ECCLESIASTICAL

ECCLESIASTICAL INSURANCE GROUP plc

REPORT AND ACCOUNTS 31 DECEMBER 2004

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Chairman's Statement

I am pleased to report on a year of outstanding success for the Ecclesiastical Insurance Group.

We have built strongly on the financial progress made in 2003. Profit before tax has risen to £63.3 million and our solvency margin has been strengthened. At £167.3 million shareholders' funds have now surpassed their previous high point reached in 1999 (£139.6m restated). In addition, exposure of the assets in the balance sheet to stock market volatility has been contained following the progressive action we took in the previous two years. The combination of these factors means that the security the Ecclesiastical Group provides to all of its policyholders has been further improved.

Before commenting on the performance highlights of 2004, I want to put them into the context of our mission to produce profit and service to the Church of England and its partner churches. For the second year running, we have been able to increase the charitable grant to our ultimate parent, Allchurches Trust Limited. In December, the Board approved an increase of 3.5% to £4.4 million, after the 6.3% increase in 2003, and this money will be available to fund distributions by the Trust in 2005. We understand that the stability of our grant from year to year is very important but the Board felt confident enough of the outcome for 2004 to make, unusually, a one-off donation of an additional £0.5million. Allchurches Trust in turn used this amount to make a special one-off distribution to Dioceses and Cathedrals last December. Our objective is to maintain, at least, the Ecclesiastical's grant to Allchurches Trust at a level that will support the underlying rate of increased giving by the Trust in 2004.

Whilst on the subject of giving, we were deeply shocked by the enormity of the tragedy arising from the Indian Ocean Earthquake on St. Stephen's Day. We broke with precedent, making an immediate Gift Aid donation of £50,000 to The Disasters Emergency Committee towards the huge relief effort required. Many of our staff have made use of our established Give As You Earn scheme for their own donations.

Fulfilment of the financial component of our mission has been helped by the good growth in profitability from general insurance operations. The adversities which beset the whole insurance industry in the years around the turn of the century have been addressed with the result that premium rates generally payable by policyholders have risen. The underwriting profits these higher rates have generated from our diversified insurance businesses, which these days contribute the majority of our total premium income, follow sizeable losses in earlier years and have underpinned our ability to afford the increased grant we have made to Allchurches Trust. At the same time, we have striven to achieve stability, insofar as we can, in the cost of insurance for churches and in the availability of cover to meet their special needs.

After the good growth rate in 2003, total premium income has fallen by 2.8%. The reduction is mainly attributable to a decrease in general insurance premiums from our portfolio of international businesses as a whole. The increase in premium rates I have already mentioned as well as relatively benign weather claims experience in the UK have led to the remarkable growth in general insurance profitability.

Another year of positive stock market performance has enabled us to recapture more of the ground lost in previous years and has contributed £13.3 million to our profits before tax. The exposure to equities in our non-life investment portfolios has been held at a broadly comparable level to the previous year.

The second strand of the Ecclesiastical's mission relates to service. In addition to the increased financial strength of the Group, which will enable us to take advantage of future opportunities, we are investing in the business to support our commitment to provide a high quality service that meets the needs of all of our customers. Some of these initiatives are commented on in the Managing Director's Review of Group Operations on pages 5 to 9 together with a more detailed summary of our progress during the year.

Looking to the future, many of the issues confronting the financial services industry at large are still before us. Uncertainties remain in a number of areas in the general insurance arena which may have implications for premium rating levels and capital adequacy. All liability insurers in the UK, including ourselves, need to allow for the likelihood of legal reforms which will affect the way compensation is paid in cases involving serious injury.

We are pleased that proposals have been postponed for up to eighteen months for the extension of the recovery of NHS treatment costs from those liable for road traffic accidents to all claims involving personal injury. If the trend were to continue to pass on, through the premiums paid by the consumer, costs previously met by the Government, it would inevitably add to the cost of liability insurance for charities, churches and commerce in general. The impact of all these potential pressures on the already high rate of inflation affecting liability claims costs must not be overlooked if adequate capacity is to be available to meet customers' needs in the UK. Initiatives taken in Australia and Ireland and the progress being made towards their implementation are positive examples of the steps that can be taken to restore stability to the market. We support the efforts that are being made in the UK to reduce the cost of delivering compensation where it is needed and to promote the wider use of rehabilitation.

In property insurance, there is uncertainty about the nature and impact of climate change. We welcome the heightened profile of the debate on this important issue and the continued commitment of the UK Government to improve flood defences. The major weather events around the world in 2004 along with the ever-present risk of natural catastrophes on the scale witnessed in South East Asia are a timely reminder that insurance is a risk business.

Strong capitalisation and reserving are needed if insurance companies are to be able to absorb these growing exposures and the Ecclesiastical is well placed on both fronts to do so on behalf of its policyholders. The insurance industry as a whole has made great strides in improving its profitability and balance sheet strength. The challenge now is to ensure that premiums are maintained at adequate levels and there are some tentative signs that the increased regulatory focus on risk management and capital adequacy is encouraging a more disciplined approach as we move through the peak of the underwriting cycle.

Some progress has at last been made towards improving stability in the retail savings industry. It is good to see the recovery in consumer confidence which has been reflected in the strong sales figures reported by our own life, pensions and retail savings arm. Ecclesiastical Life plays an important part in our mission to provide service to church people but we recognise that there is more to be done to ensure the success of this operation in a market place that still presents challenges to participants in it. The Board and management team of this subsidiary have a clear focus on what is needed and have made good progress in the short period since the creation of Ecclesiastical Life in 2003.

