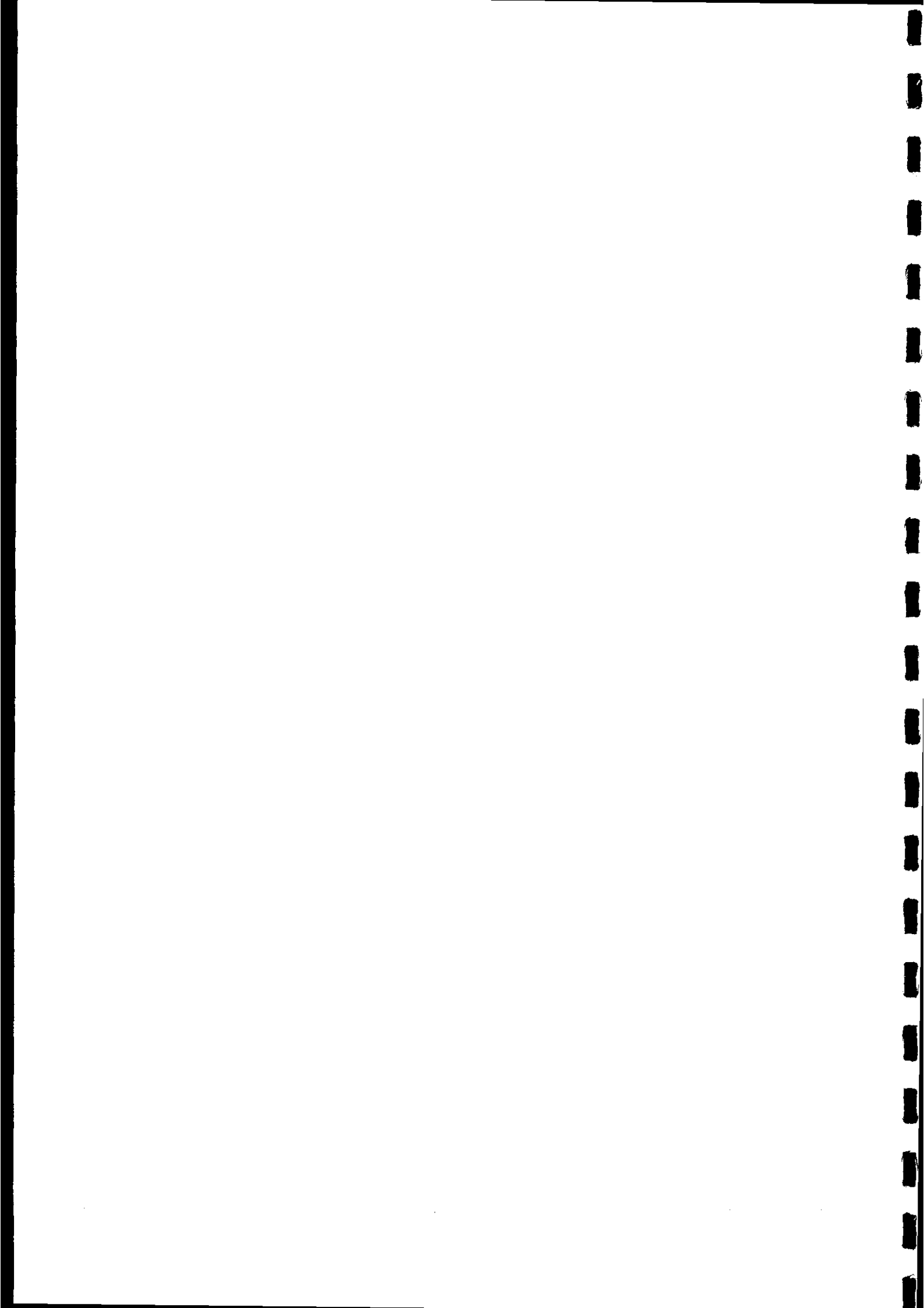
Administrative expenses include:

Depreciation	- property	-	-	32	-
	- owned assets	3,113	98	2,585	217
	- leased assets	(76)	62	84	23
Auditors' remuneration	- parent	170	15	147	15
	- group UK, including parent	206	41	193	41
	- group overseas	72	-	107	-
	- group fees for non-audit services	121	21	158	21
Interest payments under lease purchase contracts		111	32	108	40

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

(b) Other charges

Other charges consist of the amortisation of goodwill, which is disclosed in note 12.



Notes to the Accounts

6 Employee Information

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

	2002		2001	
	General business	Long term business	General business	Long term business
	No.	No.	No.	No.
United Kingdom	829	89	823	86
Australia and New Zealand	98	-	97	-
Canada	66	-	58	-
Republic of Ireland	16	-	16	-
	<u>1,009</u>	<u>89</u>	<u>994</u>	<u>86</u>
	£000	£000	£000	£000
Wages and salaries	23,119	1,989	21,026	2,120
Social security costs	1,796	162	1,651	180
Other pension costs	3,286	265	2,866	245
	<u>28,201</u>	<u>2,416</u>	<u>25,543</u>	<u>2,545</u>

7 Directors' emoluments

	2002	2001
	£	£
Aggregate emoluments of the directors of the company	617,912	593,136
Highest paid director - emoluments	228,645	206,709
- accrued pension benefit	93,020	86,490
- accrued lump sum entitlement	279,060	259,470
Chairman's fees	40,000	40,000

The chairman was reimbursed £15,000 (2001:£15,000) in respect of the cost of running his office and the provision of secretarial assistance.

Two directors (2001:2) who were employed by Ecclesiastical Insurance Office plc, were members of the group's defined benefits pension scheme during the year.



Notes to the Accounts

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 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 2001. 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.

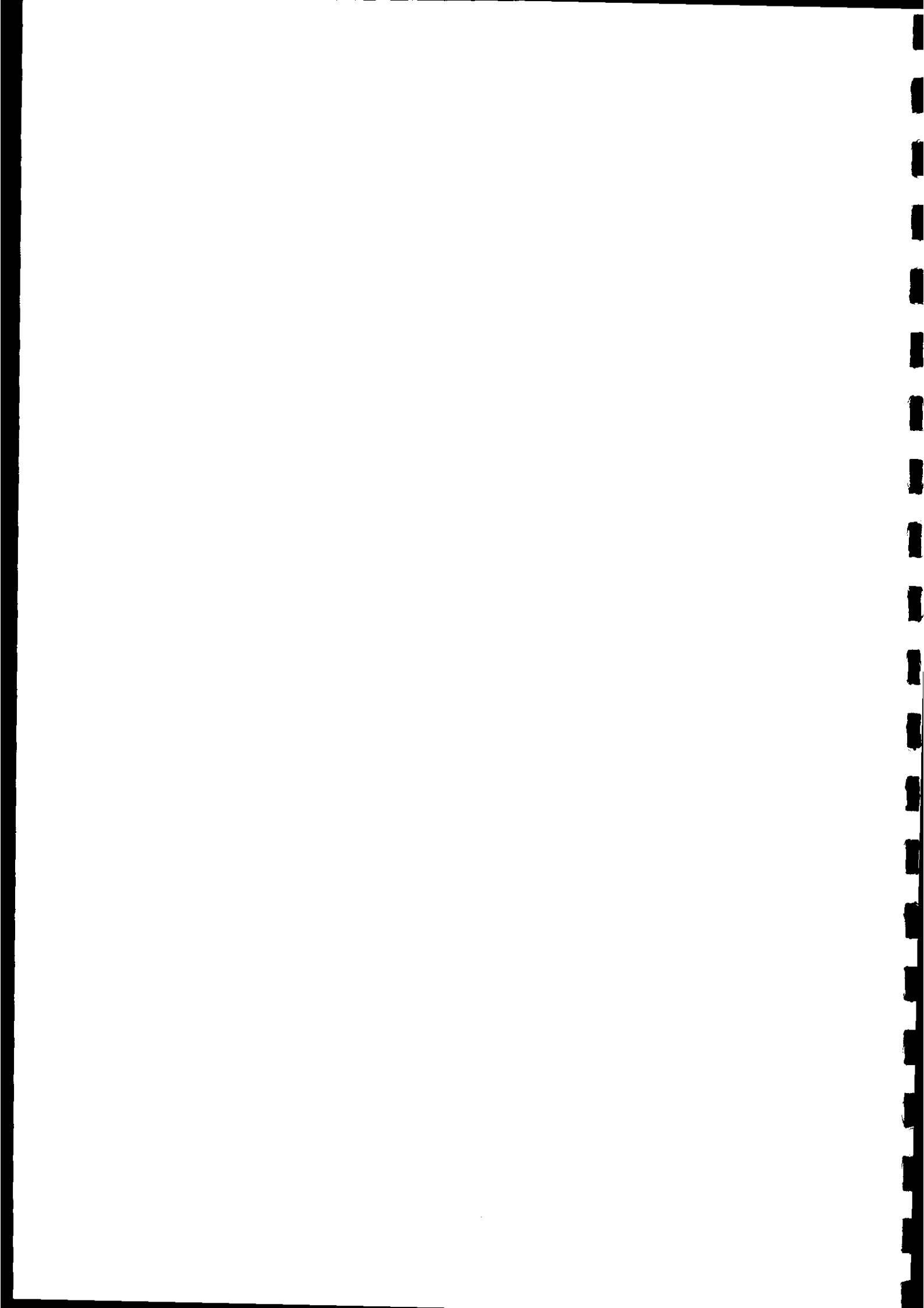
The most recent actuarial valuation showed that the market value of the scheme's assets was £86,187,000 and that the actuarial value of the assets was in excess of 120% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contribution of the group 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 £2,943,000 (2001:£2,678,000). Of this £2,854,000 (2001:£2,590,000) 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 2002. The financial assumptions used, which are the average for all schemes weighted according to the value of each schemes liabilities, were as follows:

	2002 %	2001 %
Inflation	2.25%	2.25%
Increase in salary	4.00%	4.00%
Increase in pensions in payment	2.25%	2.25%
Discount rate for scheme liabilities	5.50%	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 2001 and 31 December 1999.