Coping with the heavy weight of new regulation has been high on the Board agendas of all the regulated companies in the Group. We have also reviewed our Board procedures, making changes that will bring our standards of governance into line with those aspects of the new Combined Code on corporate governance, as issued by the Financial Reporting Council in July 2003 ('the Combined Code'), that are appropriate to the Group's structure. I hope that we can now look forward to a period of relative stability after the protracted process of consultation and preparation these changes have involved. It is clear, though, that continued expenditure of time and money will be needed to prepare for the adoption of International Financial Reporting Standards from 2005. In addition, the Financial Services Authority (FSA) is placing increased emphasis on the need for all firms to demonstrate that they are 'treating customers fairly'. The Group has always pursued its mission according to a clear set of values. These will continue to guide the way we provide service to our customers and enable us to show how we are complying with this particular regulatory principle.

After ten years' service as a Director, we said goodbye to Hugh Scurfield in November. Hugh made a great contribution to our affairs and played a key role in the restructuring of our life business in 2003. We shall miss his experience and advice but wish him well for the future.

Chairman's Statement

The achievements and results of 2004 are a just reward for the considerable efforts made over recent years and we are delighted to be able to share these fruits with our parent. The Group now has a well aligned set of businesses with a clearly defined strategic direction and the financial strength to support our future development.

We are fortunate enough to have the good breadth of skills amongst the members of the Board which is so necessary for the proper direction of the Company. I am indebted to them all and to all our staff for their hard work and dedication to the success of the Ecclesiastical over this last, most satisfying year.

Nick Sealy
Chairman

Review of Group Operations

The rise in profit before tax to the record level of £63.3 million and a further substantial increase in shareholders' funds to £167.3 million mark a year of all round success for the Ecclesiastical Group. Measured against net written premiums, our general insurance solvency margin improved to 86% from 72% (restated). These good results have enabled us to increase again the charitable grant made to our ultimate parent, Allchurches Trust, in furtherance of Ecclesiastical's mission to produce profit and service for the benefit of the Church of England and its partner churches.

The positive trend in the profitability of the Group's general insurance operations advanced strongly in 2004 with better than expected results being achieved from almost all parts of the business. Improved trading performance was accompanied by the implementation of a range of strategically important initiatives to strengthen the future prospects of the Group.

Although there were some increases in interest rates and stock markets were generally favourable, the prospective level of future investment returns remained uncertain. Coupled too with uncertainty about the impact of the new capital adequacy standards for insurance companies introduced from the end of the year by the Financial Services Authority (FSA), the market environment for general insurers was favourable. We saw a disciplined approach in most of the markets in which we operate and we were largely successful in maintaining premium rates, obtaining further increases where required. In this positive underwriting climate, we achieved an increase in the balance reported in the technical account for general business from a restated £17.6 million to £33.0 million. Before equalisation charges, the combined ratio improved to 84% on an earned basis from 90% (restated) in 2003. Gross written premiums fell by 3% with growth being held back by the effects of a strategic realignment of some business portfolios, mainly in Canada. At the net level, premiums grew by 2% as our strengthened capital base enabled us to reduce the amount of premium ceded to reinsurers.

In the long term business, Ecclesiastical Life Limited and its subsidiaries had a successful year achieving sales growth of 29% on the industry standard measure. Premium income was down slightly as the result of a change in the mix of business towards an increased proportion of sales from our range of Open Ended Investment Company (OEIC) investment funds. Turnover (total premiums and retail sales of OEICs) increased by 12%.

General Business - United Kingdom

After a very satisfactory performance in the previous year, the important UK retail division of the Group's business made further progress. Growth in gross premium income was a modest 1%. Net premiums rose by 4%. The beneficial impact of the rating increases applied selectively over recent years enabled us to achieve a significant improvement in the combined ratio to 82% (93% in 2003 on a comparable basis). The underwriting profit was £24.1 million.

Results from property business were not affected by any widespread exceptional weather conditions although the cost and incidence of attritional weather claims were higher than the unusually light experience of the previous year. The flooding in Boscastle was, however, an event which caused extreme difficulty in the local community. In dealing with the damage caused as St. Merteriana's Church, we were able to demonstrate the responsiveness of our claims service. There seems to be a trend towards an increased frequency of localised events of great intensity as we have seen again in Carlisle this January. Premium rates need to be maintained at a realistic level to ensure that there is capacity to provide policyholders with the financial protection and help they need to deal with the unpleasant damage which flooding causes. Conversely, the emergence of subsidence claims from the dry summer of 2003 was within our expectations and, overall, the cost of reported weather related losses was slightly down on the previous year.

We maintained the high level of risk management advice to our customers in the Church and extended support to the Church centrally in the development of aspects of risk management policy. We were pleased to have had the opportunity to be involved in the publication by the Church of England of a report to widen understanding of the importance of church buildings in the community and the action needed to preserve their role. We are delighted that the close affinity we enjoy with the Church at all levels has led to a further increase in the number of Anglican churches we insure.