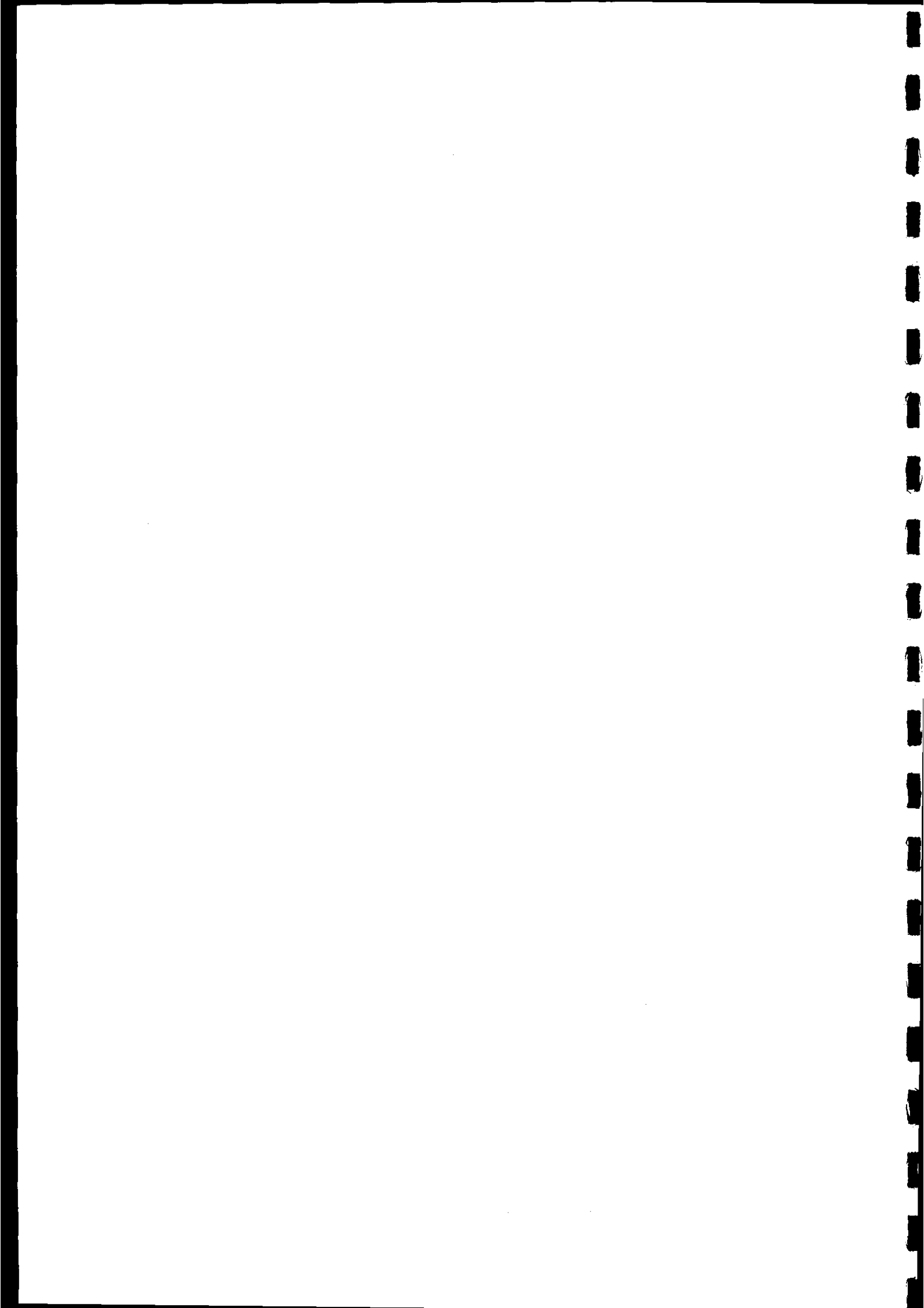


Notes to the Accounts

8 Pensions (continued)	2002	%
	£000	
<i>Service costs</i>		
Current service costs	4,108	
<i>Other finance costs</i>		
Expected return on scheme assets	6,409	
Interest cost on scheme liabilities	(4,128)	
Net finance income	2,281	
<i>Actuarial gains and losses</i>		
Difference between actual and expected return on scheme assets	(14,597)	17.35%
Experience losses arising on scheme liabilities	(1,497)	1.86%
Total actuarial gains and losses	(16,094)	
<i>Movement in surplus during the year</i>		
Surplus 1 January	18,332	
Current service cost	(4,108)	
Contributions	3,352	
Other finance income	2,281	
Actuarial losses	(16,094)	
Surplus 31 December	3,763	

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

	Value at 31.12.2002	Expected rate of return	Value at 31.12.2001 Restated	Expected rate of return
	£000	%	£000	%
Equities	45,110	8.00%	59,364	8.00%
Bonds	23,235	5.50%	18,898	5.50%
Other	15,780	4.00%	12,082	4.50%
Total market value of assets	84,125		90,344	
Present value of scheme liabilities	80,362		71,802	
Net surplus in the schemes	3,763		18,542	
Deferred tax liability	1,129		5,563	
Net pension asset	2,634		12,979	
Group net assets excluding net pension asset	131,856		145,330	
Group net assets including net pension asset	134,490		158,309	
Profit and loss account excluding pension asset	59,227		71,701	
Pension asset	2,634		12,979	
Profit and loss account	61,861		84,680	



Notes to the Accounts

9 Taxation	Long term business		Non-technical account	
	technical account			
	2002	2001	2002	2001
	£000	£000	£000	£000
UK corporation tax for the current financial year	2,041	690	1,580	1,360
Overseas tax	52	35	690	227
Tax attributable to shareholders' long term business profits	-	-	517	490
	<u>2,093</u>	<u>725</u>	<u>2,787</u>	<u>2,077</u>
Deferred tax	(4,577)	(3,268)	(4,388)	(3,985)
	<u>(2,484)</u>	<u>(2,543)</u>	<u>(1,601)</u>	<u>(1,908)</u>

UK corporation tax in the long term business technical account has been calculated at rates between 20% and 30% (2001: 20% and 30%) in accordance with the rates applicable to long term insurance business.

The tax assessed for the year in the non-technical account differs from the standard rate of corporation tax of 30% for the reasons set out in the following reconciliation.

	Non-technical account	
	2002	2001
	£000	£000
Loss on ordinary activities before tax	(6,155)	(18,456)
Tax on loss on ordinary activities at standard rate	(1,847)	(5,536)
<i>Factors affecting charge for the period:</i>		
Capital allowances for the period in excess of depreciation	(574)	(774)
Other timing differences	(313)	4,011
Dividends received	(1,237)	(1,155)
Expenses not deductible for tax purposes	746	418
Tax paid at non-standard rates	423	(72)
Tax relief on gift aid	1,200	1,200
Unrealised investment losses	4,388	3,985
Total actual amount of current tax	<u>2,787</u>	<u>2,077</u>

10 Dividends	2002	2001
	£000	£000
<i>Equity</i>		
Ordinary shares:		
Interim paid nil (2001: 1.460p) per share	-	410
<i>Non-equity</i>		
First Cumulative Preference shares	7	7
Redeemable Second Cumulative Preference shares	300	300
Redeemable Third Non-Cumulative Preference shares	1,520	1,520
Non-Cumulative Irredeemable Preference shares	2,156	2,156
	<u>3,983</u>	<u>3,983</u>
Total dividends	<u>3,983</u>	<u>4,393</u>

The dividend on the First Cumulative Preference shares has been accrued. All other preference dividends were paid during the financial year.



Notes to the Accounts

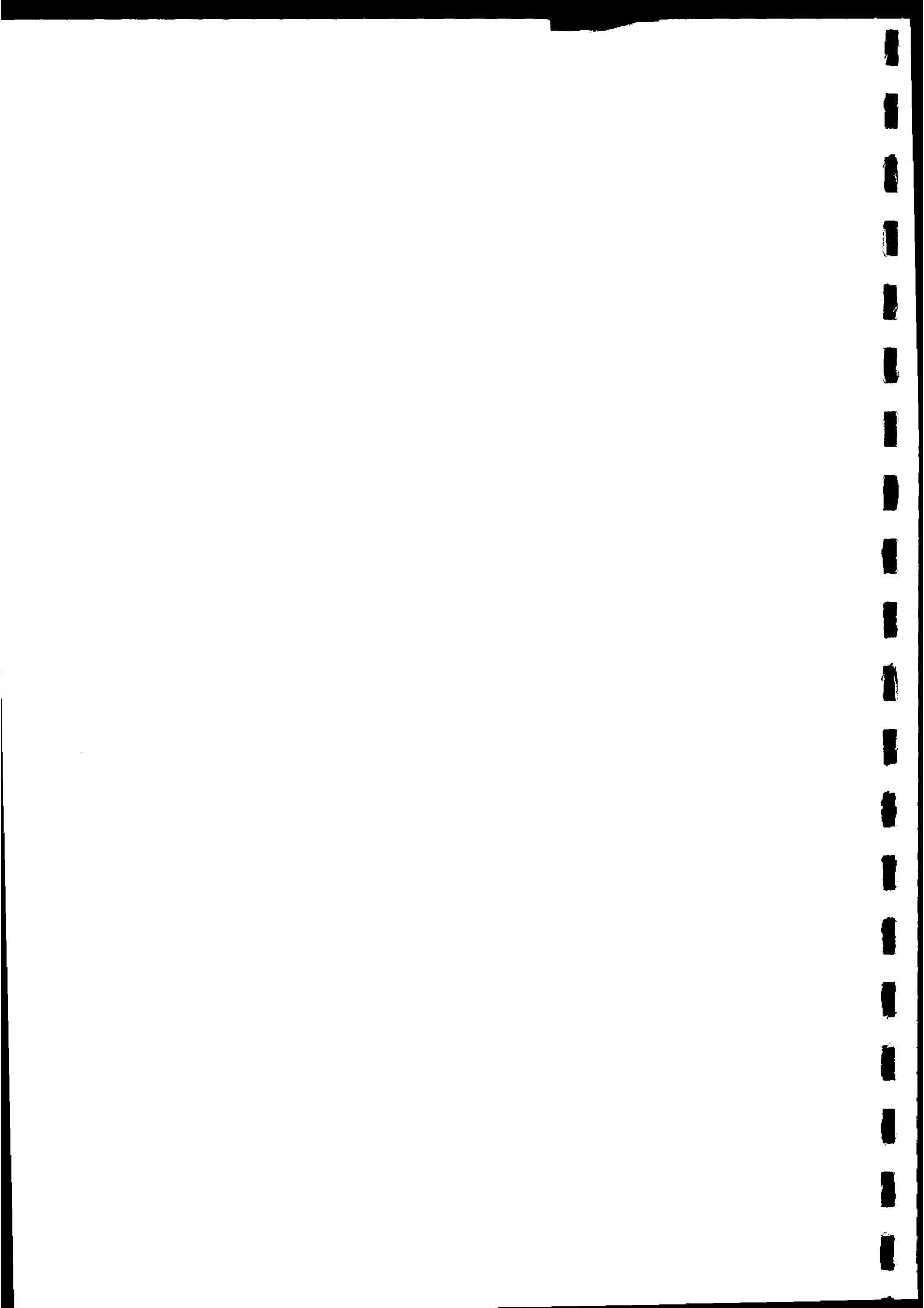
11 Charitable grants

Charitable grants of £4,000,000 (2001:£4,000,000) gross and £2,800,000 (2001:£2,800,000) net of tax relief consist of gift aid payments to the ultimate parent company, Allchurches Trust Limited.

12 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.

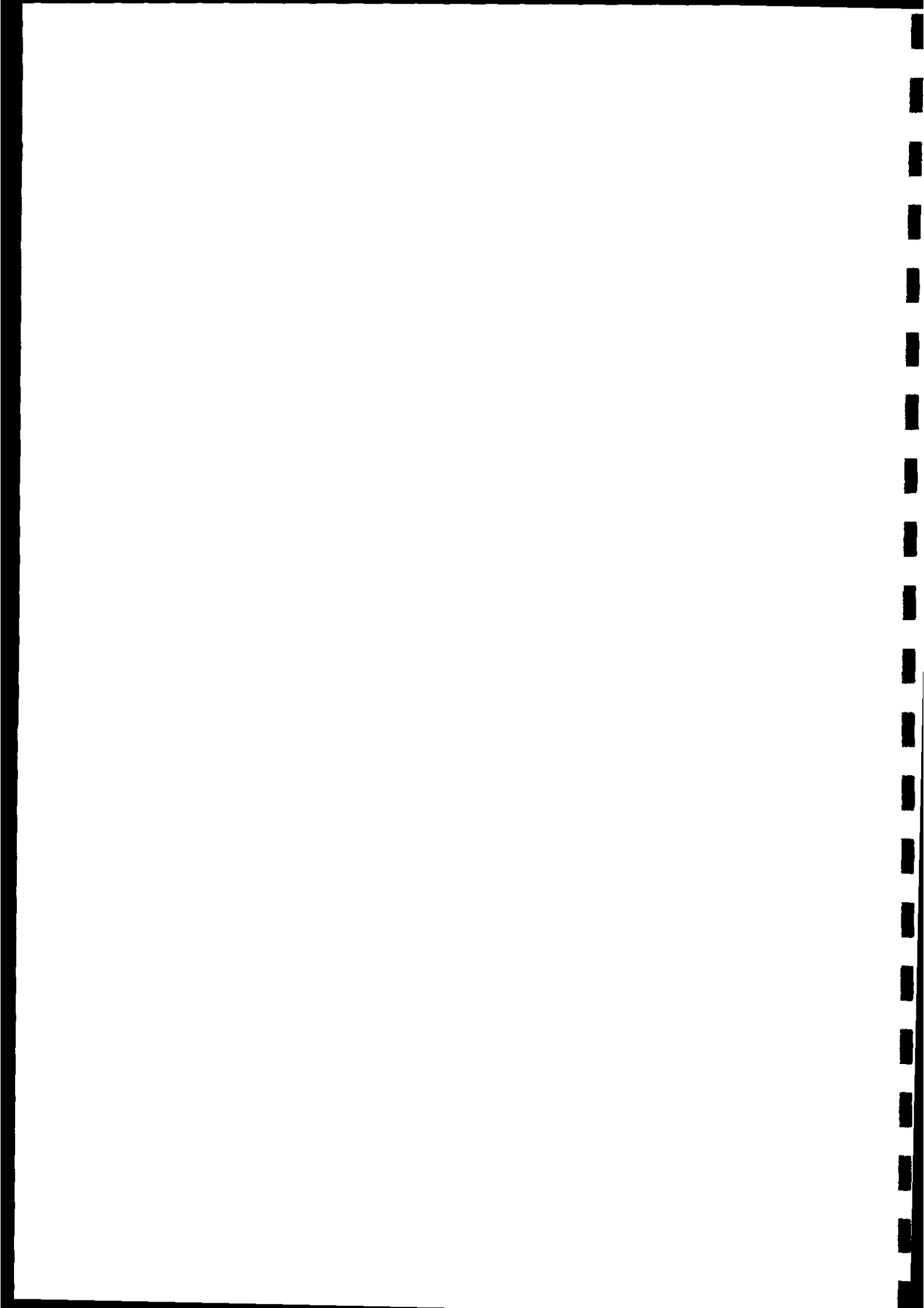
	2002	2001
	£000	£000
Carrying value 1 January	2,962	3,417
Additions	6	-
Amortisation	(461)	(455)
Carrying value 31 December	<u>2,507</u>	<u>2,962</u>