Review of Group Operations

Good progress was made in realising the planned benefits from the implementation in 2003 of the regional network to support intermediated business. Our objective to deliver a high quality service to our intermediary partners is being met through the investment we have made in staff expertise and systems capability. The preparatory work required for the introduction of statutory regulation of the sales and administration of general insurance was considerable but we are pleased that virtually all of our intermediaries achieved authorisation by the January 2005 deadline. Ecclesiastical's own compliance with these new regulations was accomplished through the necessary variation in permission and the commitment of time and effort in revising internal procedures.

In addition to the wide range of regulatory initiatives underway, the process of legal reform continues. A particular development is the Courts Act which will, on implementation later in 2005, introduce new challenges for insurers in the funding of compensation for claims involving serious injury and, potentially, for the cost of liability insurance.

General Insurance - International

Our International business comprises overseas branch and agency operations, international business written in London and reinsurance accepted from other companies around the world. Following adoption of revised industry accounting practices in the Statement of Recommended Practice issued by the Association of British Insurers in 2003 (ABI SORP), results for our London market business are now reported on the annual accounting basis. The impact of this change in treatment is quantified in the notes to the accounts on page 40.

The foundations for realigning this group of businesses more closely with the overall strategic direction of the Group were laid in 2003. Although there is more work to do in some areas, we have achieved another good result with an underwriting profit of £5.7 million compared to a restated profit of £9.0 million in 2003. The combined ratio was 90%. The realignment has, however, resulted in a contraction in gross premiums written which were down by 17%. Changes to the reinsurance programme in Canada reduced the overall impact at the net level to a reduction of 7%.

The process of review in our Canadian branch continued apace with the objective of reinforcing our position as the specialist insurer for faith organisations in Canada. Re-underwriting of other business lines has led to a further contraction in gross premiums written which have fallen by 33% but plans are well advanced to develop the business in our preferred niche market sectors. The underwriting result is a loss of £0.3m with a combined ratio of 102%. Achievement of our strategic business goals is being supported by an overhaul of the infrastructure. During the year we implemented a new regional structure involving a move to new premises in Vancouver and Halifax, the opening of a centre for Western Canada in Calgary and the appointment of a new regional management team.

Despite highly competitive conditions, our team in Ireland produced another excellent result with an increased underwriting profit of £1.6 million (£1.4 million in 2003). Political and regulatory pressure intensified competition and gross premiums fell back by 5%.

Despite an exposure to the hurricanes which struck the Caribbean in September, the results of our only continuing London market business written through Ecclesiastical Underwriting Management Limited were commendable. The underwriting profit in 2004 was £5.9 million, which included the positive overall development of reserves set aside for London market portfolios that are in run-off. The restated prior year profit (£7.6 million) incorporates a significant part of the very strong result achieved from the ongoing facultative property portfolio in the 2002 underwriting year, which would have otherwise been closed at the end of 2004 on the previous basis of accounting.

The results of our partnerships with the Baptist and Methodist insurance companies are accounted for within our portfolio of inwards reinsurance business. Results benefited from the full year effect of the revised terms put in place in 2003 and from a welcome improvement in claims experience after the series of large fires in Methodist churches in previous years. Including the results of other reinsurance business underwritten, there was an underwriting profit overall.

Review of Group Operations

General Insurance - Subsidiary Companies
There was another excellent performance from our specialist subsidiary in the UK, Ansvar Insurance Company. A virtually unchanged rate of profitability was accompanied by strong growth of 16% in gross written premiums as Ansvar reinforced its position in the "not for profit" sector. An underwriting profit of £2.1 million contributed to an increased profit before tax of £3.3 million (£2.7 million in 2003).

Despite storm activity in Queensland and Victoria at the start of the year, EIG-Ansvar achieved record results in Australia with an underwriting profit of £3.5 million on the UK accounting basis up from £2.0 million in 2003. In largely firm underwriting conditions we were able to improve business retention although business acquisition was a little below expectation. Gross premiums written increased by 3% in local currency but were constrained in sterling terms by the strengthening of the Australian dollar.

In New Zealand, EIG-Ansvar had another year of strong progress with gross premium growth of 10% in local currency and an increase in underwriting profit to £0.5 million (£0.3 million in 2003). This good performance was achieved despite a share in the sizeable market losses from severe storms that affected the North Island in February and July. Our strategy to focus on meeting the needs of church customers across denominations is progressing well with the launch of new products during the year.

Long Term Business - Ecclesiastical Life Limited
After the market-wide difficulties of the previous two years there was a welcome recovery in sales in 2004. New business growth (including subsidiaries) on the industry standard measure (Annual Premium Equivalent) was a healthy 29% - well ahead of the industry average of 5.4%. Strong growth of 75% in gross retail sales of OEIC was boosted by a successful penetration into the IFA market on which we will be building in 2005.

Compliance with the new regulations on the sale and administration of mortgages, which came into force in October, was achieved by appropriate extensions to the regulatory permissions for Hinton and Wild, our specialist IFA in the equity release market. The diversion of resources to deal with the preparatory work contributed to a fall in new mortgage advances and commissions received.

It was again necessary to reduce regular and final bonuses on with-profits policies following the annual declaration for 2004 to bring distributions more closely into line with the value of the assets held in the fund. The major regulatory reforms relating to the governance of with-profits funds were successfully implemented during the year. In the process, the decision was taken to outsource the actuarial financial reporting function and Watson Wyatt were appointed to this role in November. We believe this appointment will enable us better to keep pace with the rapidly changing and increasingly demanding environment in which life companies are operating.

There has been some high profile publicity about the way some firms are handling mortgage endowment complaints. Amongst the Ecclesiastical Group's established values is a commitment to fairness and honesty in all transactions with our customers and a review of our procedures has affirmed that mortgage endowment complaints are being handled in accordance with the standards laid down by the FSA.

The result recorded in the technical account for long term business is a negative balance of £1.4 million, an improvement on the prior year which was affected by transactions arising from the insurance business transfer scheme that enabled the creation of Ecclesiastical Life Limited. The anticipated emergence of profits from the in-force book of business has been more than offset by the need to increase reserves to cover the expected cost of the improving trend in mortality on annuity business. Improving mortality is an industry-wide issue which has also received publicity in connection with the funding of occupational pension schemes. In addition, we have adopted a more prudent approach to the quantification of other reserves in line with best practice. None of these changes has a material effect on the returns to with-profits policyholders and the statutory solvency margin of Ecclesiastical Life remains strongly covered.

Review of Group Operations

Finance and Investment

Investment markets around the world made steady, if not spectacular, progress for much of 2004. Stock markets started the year in good heart but optimism was quickly tempered by renewed fears of terrorism after the tragic bomb attacks in Madrid. Concerns that the rate of economic growth would be moderated were heightened by a number of issues including rising oil prices and interest rates and a falling US dollar. Nevertheless, the FTSE-100 rose by 7.5% over the previous year-end.

After evaluation of the risks presented to the balance sheet, we maintained a cautious approach to investment in equities. Uncertainty also exists about future interest rate movements and we have accordingly used another year of strong cash flow from general insurance operations to build up liquidity in the general fund. Excluding a minimal level of realised investment losses in both years, investment income fell back marginally, including the effect of currency fluctuations. In the favourable stock market conditions, further unrealised investment gains of £13.3m were achieved. Exposure to equities in the with-profits fund of Ecclesiastical Life was reduced.

The long term performance of our retail investment funds managed by Allchurches Investment Management Limited (a subsidiary of Ecclesiastical Life) remains strong. At the end of the year, Allchurches ranked joint third in the Morningstar ISA league for risk-adjusted three year performance. In addition, the Higher Income Fund has been awarded first place in the Standard & Poor's Awards 2005 in the UK Equity and Bond Income sector over five years.

Risk Management

The process of risk management has developed further across the organisation in a way proportionate to the profile of our business and in line with emerging standards.

We have continued to take a careful approach to the choice of reinsurance partners and to the design of protections appropriate to our needs. The criteria we apply have enabled us to maintain an effective and stable reinsurance programme based on long-term relationships with a high quality panel of reinsurers.

A similarly disciplined approach has been taken to the calculation of reserves to meet future liabilities as described more fully in the notes to the accounts. There has been no relaxation in the levels of prudence applied in setting provisions for claims outstanding and those incurred but not yet reported. The potential impact of emerging issues and legislative changes has been carefully considered and allowed for where appropriate especially in the Liability class of business.

The net addition of £2.9 million to the statutory provision for claims equalisation brings the amount available to help offset the effect of exceptional claims experience in future years to a total of £17.6 million.

We have continued to make carefully controlled use of straightforward instruments to mitigate the risk of downward movement in the value of equity shares affecting shareholders' funds. We have taken similar measures in the with-profits fund of Ecclesiastical Life Limited. This strategy has been prudent in a period of unsettled stock market conditions. It is not our policy to use complex financial instruments.

Regulatory Developments

Many of the major regulatory reforms affecting the financial services industry as a whole and insurance companies in particular moved from the process of consultation and preparation into implementation. The breadth and scale of the changes have been enormous and have presented a heavy workload across our relatively small but complex Group. The new regulations affecting the sale and administration of general insurance and mortgages together with the extensive changes to the governance of with-profits funds have already been mentioned.

In addition we have successfully completed a wide-ranging review to ensure that the Group is compliant with the requirements of the FSA's Integrated Prudential Sourcebook which became effective on 31 December. The focus of these regulations, which are the centrepiece of the regulatory framework, is on the systems and controls that firms need to have in place to address the risks faced by their businesses and, especially, on the adequacy of the financial resources available to support them. We believe that we have addressed all of these issues thoroughly and that the Group will be able to demonstrate to the FSA that it is financially strong relative to the new, and more demanding, risk based capital adequacy standards now required.

Review of Group Operations

The effort and cost involved in meeting all of the new rules that have come into force should not be underestimated. Nor does it represent the whole of the regulatory burden. Compliance with other requirements, sometimes inspired by European Directives, can be time consuming and some have a disproportionate effect. We do, nonetheless, enjoy a good working relationship with the FSA and with their counterparts in Australia and Canada where we are constructively engaged in the dialogue about regulatory reforms and activities taking place in those countries.

International Financial Reporting Standards

The European Union requires all European listed groups to prepare their consolidated financial statements using International Financial Reporting Standards (IFRS) with effect from 1 January 2005. We intend to adopt IFRS to comply with best practice. The Group's financial statements for 2005 will therefore be prepared under IFRS, rather than UK generally accepted accounting practice (UK GAAP). Comparative figures will be required to be restated for 2004, together with reconciliations of income and shareholders' equity to that previously reported under UK GAAP.

The Group has established a project team to co-ordinate the implementation of IFRS and satisfactory progress is being made to ensure compliance with IFRS in 2005. However, it is not possible at this stage to quantify the effect accurately, but the following IFRS's have been identified as having a significant impact.