Notes to the Accounts

13 Investments <i>Group</i>	2002			2001		
	General business £000	Long term business £000	Total £000	General business £000	Long term business £000	Total £000
<i>Current value</i>						
Freehold land and buildings						
- occupied by the group	2,122	392	2,514	2,240	392	2,632
- other	16,507	-	16,507	8,767	11,057	19,824
	<u>18,629</u>	<u>392</u>	<u>19,021</u>	<u>11,007</u>	<u>11,449</u>	<u>22,456</u>
Investments in group undertakings						
- preference shares	250	-	250	250	-	250
Other financial investments						
Equity shares and other variable yield securities and units in unit trusts:						
- listed	96,723	89,206	185,929	166,949	153,040	319,989
- unlisted	15,568	178	15,746	1,342	1,761	3,103
	<u>112,291</u>	<u>89,384</u>	<u>201,675</u>	<u>168,291</u>	<u>154,801</u>	<u>323,092</u>
Debt and other fixed income securities:						
- listed	163,160	71,705	234,865	128,106	53,361	181,467
- unlisted	216	81	297	1,704	2,243	3,947
Loans secured by mortgages	830	42,189	43,019	1,362	48,925	50,287
Other loans	5,872	312	6,184	4,131	376	4,507
	<u>170,078</u>	<u>114,287</u>	<u>284,365</u>	<u>135,303</u>	<u>104,905</u>	<u>240,208</u>
Total	<u>282,369</u>	<u>203,671</u>	<u>486,040</u>	<u>303,594</u>	<u>259,706</u>	<u>563,300</u>
<i>Cost</i>						
Freehold land and buildings	18,927	400	19,327	10,436	12,099	22,535
Investments in group undertakings	250	-	250	250	-	250
Other financial investments	247,386	149,801	397,187	236,960	156,254	393,214
	<u>266,563</u>	<u>150,201</u>	<u>416,764</u>	<u>247,646</u>	<u>168,353</u>	<u>415,999</u>
Debt and other fixed income securities valued at amortised cost						
Cost	153,097	63,139	216,236	112,360	48,530	160,890
Cumulative amortisation	(315)	(1,392)	(1,707)	(655)	(1,359)	(2,014)
Current value	152,782	61,747	214,529	111,705	47,171	158,876
Unamortised maturity value	(4,631)	(3,521)	(8,152)	(2,179)	(2,067)	(4,246)
Maturity value	<u>148,151</u>	<u>58,226</u>	<u>206,377</u>	<u>109,526</u>	<u>45,104</u>	<u>154,630</u>
Market value	<u>159,447</u>	<u>67,266</u>	<u>226,713</u>	<u>115,265</u>	<u>51,263</u>	<u>166,528</u>

Owner occupied properties were valued at market value based on vacant possession at 31 December 2000. The directors have reviewed the carrying value at the year end and have not identified any material changes to circumstances or to any valuation assumptions which would materially affect the values. Other properties were valued on an open market existing use basis at 31 December 2002.



Notes to the Accounts

13 Investments (continued)	2002			2001		
	General business £000	Long term business £000	Total £000	General business £000	Long term business £000	Total £000
<i>Parent</i>						
<i>Current value</i>						
Freehold land and buildings						
- occupied by the group	1,880	392	2,272	1,881	392	2,273
- other	16,507	-	16,507	8,766	11,057	19,823
	18,387	392	18,779	10,647	11,449	22,096
Other financial investments						
Equity shares and other variable yield securities and units in unit trusts:						
- listed	90,365	87,118	177,483	154,685	151,301	305,986
- unlisted	15,568	178	15,746	1,146	1,659	2,805
	105,933	87,296	193,229	155,831	152,960	308,791
Debt and other fixed income securities:						
- listed	119,814	55,433	175,247	98,739	35,270	134,009
- unlisted	216	81	297	1,177	1,877	3,054
Loans secured by mortgages	830	6,085	6,915	1,300	6,895	8,195
Other loans	2,933	285	3,218	203	345	548
	123,793	61,884	185,677	101,419	44,387	145,806
Total	229,726	149,180	378,906	257,250	197,347	454,597
<i>Cost</i>						
Freehold land and buildings	18,722	400	19,122	10,161	12,099	22,260
Investments in group undertakings	23,420	-	23,420	23,420	-	23,420
Other financial investments	195,003	95,846	290,849	193,980	94,918	288,898
	237,145	96,246	333,391	227,561	107,017	334,578
Debt and other fixed income securities valued at amortised cost						
Cost	115,164	50,130	165,294	88,389	33,732	122,121
Cumulative amortisation	(136)	(1,265)	(1,401)	(512)	(1,102)	(1,614)
Current value	115,028	48,865	163,893	87,877	32,630	120,507
Unamortised maturity value	(4,067)	(3,490)	(7,557)	(1,662)	(2,122)	(3,784)
Maturity value	110,961	45,375	156,336	86,215	30,508	116,723
Market value	121,086	52,875	173,961	91,766	35,585	127,351

Notes to the Accounts

13 Investments (continued)	2002			2001		
	Shares in group under -takings £000	Loans to subsidiary under -takings £000	Total £000	Shares in group under -takings £000	Loans to subsidiary under -takings £000	Total £000
<i>Cost</i>						
At 1 January	23,420	500	23,920	23,420	-	23,420
Additions	-	1,049	1,049	-	500	500
At 31 December	23,420	1,549	24,969	23,420	500	23,920
<i>Provisions</i>						
At 1 January	24,492	-	24,492	24,060	-	24,060
Additions	796	-	796	432	-	432
At 31 December	25,288	-	25,288	24,492	-	24,492
<i>Net book value</i>						
At 31 December	48,708	1,549	50,257	47,912	500	48,412
At 1 January	47,912	500	48,412	47,480	-	47,480

All of the investments in the table above are unlisted.

Loans to subsidiary undertakings are included within amounts due to group undertakings in the balance sheet.

14 Assets held to cover linked liabilities	2002		2001	
	Current value £000	Historical cost £000	Current value £000	Historical cost £000
Group	30,959	31,198	35,033	28,493
Parent	5,664	5,815	4,771	4,950

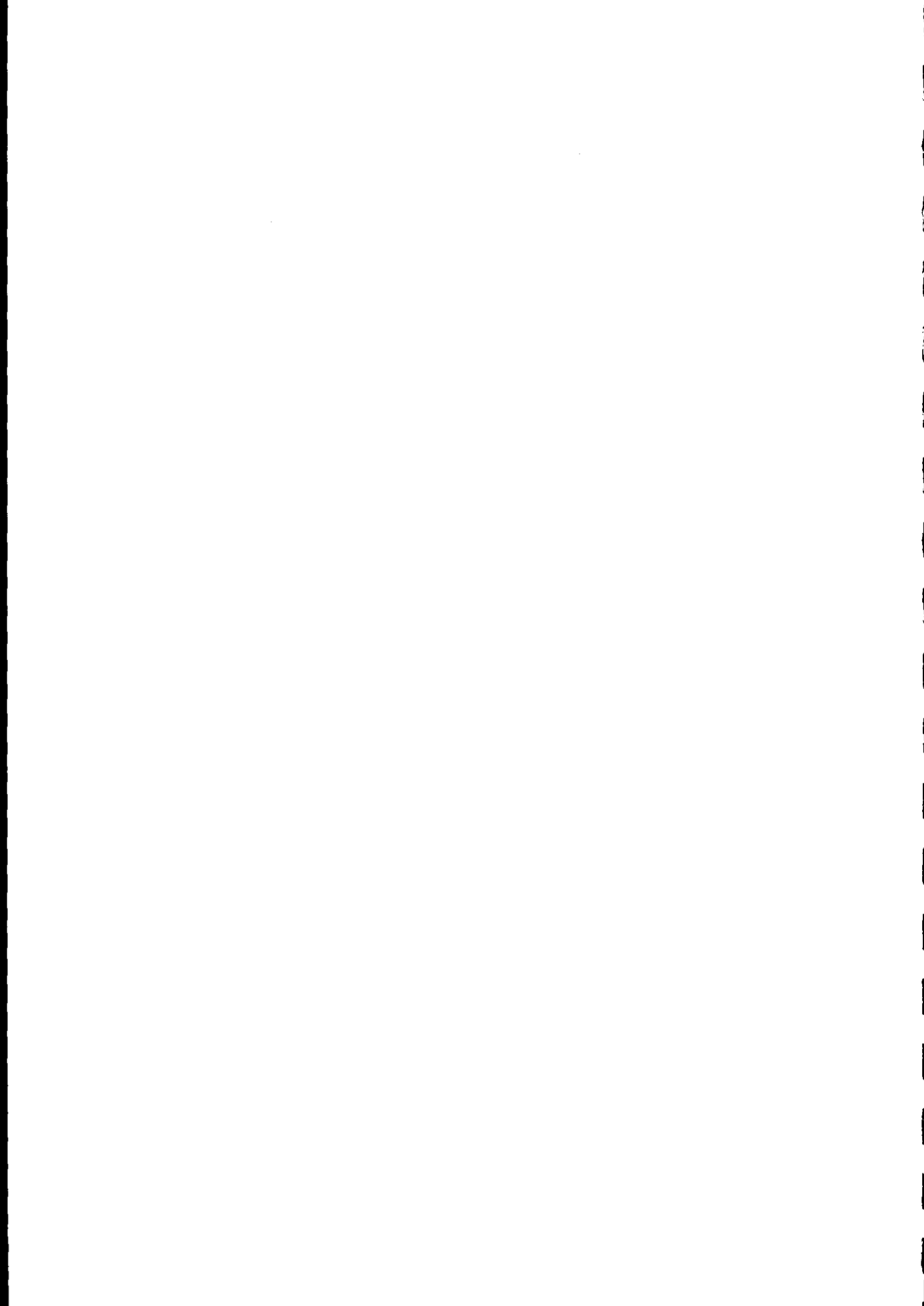
15 Debtors arising out of insurance operations

(a) Debtors arising out of direct insurance operations

	2002			2001		
	General business £000	Long term business £000	Total £000	General business £000	Long term business £000	Total £000
<i>Group</i>						
Policyholders	18,299	1,465	19,764	19,687	731	20,418
Intermediaries	31,956	-	31,956	30,820	-	30,820
	50,255	1,465	51,720	50,507	731	51,238
<i>Parent</i>						
Policyholders	17,625	323	17,948	19,047	121	19,168
Intermediaries	21,709	-	21,709	23,104	-	23,104
	39,334	323	39,657	42,151	121	42,272

(b) Debtors and creditors arising out of reinsurance operations

Where there are legal rights of set off, reinsurance debtors and creditors with the same party have been netted off to show the net debtor or creditor that will actually be settled.



Notes to the Accounts

16 Tangible assets	Group £000	Parent £000
<i>Cost:</i>		
At 1 January	28,339	25,961
Additions	2,955	2,477
Exchange movements	9	(23)
Disposals	(1,593)	(1,105)
At 31 December	<u>29,710</u>	<u>27,310</u>
<i>Depreciation:</i>		
At 1 January	15,147	13,874
Provided in the year	4,402	3,968
Exchange movements	8	(8)
Disposals	(1,205)	(810)
At 31 December	<u>18,352</u>	<u>17,024</u>
Net book value at 31 December		
General business	10,199	9,127
Long term business	1,159	1,159
	<u>11,358</u>	<u>10,286</u>
Net book value at 1 January		
General business	12,020	10,915
Long term business	1,172	1,172
	<u>13,192</u>	<u>12,087</u>

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

Notes to the Accounts

17 Share capital	Issued, allotted and fully paid	
	2002 £000	2001 £000
Authorised		
Ordinary share capital:		
30,000,000 shares of 50p each	14,027	14,027
Preference share capital:		
250,000 2.8% First Cumulative Preference shares of £1 each	250	250
3,000,000 10% Redeemable Second Cumulative Preference shares of £1 each	3,000	3,000
16,000,000 9.5% Redeemable Third Non-Cumulative Preference shares of £1 each	16,000	16,000
25,000,000 8.625% Non-Cumulative Irredeemable Preference shares of £1 each	25,000	25,000
25,000,000 Sterling Preference shares of £1 each	-	-
	<u>58,277</u>	<u>58,277</u>

The company 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
2003 to 2007	2 ½ per cent
2008 to 2012	Nil

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

The company may redeem the issued 16,000,000 9.5% Redeemable Third Non-Cumulative Preference shares at par on or at any time after 30 June 2012. Final redemption date is 30 June 2018.