Under IFRS 4 'Insurance Contracts', insurance contracts must transfer significant insurance risk, otherwise they will be accounted for as investment contracts. Insurance contracts will continue to be valued using existing accounting policies, whilst investment contracts will be accounted for in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'. A full review of contracts is currently underway. It is expected that all general insurance contracts will continue to be classified as insurance contracts, while a small proportion of long term business contracts will be treated as investment contracts. Additionally under IFRS 4, the equalisation provision will cease to be recognised within liabilities.

IAS 39 will determine the basis for valuation and the accounting treatment of the Group's investments.

The main impact of IAS 32 'Financial Instruments: Disclosure and Presentation' will be the reclassification of redeemable preference shares as liabilities.

For defined benefit pension schemes, the requirements of IAS 19 'Employee Benefits' are similar to those of FRS 17 under UK GAAP, although IAS 19 currently permits the deferral of recognition of actuarial gains and losses. This would reduce the volatility arising from such gains and losses in the financial statements.

Conclusion

After a successful year in 2004, we move on to tackle the challenges that will face us in 2005 heartened by the progress we have made. The re-focusing of our strategic marketing function last year will help us build on the service and values that differentiate the Ecclesiastical brand in the market place. Our aim for the Group to be recognised as the best specialist insurer in our chosen markets requires us to show a high level of expertise in service delivery to our customers. The encouragement of training, education and qualification across the organisation is, therefore, a priority and I am pleased that so many of our staff have successfully engaged in their own professional development.

None of our achievements would have been possible without the continued commitment shown by all of our staff and I thank them warmly for the great contribution they have made.

Graham Doswell
Managing Director

Directors and General Management

Directors	* N. J. E. Sealy FCA *Chairman* * W. H. Yates FRICS *Deputy Chairman and Senior Independent Director* * The Rt. Revd. N. Baines BA *Bishop of Croydon* * D. Christie BA, BSc (Econ) Dip.Ed. * P. N. S. Clark MA, FIA * 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
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. G. Shearn BA, FCII
Consulting Actuaries	Watson Wyatt LLP, London
Company Secretary	Mrs R. J. Hall ACIS
Registered and Head Office	Beaufort House, Brunswick Road, Gloucester GL1 1JZ Tel: 01452 528533
Company Registration Number	1718196
Principal London and Investment Office	19-21 Billiter Street, London EC3M 2RY Tel: 020 7528 7364
Auditors	Deloitte & Touche LLP, London
Registrar	Computershare Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH
Trustee for Debenture Stock	The Law Debenture Trust Corporation plc, Fifth Floor 100 Wood Street London EC2V 7EX

* *Non-Executive and Independent Directors*

Directors' Biographies

N. J. E. Sealy, *Chairman*
Appointed to the Board in 1999 and became Chairman in June 2003. 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 66.*

W. H. Yates, *Deputy Chairman*
Appointed to the Board in 1985 and became Deputy Chairman in 1995. He was Senior Partner of Knight Frank and Deputy Chairman of Woolwich plc. *Aged 69.*

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. *Aged 59.*

N. Baines, *Bishop of Croydon*
Appointed to the Board in 2002. Prior to ordination he was a professional government linguist. He has served on the General Synod of the Church of England and was in parochial ministry before being appointed Archdeacon of Lambeth in 2000. He was appointed Bishop of Croydon in May 2003. He regularly broadcasts on the BBC. *Aged 47.*

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 62.*

P. N. S. Clark
Appointed to the Board in 2004. He was the Chief Actuary and a Director of AXA Sun Life until 2002. A past President of the Institute of Actuaries. He is an academic visitor at Oxford University and a director of Western Provident Association. *Aged 58.*

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 and a Governor of Ripon College, Cuddesdon. *Aged 64.*

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 67.*

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 Association of British Insurers, the Save the Children Fund and the Worshipful Company of Coopers. He is a Director of Martin Currie Income and Growth Trust plc and Mapfre Re. *Aged 60.*

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 Chairman of CCLA Investment Managers Ltd and also Chairman of the Church Commissioners Audit Committee. *Aged 66.*

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

Principal activity
The principal activity of the company is that of an investment holding company. Its principal subsidiary is Ecclesiastical Insurance Office plc. That company and its life assurance subsidiary, Ecclesiastical Life Limited, transact most forms of general and long term insurance. A list of the company's main subsidiary undertakings is given on page 45. The group also has branches in Canada and the Republic of Ireland.

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 20.

Dividends
The directors do not recommend the payment of a dividend for the year ended 31 December 2004 *(2003:£nil)* .

Directors
The directors of the company at the date of this report are stated on page 10. Mr M. C. D. Roberts, Mr N. J. E. Sealy and Mr W. H. Yates retire by rotation and, being eligible, offer themselves for re-election.

Mr. H. H. Scurfield retired from the board on 3 November 2004. Dean Coulton will retire from the board with effect from 23 March 2005. The directors wish to convey their gratitude for the contribution made by both directors.