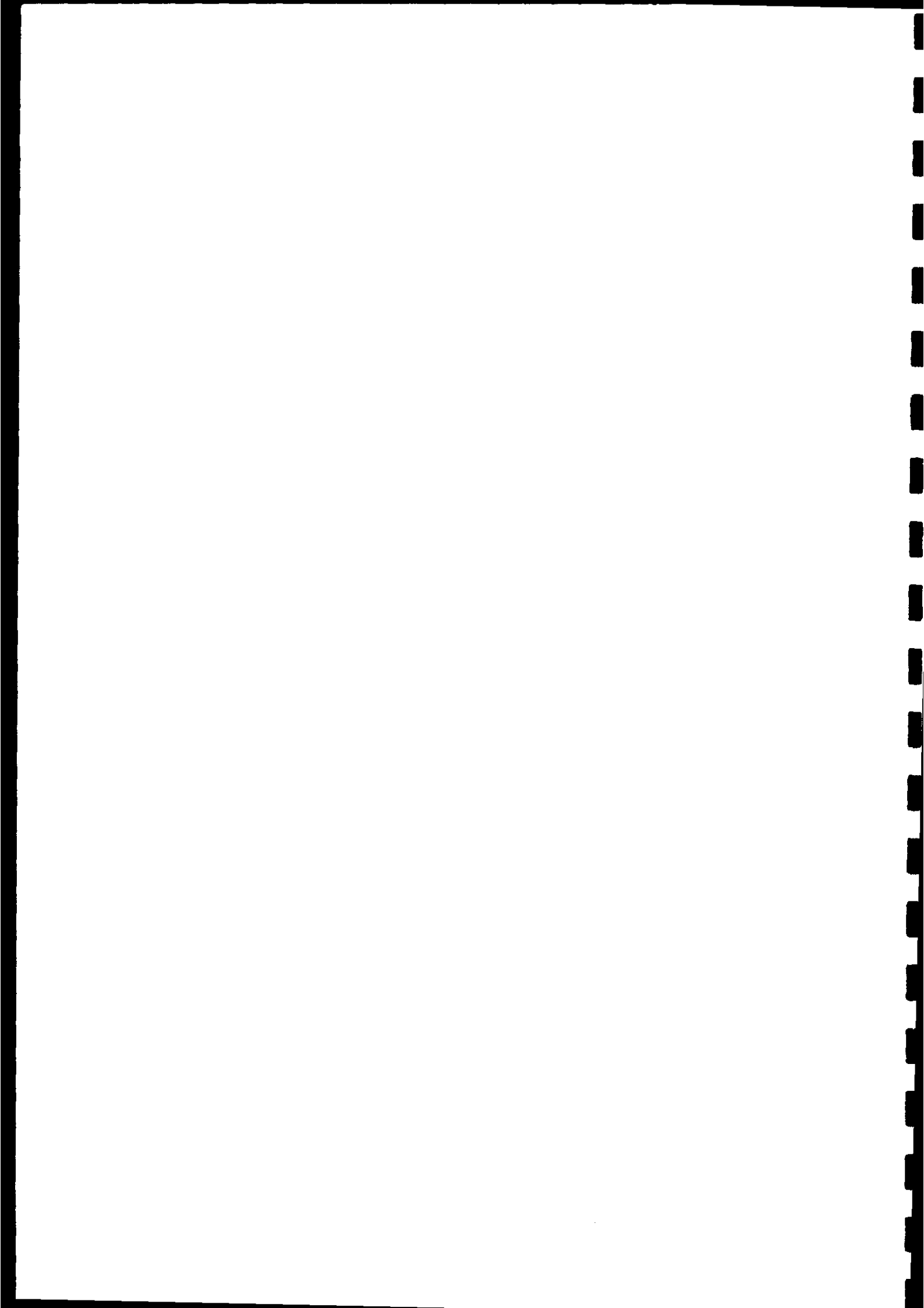
On a winding up, the assets of the company remaining after payment of its liabilities are to be applied to holders of the First, then the Second, then the Irredeemable, then the Third Preference shares in repaying the nominal capital sum paid up on the shares and (except for the Third Preference shareholders) an amount equal to all arrears of accrued and unpaid dividends up to the date of the commencement of the winding up.

Holders of the First, Third and Irredeemable Preference shares are not entitled to receive notice of, or to attend or vote at, any general meeting of the company unless:

- in the case of the First Preference shares, their preferential dividend is at least twelve months in arrears;
- in the case of the Third Preference shares, the fixed dividend payable on the immediately preceding payment date is not paid, but voting rights then cease upon the date when the company pays any subsequent fixed dividend; and
- in the case of the Irredeemable Preference shares, where at the time of the notice convening such meeting, the dividend on such shares which is most recently payable (as defined in the listing particulars) on such shares shall not have been paid in full, or where a resolution is proposed varying any of the rights of such shares or for the winding up of the company.

Holders of the Second Preference shares are entitled to receive notice of, but are not entitled to attend or vote at, any general meeting of the company unless:

- in the case of the Second Preference shares, either their preferential dividend is six months in arrears or on a resolution proposed for reducing the capital for the company (other than by redeeming the Second Preference shares) or for the winding up the company.



Notes to the Accounts

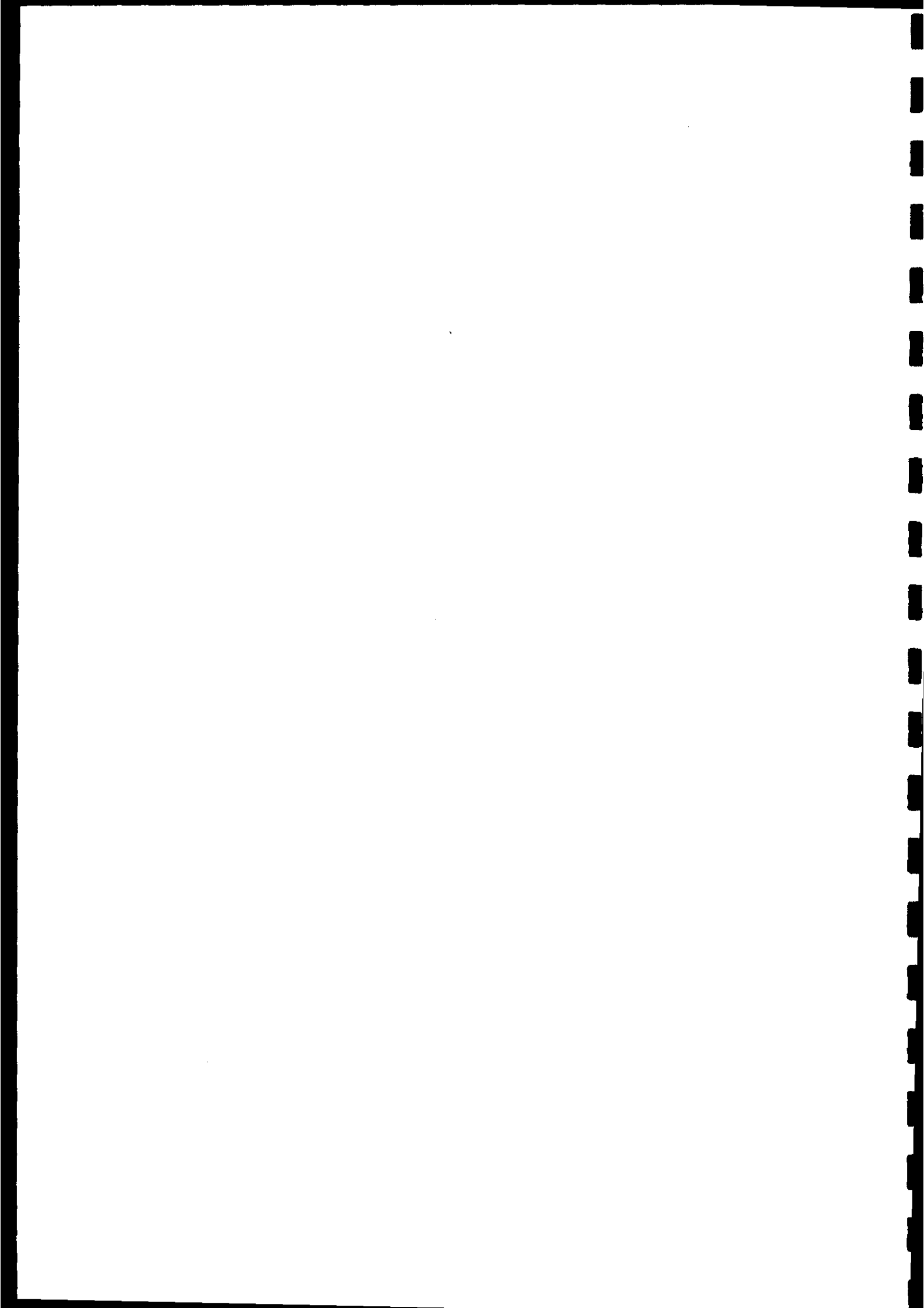
18 Reserves

	Share premium account £000	Revaluation and other reserves £000	Long term insurance business reserve £000	General reserve £000	Profit and loss account £000	Total £000
<i>Group</i>						
As previously reported	352	-	5,000	10,000	72,067	87,419
Prior year adjustment	-	-	-	-	(366)	(366)
Balance 1 January	352	-	5,000	10,000	71,701	87,053
Revaluation of long term business	-	-	(1,000)	-	-	(1,000)
Currency translation differences	-	-	-	-	(1,137)	(1,137)
Transfer from profit and loss account	-	-	-	-	(11,337)	(11,337)
Balance 31 December	352	-	4,000	10,000	59,227	73,579
<i>Parent</i>						
As previously reported	352	28,892	-	10,000	48,175	87,419
Prior year adjustment	-	(147)	-	-	(219)	(366)
Balance 1 January	352	28,745	-	10,000	47,956	87,053
Revaluation of group undertakings	-	796	-	-	-	796
Currency translation differences	-	-	-	-	(1,323)	(1,323)
Transfer from profit and loss account	-	-	-	-	(12,947)	(12,947)
Balance 31 December	352	29,541	-	10,000	33,686	73,579

19 Reconciliation of movements in group shareholders' funds

	2002 £000	2001 £000
Loss for the financial year	(4,554)	(16,548)
Revaluation of long term business	(1,000)	(1,000)
Currency translation differences	(1,137)	(850)
	(6,691)	(18,398)
Dividends	(3,983)	(4,393)
Charitable grants net of tax relief	(2,800)	(2,800)
Net movement in shareholders' funds	(13,474)	(25,591)
Opening shareholders' funds	145,330	171,287
Prior year adjustment	-	(366)
Closing shareholders' funds	131,856	145,330

Shareholders' funds comprise £87,606,000 (2001:£101,080,000) equity interests and £44,250,000 (2001:£44,250,000) non-equity interests.



Notes to the Accounts

20 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	2002	2001
	%	%
<i>Assurances:</i>		
Life	2.5-3.0	2.5
Pensions	2.5-3.0	2.5
<i>Annuities:</i>		
With profit	- deferred 1.5	1.5-2.5
Without profit	- deferred 3.0-4.0	1.5-2.5
	- vested 4.0-4.5	4.0-4.5

(b) Mortality tables

<i>Assurances:</i>		AM92	AM92
<i>Annuities:</i>			
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 reserves have been set up to reflect anticipated improvements in the mortality experience of pensioners.

21 Claims outstanding

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.

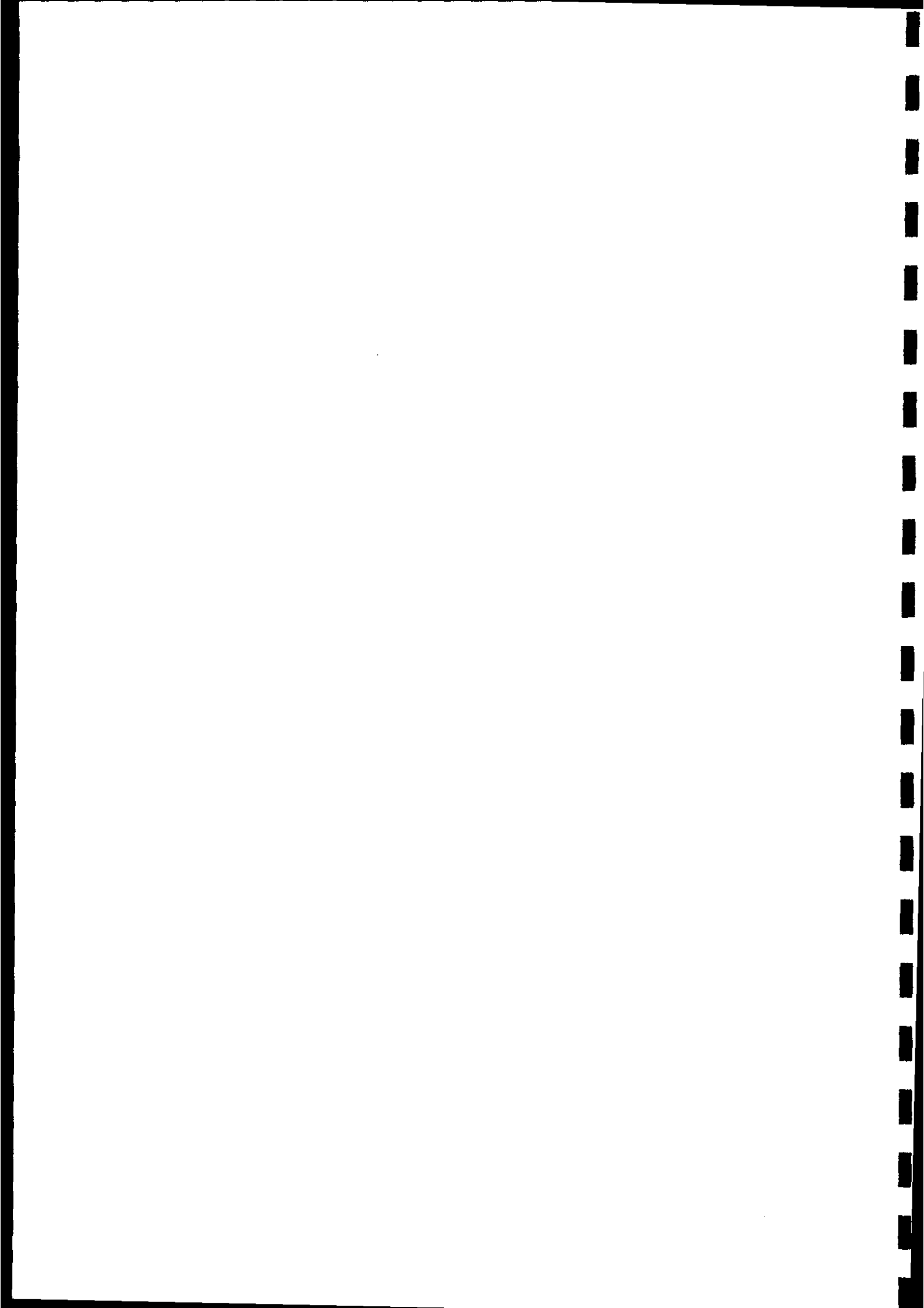
Chain Ladder methods extrapolate paid and incurred claim amounts and the number of claims, based on the development of previous accident or underwriting years. This method assumes that previous patterns are a reasonable guide to future developments. Where this assumption is felt to be unreasonable adjustments are made or other methods such as Bornhuetter Ferguson are used. This method enables judgement to be made of the expected impact on 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. This degree of prudence generally results in a favourable release of provisions, in the current financial year, arising from the settlement of claims relating to previous financial years. The favourable release in 2002 amounted to £17.9 million (2001:£7.6 million).

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.

22 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 £9,938,000 (2001:£6,156,000) and decreased both the balance on the general business technical account and the profit before taxation for the year by £3,782,000 (2001:£2,421,000).



Notes to the Accounts

23 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.

	2002	2001
	£000	<i>Restated</i> £000
<i>Group</i>		
As previously reported	18,969	13,920
Prior year adjustment	-	12,302
Balance 1 January	18,969	26,222
Decrease in provision	(8,965)	(7,253)
Balance at 31 December	<u>10,004</u>	<u>18,969</u>
<i>Parent</i>		
As previously reported	18,027	13,069
Prior year adjustment	-	12,155
Balance 1 January	18,027	25,224
Decrease in provision	(8,131)	(7,197)
Balance at 31 December	<u>9,896</u>	<u>18,027</u>

The potential liability for deferred tax provided in the financial statements is as follows:

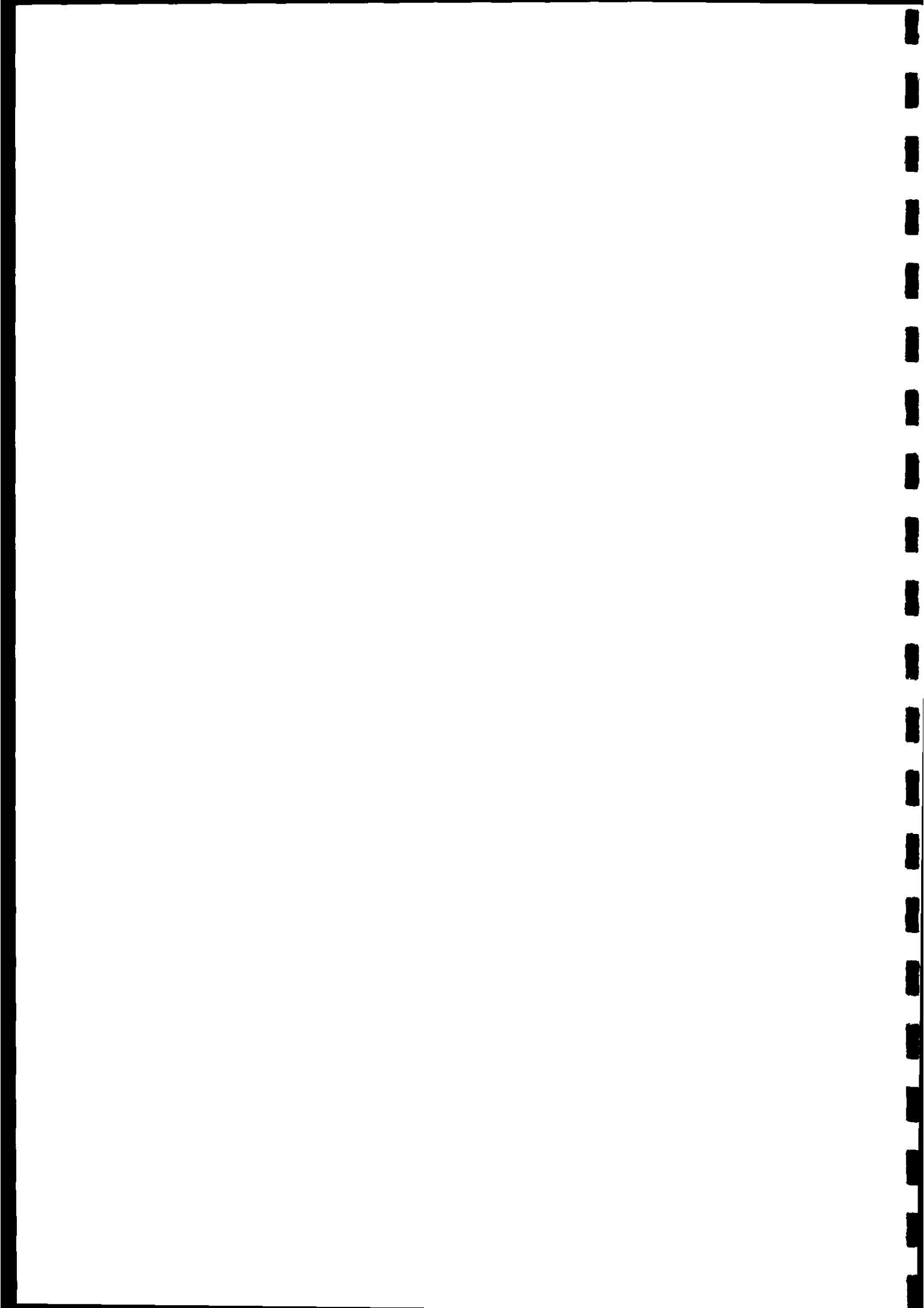
Unrealised investment gains	15,279	29,762
Capital allowances in excess of depreciation	(1,414)	(407)
Other timing differences	(1,715)	(5,980)
Undiscounted provision for deferred tax	<u>12,150</u>	<u>23,375</u>
Discount	2,146	4,406
Discounted provision for deferred tax	<u>10,004</u>	<u>18,969</u>

In accordance with FRS19 the present value of deferred tax has been recognised in respect of all timing differences which have originated but not reversed by the balance sheet date. A deferred tax asset of £1,677,000 (2001:£1,394,000) in respect of tax losses in the life fund has not been recognised in these accounts.

Prior to 1 January 2002, the group's accounting policy was to provide for deferred tax in respect of unrealised gains on investments held by the general insurance business fund to the extent that they are likely to be realised in the foreseeable future. No provision was previously made on unrealised gains on investments held by the life assurance funds. Consequently, the main impact of the change is on the life fund.

The impact of the change on reported shareholder profits of the current and prior year is not material and the profit and loss account has therefore not been restated. The impact of the change on the technical account for long term business of the prior year is a reduction in the charge for taxation and a reduction in the transfer from the fund for future appropriations of £3,268,000.

The impact of the change on the parent company balance sheet is to decrease capital and reserves at 31 December 2000 and 31 December 2001 by £219,000 and on the group balance sheet by £366,000. Both balance sheets have been restated accordingly.



Notes to the Accounts

24 Other creditors including taxation and social security	2002	2001
	£000	£000
<i>Group</i>		
Dividends	7	7
Other creditors	9,962	8,254
Taxation	1,886	1,369
	<u>11,855</u>	<u>9,630</u>
<i>Parent</i>		
Dividends	7	7
Other creditors	8,789	7,553
Taxation	1,000	433
	<u>9,796</u>	<u>7,993</u>
Included in other creditors are obligations under lease purchase contracts due:		
In 1 year or less	599	559
Between 2 and 5 years	1,338	1,182
Over 5 years	12	13
	<u>1,949</u>	<u>1,754</u>

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.

25 Notes to the cash flow statement	2002	2001
(a) Reconciliation of loss on ordinary activities before tax to net cash flow from operating activities	£000	£000
Loss on ordinary activities before tax	(6,155)	(18,456)
Depreciation charges	3,037	2,701
Amortisation of fixed interest securities	288	300
Amortisation of goodwill	461	455
Unrealised losses on investments	32,455	24,111
Increase in net general insurance technical provisions	23,991	29,041
Profit relating to long term business	(1,724)	(1,635)
Cash (paid to)/received from long term business	(5,000)	1,723
Interest payable	111	150
Realised investment gains	(4,922)	(3,886)
Loss on sales of tangible fixed assets	613	50
Movement in other debtors and creditors	5,767	(2,869)
Exchange and other non-cash movements	1,214	1,216
Net cash inflow from operating activities	<u>50,136</u>	<u>32,901</u>

Notes to the Accounts

25 Notes to the cash flow statement (continued)

(b) Movements in cash and portfolio investments

	At 1 January 2002 £000	Cash flow £000	Changes in long term business £000	Exchange and other non-cash movements £000	At 31 December 2002 £000
Cash at bank and in hand	69,913	25,235	31,387	(576)	125,959
Shares and other variable yield securities	323,092	(29,128)	(65,418)	(26,871)	201,675
Fixed income securities	240,458	37,114	9,382	(2,339)	284,615
Land and buildings	22,456	8,017	(11,057)	(395)	19,021
Assets held to cover linked liabilities	35,033	-	(4,074)	-	30,959
	<u>690,952</u>	<u>41,238</u>	<u>(39,780)</u>	<u>(30,181)</u>	<u>662,229</u>