Directors' interests
The interests of the directors, all of which are beneficial, in the 8.625% Non-Cumulative Irredeemable Preference shares of Ecclesiastical Insurance Office plc are as follows:

	Interest at 31.12.2004	*Interest at 1.1.2004 or date of appointment**
	No.	*No.*
N. J. E. Sealy	**-**	*500*
W. H. Yates	**-**	*500*
The Rt. Revd. N. Baines	**-**	*500*
D. Christie	**-**	*500*
P. N. S. Clark	**-**	*-*
The Very Revd. N. G. Coulton	**-**	*500*
G. V. Doswell	**3,000**	*500*
D. R. Losse	**-**	*500*
G. A. Prescott	**-**	*1,000*
M. C. D. Roberts	**-**	*500*

* The interests of the directors at 1 January 2004 were in the 2.8% First Cumulative Preference shares of Ecclesiastical Insurance Office plc which were redesignated as 8.625% Non-Cumulative Irredeemable Preference shares on 23 July 2004.

No director had an interest in any other shares or debentures of the group as at 31 December 2004. 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 23 March 2005 the entire equity capital of the company was owned by Allchurches Trust Limited.

Charitable and political donations
Charitable donations given by the company and its subsidiary undertakings in the year amounted to £5.0 million (*2003:£4.3 million*).

During the last five years, a total of £22.7 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. Ecclesiastical Insurance Group plc holds the investments in the group companies, does not trade and does not have suppliers within the meaning of the Companies Act 1985. The number of days' purchases represented by the amounts due to trade creditors of the main operating companies in the United Kingdom at 31 December 2004, calculated in accordance with Schedule 7 of the Companies Act 1985, was 4.5 days *(2003:6.2 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 adopted by the London Stock Exchange. 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 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, N. J. E. Sealy, seven 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, a remuneration committee and an appointments committee, details of which are given below and on page 14.

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

M. C. D. Roberts *Chairman*	D. R. Losse
P. N. S. Clark	W. H. Yates

The committee had five scheduled meetings during the 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.

Directors' Report

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

N.J.E. Sealy *(Chairman)*	The Rt. Revd. N. Baines
D. Christie	

The committee meets periodically to review the structure, size and composition of the board and to evaluate the directors' skills, knowledge and experience. The committee considers the leadership needs and succession planning of the group when making decisions on new appointments.

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

D. R. Losse *(Chairman)*	The Very Revd. N. G. Coulton
P. N. S. Clark	W. H. Yates

The committee meets when necessary to determine the conditions of employment and pay and benefits of the chairman, each of the executive directors and the general management team.

Remuneration policy
The group's objective 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 and long term performance related bonuses (over rolling three year periods) at the discretion of the remuneration 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 other 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.

External directorships
External directorships are considered to be valuable in terms of broadening the experience and knowledge of executive directors, provided there is no conflict of interest and the commitment required is not excessive. Such appointments are subject to the approval of the board. Monetary payments received by executive directors from outside directorships are paid over to and retained by the employer.

Directors' Report

Internal controls

The board is ultimately responsible for the systems of internal controls maintained by the group. The board reviews the effectiveness of the group's system of internal controls annually and considers it to be appropriate for the group. The system of controls is 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. Business and investment reports are submitted regularly 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 LLP be re-appointed as auditors of the company will be put to the annual general meeting.

Non-audit work

The company does not impose an automatic ban on the auditor undertaking non-audit work. The group's aim is to identify appropriate service providers and ensure that any non-audit work is carried out in a manner that affords full value for money. The service provider must not be in a position of conflict in respect of the work in question and must have the skill, competence and integrity to carry out the work in the best interests of the company and the group.

Auditors of the company are only permitted to perform audit-related and non-audit work if, in the opinion of the audit and compliance committee, it is appropriate for them to do so and there are no actual or perceived independence issues.

By order of the board

Mrs R. J. Hall
Secretary

23 March 2005

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 Group plc

We have audited the financial statements of Ecclesiastical Insurance Group plc for the year ended 31 December 2004 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 and other members of the group 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 audit 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 2004, and the effect of the movement in those reserves during the year on the balance on the general business technical account and profit 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 2004, and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors

London
23 March 2005

Consolidated Profit and Loss Account

for the year ended 31 December 2004

		Notes	2004	2003 (Restated)
TECHNICAL ACCOUNT - GENERAL BUSINESS			**£000**	*£000*
Gross premiums written		3(a)	**343,945**	*354,187*
Outward reinsurance premiums			**(117,490)**	*(132,830)*
Net premiums written		3(a)	**226,455**	*221,357*
Change in the gross provision for unearned premiums			**(2,214)**	*13,579*
Change in the provision for unearned premiums, reinsurers' share			**2,799**	*(7,496)*
Change in the net provision for unearned premiums			**585**	*6,083*
Earned premiums, net of reinsurance			**225,870**	*215,274*
Claims paid	- gross amount		**138,949**	*155,234*
	- reinsurers' share		**(35,693)**	*(43,209)*
			103,256	*112,025*
Change in the provision for claims	- gross amount		**32,536**	*20,825*
	- reinsurers' share		**(17,485)**	*(7,031)*
			15,051	*13,794*
Claims incurred, net of reinsurance			**118,307**	*125,819*
Net operating expenses		5(a)	**71,708**	*67,122*
Total technical charges			**190,015**	*192,941*
Balance on the technical account before equalisation provision			**35,855**	*22,333*
Change in the equalisation provision		22	**(2,905)**	*(4,770)*
Balance on the technical account for general business			**32,950**	*17,563*

All the amounts above are in respect of continuing operations.

Consolidated Profit and Loss Account

for the year ended 31 December 2004

		Notes	2004	2003 (Restated)
TECHNICAL ACCOUNT - LONG TERM BUSINESS			**£000**	*£000*
Gross premiums written		3(b)	**19,185**	*19,463*
Outward reinsurance premiums			**(179)**	*(451)*
Earned premiums, net of reinsurance			**19,006**	*19,012*
Investment income		4	**26,822**	*13,461*
Unrealised (losses)/gains on investments			**(1,271)**	*17,623*
Total technical income			**44,557**	*50,096*
Claims paid	- gross amount		**29,659**	*33,869*
	- reinsurers' share		**(85)**	*(146)*
			29,574	*33,723*
Change in the provision for claims	- gross amount		**57**	*(493)*
	- reinsurers' share		**-**	*92*
			57	*(401)*
Claims incurred, net of reinsurance			**29,631**	*33,322*
Change in other technical provisions				
Long term business provision	- gross amount		**1,584**	*880*
	- reinsurers' share		**(576)**	*633*
			1,008	*1,513*
Technical provision for linked business			**6,011**	*9,944*
Change in other technical provisions, net of reinsurance			**7,019**	*11,457*
Net operating expenses		5(a)	**6,149**	*5,502*
Investment expenses and charges		4	**677**	*3,086*
Tax attributable to long term business		9	**(1,800)**	*1,943*
Transfer to/(from) the fund for future appropriations			**4,272**	*(1,363)*
			9,298	*9,168*
Total technical charges			**45,948**	*53,947*
Balance on the technical account for long term business			**(1,391)**	*(3,851)*

All the amounts above are in respect of continuing operations in the United Kingdom.

Consolidated Profit and Loss Account

for the year ended 31 December 2004

	Notes	2004	2003 (Restated)
NON-TECHNICAL ACCOUNT		**£000**	*£000*
Balance on the general business technical account		**32,950**	*17,563*
Balance on the long term business technical account		**(1,391)**	*(3,851)*
Tax attributable to the shareholders' long term business profits		**-**	-
		31,559	*13,712*
Investment income	4	**21,479**	*20,341*
Unrealised gains on investments		**13,349**	*21,011*
Investment expenses and charges	4	**(1,259)**	*(1,565)*
Other operations		**21**	*51*
Other charges - recurring	5(b)	**(1,863)**	*(1,428)*
- exceptional	5(c)	**-**	*(4,155)*
		31,727	*34,255*
Operating profit		**66,191**	*52,737*
Change in equalisation provision	22	**(2,905)**	*(4,770)*
Profit on ordinary activities before tax	3(c)	**63,286**	*47,967*
Tax on profit on ordinary activities	9	**19,235**	*13,572*
Profit on ordinary activities after tax		**44,051**	*34,395*
Minority interests	19	**2,891**	*2,458*
Profit attributable to shareholders		**41,160**	*31,937*
Charitable grants net of tax relief	10	**3,503**	*3,010*
Retained profit for the financial year	17	**37,657**	*28,927*

Non-equity interests included in minority interests are disclosed in note 19 to the accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2004

	Notes	2004	2003
Profit attributable to shareholders		**41,160**	*31,937*
Currency translation differences		**(123)**	*2,801*
Total recognised gains and losses for the financial year	18(a)	**41,037**	*34,738*
Prior year adjustments	18(b)	**1,264**	-
Total recognised gains and losses since last annual report		**42,301**	*34,738*

Consolidated Balance Sheet

at 31 December 2004

	Notes	2004	2003
ASSETS			*(Restated)*
		£000	*£000*
Intangible assets			
Goodwill	11	**1,671**	*2,089*
Investments			
Land and buildings	12	**25,141**	*19,271*
Shares in group undertakings	12	**250**	*250*
Shares in participating interest	12	**47**	*45*
Other financial investments	12	**599,415**	*600,178*
		624,853	*619,744*
Assets held to cover linked liabilities	13	**46,915**	*40,903*
Reinsurers' share of technical provisions			
Provision for unearned premiums		**44,062**	*46,527*
Long term business provision	20	**1,185**	*609*
Claims outstanding	21	**107,776**	*90,622*
		153,023	*137,758*
Debtors			
Debtors arising out of direct insurance operations	14(a)	**52,720**	*63,326*
Debtors arising out of reinsurance operations	14(b)	**15,963**	*15,133*
Other debtors		**3,024**	*1,928*
		71,707	*80,387*
Other assets			
Tangible assets	15	**7,696**	*9,424*
Cash at bank and in hand		**179,904**	*96,190*
		187,600	*105,614*
Prepayments and accrued income			
Accrued interest and rent		**5,672**	*4,941*
Deferred acquisition costs		**28,475**	*27,564*
Other prepayments and accrued income		**2,428**	*3,713*
		36,575	*36,218*
Total assets	3(e)	**1,122,344**	*1,022,713*

Consolidated Balance Sheet

at 31 December 2004

LIABILITIES	Notes	2004 £000	2003 (Restated) £000
Capital and reserves			
Called up share capital	16	**20,000**	*20,000*
General reserve	17	**5,500**	*5,500*
Profit and loss account	17	**141,781**	*104,247*
Equity shareholders' funds	18(a)	**167,281**	*129,747*
Minority interests	19	**38,074**	*28,077*
Fund for future appropriations		**14,510**	*10,238*
Technical provisions			
Provision for unearned premiums		**160,186**	*162,644*
Long term business provision	20	**217,066**	*215,482*
Claims outstanding	21	**363,592**	*332,576*
Equalisation provision	22	**17,613**	*14,708*
		758,457	*725,410*
Technical provision for linked liabilities		**46,915**	*40,903*
Provisions for other risks and charges	23	**19,582**	*19,708*
Deposits received from reinsurers		**27**	*26*
Creditors			
Creditors arising out of direct insurance operations		**4,706**	*5,085*
Creditors arising out of reinsurance operations	14(b)	**14,392**	*15,850*
Other creditors including taxation and social security	24	**31,767**	*29,149*
Amount due to group undertakings		**63**	-
		50,928	*50,084*
Accruals and deferred income		**26,570**	*18,520*
Total liabilities		**1,122,344**	*1,022,713*