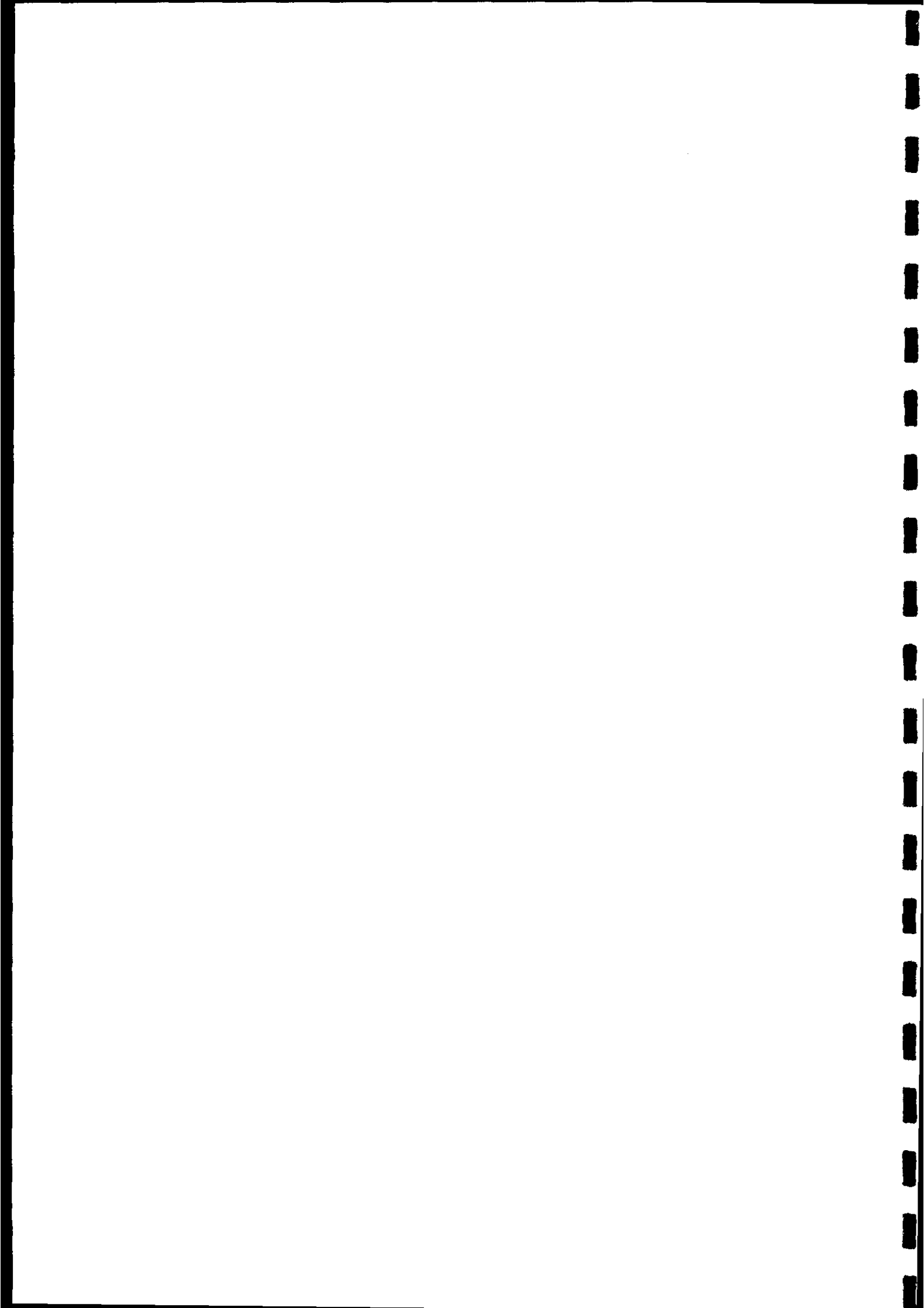
26 Operating leases

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

	2002		2001	
	Premises £000	Equipment £000	Premises £000	Equipment £000
Commitments				
Expiring:				
Within 1 year	382	146	313	355
Between 2 and 5 years	1,508	252	984	482
Over 5 years	907	-	1,457	-
Total	<u>2,797</u>	<u>398</u>	<u>2,754</u>	<u>837</u>
Payments included in operating expenses	<u>2,274</u>	<u>845</u>	<u>2,226</u>	<u>852</u>

27 Capital commitments

At 31 December 2002 there were no outstanding contracts for capital expenditure (2001: nil).



Notes to the Accounts

28 Parent and subsidiary undertakings

Parent company

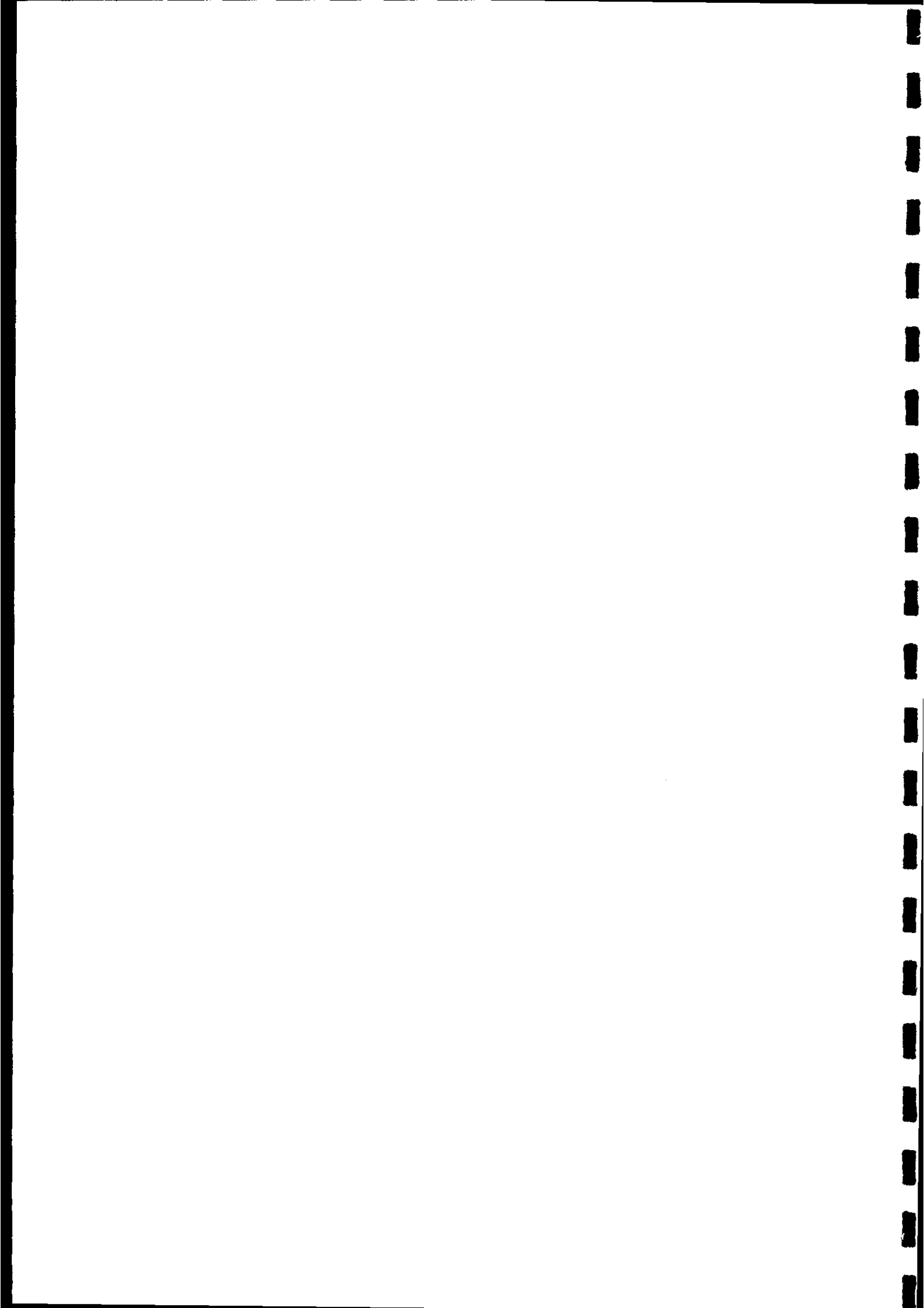
The company is a wholly owned subsidiary of Ecclesiastical Insurance Group plc. Its ultimate parent and controlling company is Allchurches Trust Limited. Both companies are incorporated and operate in Great Britain and copies of their accounts are available from the registered office as shown on page 12. The parent companies of the smallest and largest groups for which group accounts are drawn up are Ecclesiastical Insurance Office plc and Allchurches Trust Limited. All the subsidiaries listed are included within the consolidated financial statements. Voting rights are in line with the holdings of ordinary shares.

Subsidiary undertakings	Share capital	Holding of shares by:	
		Parent	Subsidiary
<i>Incorporated and operating in Great Britain, engaged in investment, insurance and financial services or other insurance related business:</i>			
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%	
Ecumenical Insurance Company Limited	Ordinary shares	100%	
<i>Incorporated and operating in Australia, engaged in insurance business:</i>			
EIG - Ansvar Limited	Ordinary shares	100%	
<i>Incorporated and operating in New Zealand, engaged in insurance business:</i>			
EIG - Ansvar Insurance (New Zealand) Limited	Ordinary shares		100%
EIG - Ansvar Life Limited	Ordinary shares		100%

In addition, there are six other wholly owned subsidiary undertakings whose assets and contribution to group income are not significant. The company also holds 250,000 6% Non-Cumulative Redeemable Preference shares in Allchurches Mortgage Company Limited which is a wholly owned subsidiary of Allchurches Trust Limited.

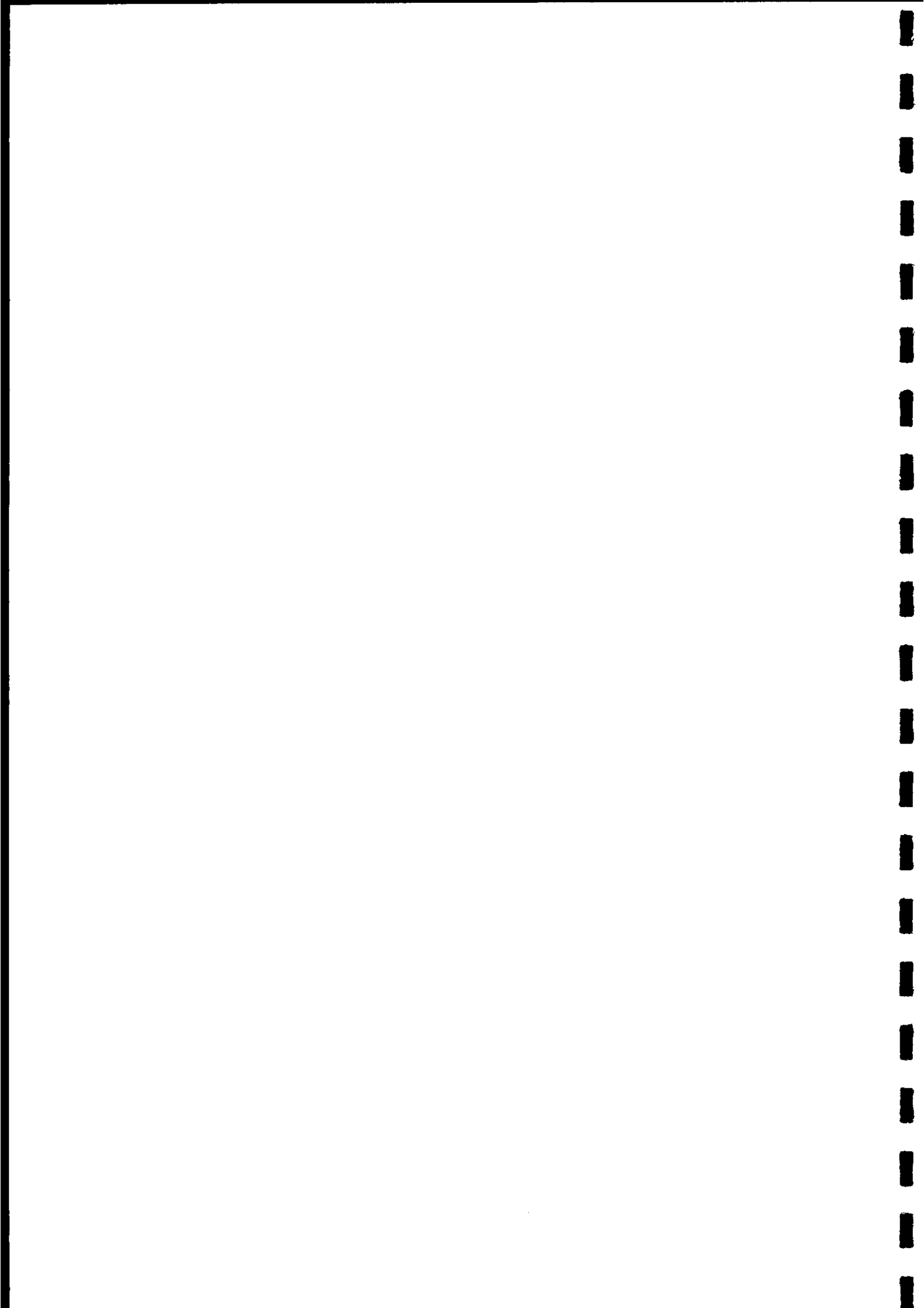
In accordance with the exemption available under Financial Reporting Standard 8 'Related Party Disclosures', no disclosure is given of transactions with group companies.

During the year related party transactions consisting of £670,000 (2001:£583,000) school fee annuities were accounted for by the group to Beaufort House Trust Limited, a company under common control. Of this £161,000 (2001:£195,000) was prepaid at the balance sheet date. This has been accounted for in the long term business technical account.



Branches and Subsidiaries - United Kingdom

Belfast	<i>Branch Manager:</i> <i>Office:</i>	W. C. McGrath ACII Chamber of Commerce House, 22 Great Victoria Street, Belfast BT2 7LX
	<i>Tel:</i>	028 90 233130
Birmingham	<i>Branch Manager:</i> <i>Office:</i>	S. N. Willcock Berwick House, 35 Livery Street, Birmingham B3 2PB
	<i>Tel:</i>	0121 200 3200
Bristol	<i>Branch Manager:</i> <i>Office:</i>	K. Hall ACII Kings Court, Kings Street, Bristol BS1 4EE
	<i>Tel:</i>	0117 926 6211
Cambridge	<i>Branch Manager:</i> <i>Office:</i>	J. A. Dowling ACII Abbeygate House, 164-167 East Road, Cambridge CB1 1DB
	<i>Tel:</i>	01223 460611
Cardiff	<i>Branch Manager:</i> <i>Office:</i>	K. Hall ACII 5th Floor, Riverside House, 31 Cathedral Road, Cardiff CF1 9HB
	<i>Tel:</i>	029 2022 3983
City	<i>City Manager:</i> <i>Office:</i>	G. J. Merriman FCII 19-21 Billiter Street, London EC3M 2RY
	<i>Tel:</i>	020 7528 7363
Eastbourne	<i>Branch Manager:</i> <i>Office:</i>	A. M. M. Fraser ACII 31 St Leonards Road, Eastbourne, Sussex BN21 3UR
	<i>Tel:</i>	01323 438988
Edinburgh	<i>Branch Manager:</i> <i>Office:</i>	T. G. Lawrie ACII 55 North Castle Street, Edinburgh EH2 3QA
	<i>Tel:</i>	0131 225 5422
Harrogate	<i>Branch Manager:</i> <i>Office:</i>	R. W. Marshall FCII 7 Cambridge Road, Harrogate, North Yorkshire HG1 1PB
	<i>Tel:</i>	01423 524221



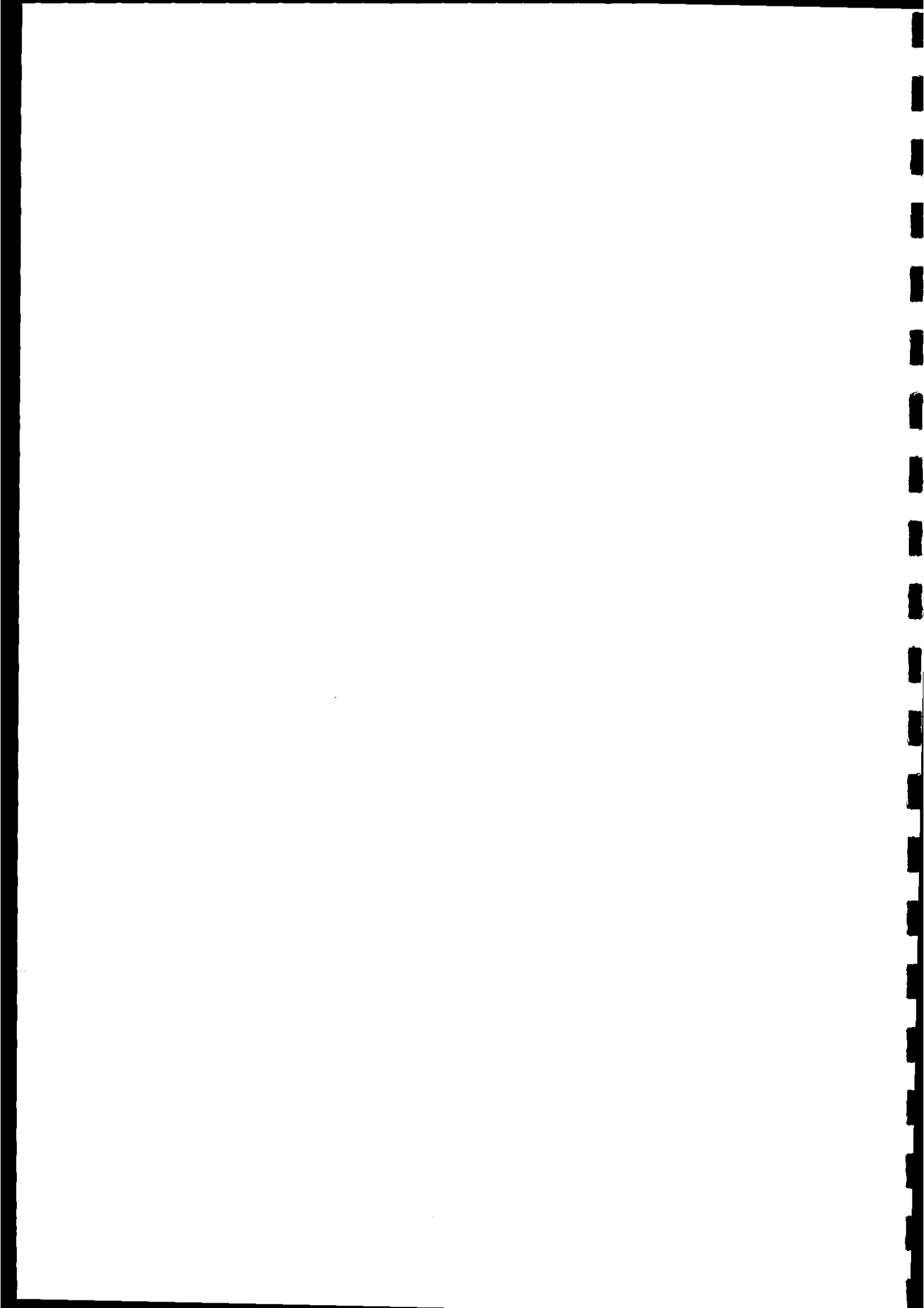
Branches and Subsidiaries - United Kingdom

Manchester
Branch Manager: J. M. Lindsey
Office: Lincoln House,
1 Brazennose Street,
Manchester M2 5FJ
Tel: 0161 832 2616

Subsidiaries:

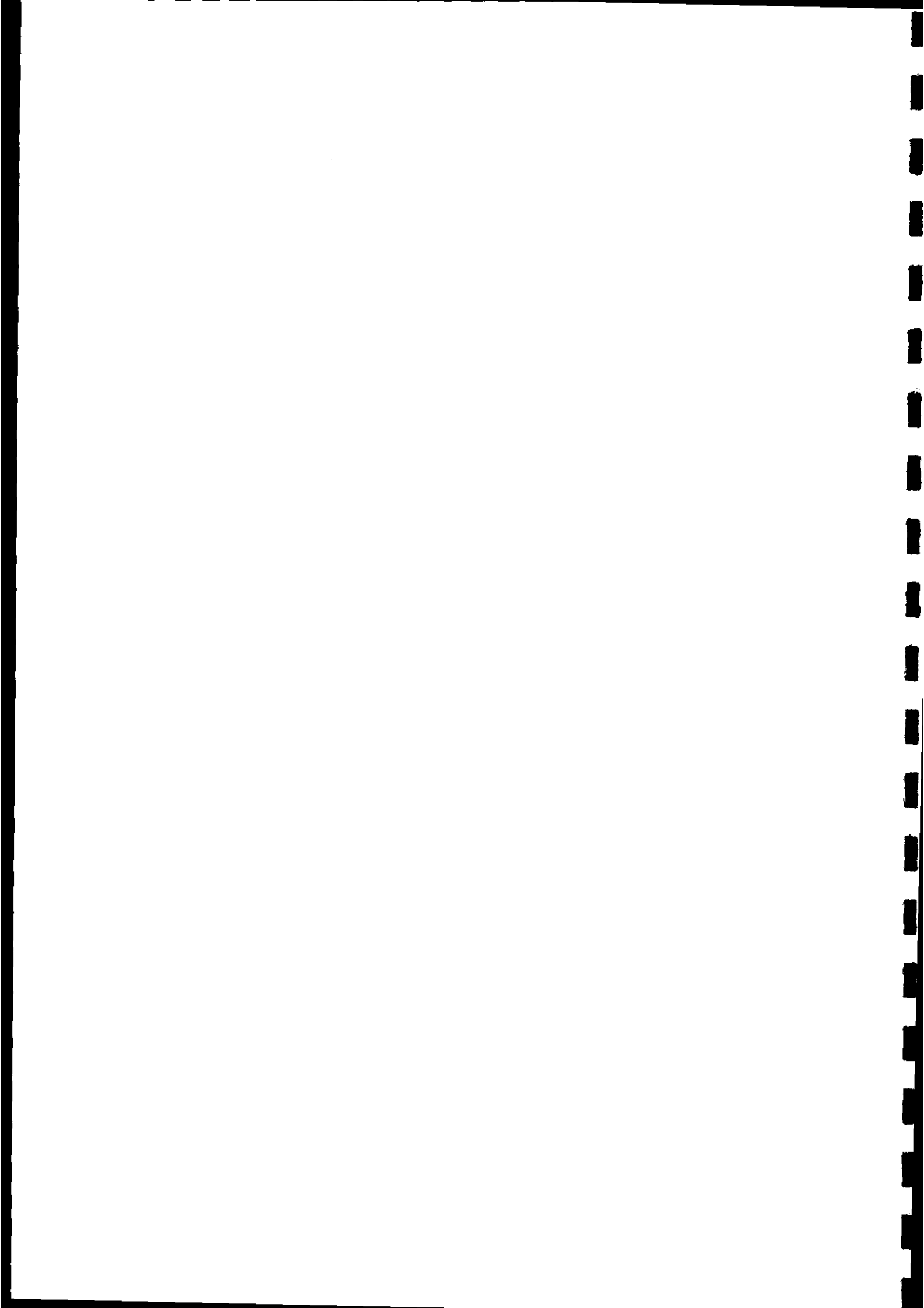
Ansvar Insurance
Company Limited
Director and General Manager: T. P. H. Godfrey ACII
Office: Ansvar House,
St Leonards Road,
Eastbourne BN21 3UR
Tel: 01323 737541

Ecclesiastical Underwriting
Management Limited
Director and Underwriter: K. P. Cannon FCII
Office: Suite 10, 2nd Floor,
London Underwriting Centre,
3 Minster Court, Mincing Lane,
London EC3R 7DD
Tel: 020 7283 0666



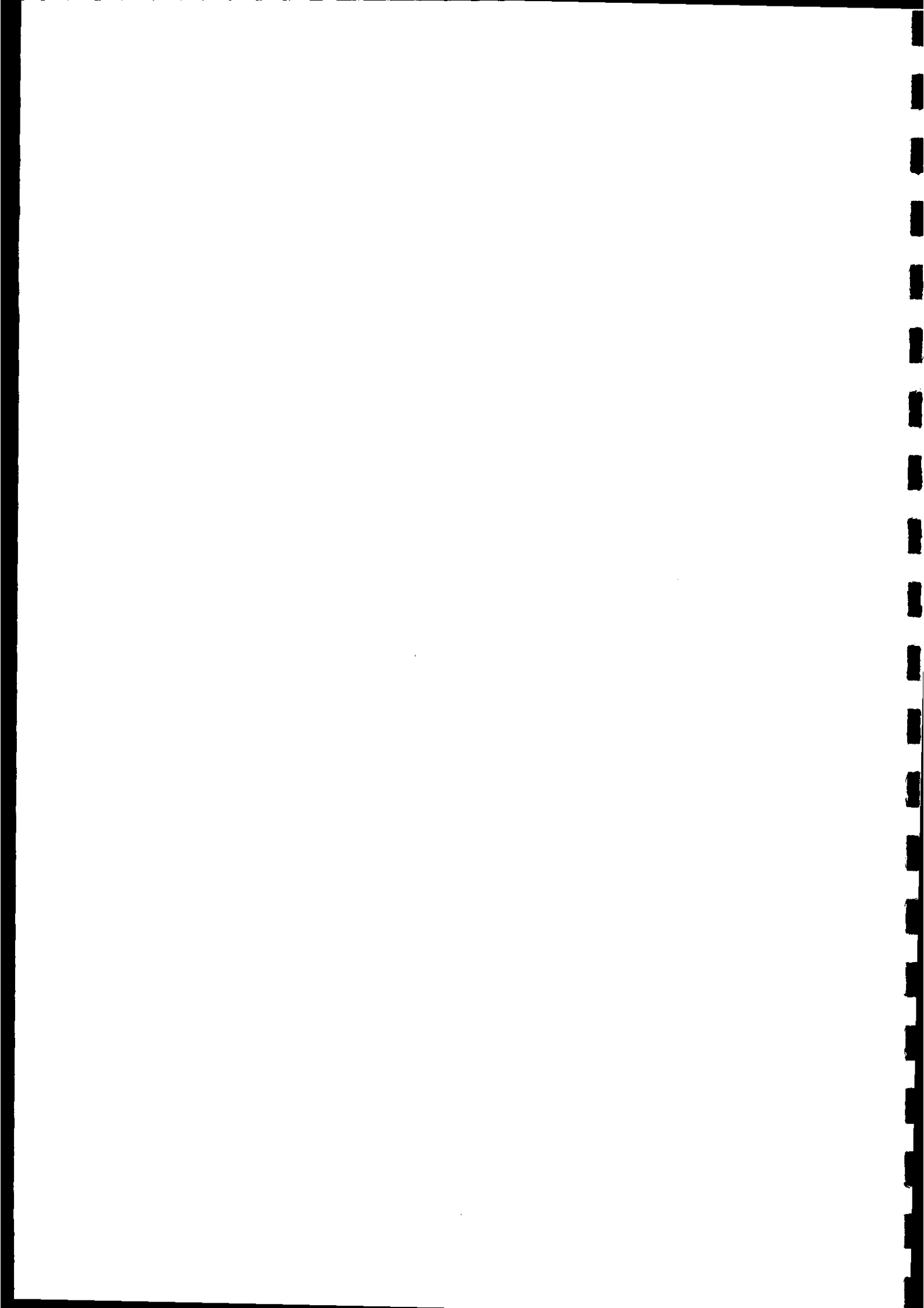
Branches and Agencies - International

Canada	<i>Manager for Canada: Chief Office:</i>	S. M. Oxley 2300 Yonge Street, Toronto, Ontario M4P 1E4
	<i>Manager: Maritimes Office:</i>	H. Meek 1969 Upper Water Street, Halifax, Nova Scotia B3J 3R7
	<i>Manager: British Columbia Office:</i>	V. Bikas 545 Clyde Avenue, West Vancouver, British Columbia V7T 1C5
Republic of Ireland	<i>Manager: Office:</i>	D. E. Campbell 65 Fitzwilliam Square, Dublin 2
Malta	<i>Underwriting Agents:</i>	SMS Insurance Agency Limited, Villa Venezia, Ta' Xbiex Terrace, Ta' Xbiex MSD11
Greece	<i>Underwriting Agents:</i>	G. A. P. Insurance Representatives (Hellas) S.A., 5th Floor, 224 Syggrou Avenue, Kaliathea-Athina, Hellas
Cyprus	<i>Principal Agents:</i>	G. A. P. Vassilopoulos Insurance Agencies Limited, 20 Strovolos Avenue, PO Box 23897, CY-1687 Nicosia
	<i>Underwriting Agents:</i>	J. Makriyiannis & Son (Insurance Agencies) Limited, Schoolteachers' Building, 18 Makarios III Avenue, PO Box 21493, CY-1509 Nicosia
Holland	<i>Underwriting Agents:</i>	W. A. Hienfeld B. V., Drentestraat 5, 1083 H. K. Amsterdam, PO Box 75133



Subsidiaries - International

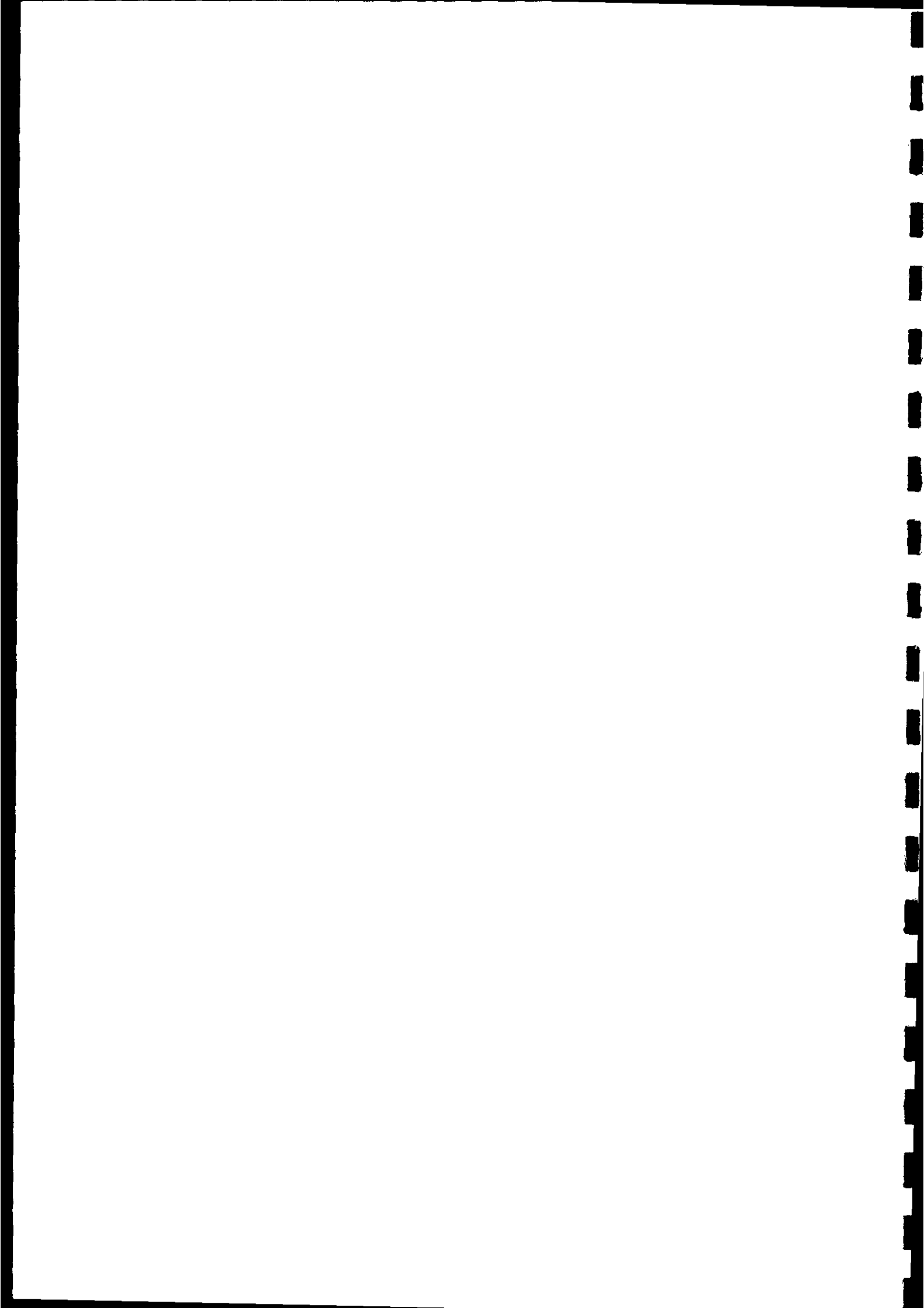
EIG-Ansvar Australia	<i>Managing Director:</i>	John Peberdy ANZIIF (Snr Assoc)
	<i>Head Office:</i>	PO Box 1655N, Level 18, 303 Collins Street, Melbourne 3000
	<i>Branch Manager:</i>	Adam Gittins FCII
	<i>Victoria:</i>	PO Box 1655N, Level 18, 303 Collins Street, Melbourne 3000
	<i>Branch Manager:</i>	Allan Smith ANZIIF (Snr Assoc)
	<i>New South Wales:</i>	PO Box 2403, Level 1, 18 Smith Street, North Parramatta 1750
EIG-Ansvar New Zealand	<i>Branch Manager:</i>	Darryl Witherington ANZIIF (Snr Assoc)
	<i>Queensland:</i>	PO Box 747, Level 15, Indus House, 127 Creek Street, Brisbane 4000
	<i>Branch Manager:</i>	John Jones ANZIIF (Snr Assoc)
EIG-Ansvar Australia	<i>South Australia:</i>	PO Box 338, 202 Glen Osmond Road, Fullarton 5063
	<i>Branch Manager:</i>	Patrick Kelly ANZIIF (Snr Assoc)
	<i>Western Australia:</i>	PO Box 840, 8 Clive Street, West Perth 6872
	<i>General Manager:</i>	Paul Munton ANZIIF (Fellow)
<i>Head Office:</i>	PO Box 7042, Wellesley Street, Auckland 1036	



Financial Summary

	2002	2001*	2000*	1999*	1998*
	£000	Restated £000	Restated £000	£000	£000
Premium income					
Gross premiums written					
General business	313,685	281,649	251,625	235,647	204,051
Long term business	19,925	22,498	20,089	19,967	19,256
Total	333,610	304,147	271,714	255,614	223,307
Net premiums written					
General business	204,222	195,876	178,394	166,929	141,074
Long term business	19,403	22,243	19,748	19,666	18,921
Total	223,625	218,119	198,142	186,595	159,995
Summary of results					
(Loss)/profit on ordinary activities before tax	(6,155)	(18,456)	(2,604)	45,268	1,737
(Loss)/profit on ordinary activities after tax	(4,554)	(16,548)	(2,948)	32,194	(2,828)
Minority interests	-	-	-	10,461	(2,526)
	(4,554)	(16,548)	(2,948)	21,733	(302)
Dividends	3,983	4,393	4,393	4,393	4,393
Charitable grants net of tax relief	2,800	2,800	2,800	2,790	2,760
	6,783	7,193	7,193	7,183	7,153
Retained (loss)/profit for the financial year	(11,337)	(23,741)	(10,141)	14,550	(7,455)
Capital and reserves					
Share capital	58,277	58,277	58,277	58,277	58,277
Share premium account	352	352	352	352	352
Long term insurance business reserve	4,000	5,000	6,000	6,000	6,000
General reserve	10,000	10,000	10,000	10,000	10,000
Retained profits	59,227	71,701	96,292	106,813	90,065
	131,856	145,330	170,921	181,442	164,694

* Capital and reserves for 2001 and 2000 have been restated to comply with the change in accounting policy resulting from the adoption of FRS 17. The figures for 1999 and 1998 have not been restated as the effect of the change is not considered to be material.



Notice of Meeting

NOTICE is hereby given that the Annual General Meeting of Ecclesiastical Insurance Office plc will be held at Beaufort House, Brunswick Road, Gloucester GL1 1JZ on Thursday 26 June 2003 at 12.15 p.m. to transact the following ordinary business of the company:

1. To receive and adopt the directors' report and statement of accounts for the year ended 31 December 2002 and the report of the auditors thereon.
2. To re-elect The Very Revd. N. G. Coulton as a director.*
3. To re-elect Mr H. H. Scurfield as a director.*
4. To elect the Venerable N. Baines as a director*.
5. To elect Mr D. R. Losse as a director*.
6. To consider the declaration of a dividend.
7. To re-appoint Deloitte & Touche as auditors and authorise the directors to fix their remuneration.

As special business:

8. To consider and, if thought fit, pass the following resolution, which will be proposed as an ordinary resolution:

THAT the sum prescribed (pursuant to Regulation 88 of the company's Articles of Association) for the provision of remuneration to the directors for their services be increased with effect from 1 January 2003 to £350,000 per annum, such sum or part thereof to be divided amongst the directors in such proportions and manner as they determine.

By order of the board

Mrs R. J. Hall
Secretary

Gloucester
27 March 2003

** Brief biographies of the directors seeking election or re-election are shown on page 13.*

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.

This notice is sent for information to the holders of the 2.8% First Cumulative Preference shares, the 10% Redeemable Second Cumulative Preference shares, the 9.5% Redeemable Third Non-Cumulative Preference shares and the 8.625% Non-Cumulative Irredeemable Preference shares who are not entitled to attend and vote at the meeting.