Parent Company Balance Sheet

at 31 December 2004

	Notes	2004	2003 (Restated)
		£000	*£000*
Fixed assets: investments			
Shares in subsidiaries	12	**158,407**	*133,930*
Shares in participating interest	12	**47**	*45*
Other investments	12	**1,437**	*-*
		159,891	*133,975*
Current assets			
Taxation		**55**	*260*
Other debtors		**28**	*9*
Cash at bank and in hand		**19,006**	*6,768*
		19,089	*7,037*
Creditors			
Amounts falling due within one year:			
Corporate business loan	24	**-**	*5,000*
Other creditors		**699**	*265*
Current liabilities		**699**	*5,265*
Net current assets		**18,390**	*1,772*
Total assets less current liabilities		**178,281**	*135,747*
Creditors			
Amounts falling due after more than one year:			
Debenture stock		**6,000**	*6,000*
Corporate business loan	24	**5,000**	*-*
		11,000	*6,000*
Net assets		**167,281**	*129,747*
Capital and reserves			
Share capital	16	**20,000**	*20,000*
Revaluation and other reserves	17	**129,155**	*94,676*
Profit and loss account	17	**18,126**	*15,071*
Equity shareholders' funds		**167,281**	*129,747*

The financial statements on pages 18 to 46 were approved by the board of directors on 23 March 2005 and signed on their behalf by

N. J. E. SEALY *Chairman*

G. V. DOSWELL *Managing Director*

Consolidated Cash Flow Statement

for the year ended 31 December 2004 (excluding long term insurance business)

	Notes	2004 £000	*2003 £000*
Net cash inflow from operating activities	25(a)	**86,629**	*68,346*
Servicing of finance			
Loan interest paid		**(1,038)**	*(995)*
Preference dividends paid		**(2,891)**	*(2,458)*
Other interest paid		**(105)**	*(103)*
Taxation paid		**(9,178)**	*(4,825)*
Capital expenditure			
Purchase of tangible fixed assets		**(2,225)**	*(2,022)*
Proceeds from the disposal of fixed assets		**195**	*317*
Acquisitions and disposals			
Disposal of non-equity shares in subsidiary undertaking		**11,388**	*-*
Charitable grants paid		**(4,355)**	*(4,050)*
Financing			
Capital element of lease purchase rental payments		**(675)**	*(426)*
	25(b)	**77,745**	*53,784*
Cash flows were invested as follows:			
Increase/(decrease) in cash holdings		**63,111**	*(10,506)*
Portfolio investment			
Purchases of shares and other variable yield securities		**7,081**	*31,597*
Purchases of fixed income securities		**150,631**	*282,969*
Purchases of properties		**1,850**	*18*
Sales of shares and other variable yield securities		**(3,666)**	*(24,416)*
Sales of fixed income securities		**(141,262)**	*(224,696)*
Sales of properties		**-**	*(1,182)*
Net investment of cash flows		**77,745**	*53,784*
Movement arising from cash flows		**77,745**	*53,784*
Movement in long term business		**7,545**	*7,460*
Changes in market values and exchange rate effects		**9,545**	*27,122*
Total movement in portfolio investments net of financing		**94,835**	*88,366*
Portfolio investments net of financing at 1 January		**745,837**	*657,471*
Portfolio investments net of financing at 31 December	25(b)	**840,672**	*745,837*

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 2003 Association of British Insurers Statement Of Recommended Practice (ABI SORP).

Changes in accounting policy

Adoption of the 2003 ABI SORP has led to a change in the method of accounting for London market and all reinsurance business accepted from the fund basis to the annual basis. In addition, the present value of in-force business within the group's subsidiary, Ecclesiastical Life Limited, can no longer be recognised as an asset within the balance sheet. The impact of these changes is detailed in note 18(b) and comparative figures have been restated.

In addition, as a consequence of the move to the 2003 ABI SORP unrealised gains, investment income and expense comparatives have been restated. In the prior year total investment return from Ecclesiastical Life shareholders fund was included within the long term business technical account and then transferred to the non-technical account. This investment return is now credited directly to the non-technical account. There is no impact on the loss in the long term business technical account or profit in the non-technical account as a result of this restatement.

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. For businesses acquired or disposed of during the year, 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. Exchange profits and losses which arise from normal trading activities are taken to the non-technical account.

The financial statements of foreign subsidiaries and branches are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to reserves.

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 in accordance with the 2003 ABI SORP. 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.

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

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 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 chapter 7 of the Integrated Prudential Sourcebook. 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 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.

Long term business provision

The long term business provision is determined using methods and assumptions approved by the directors based on advice from the actuarial function holder. Initially it is calculated to comply with the reporting requirements under the Integrated Prudential Sourcebook. 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 and by identifying negative reserves on other contracts. 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.

Accounting Policies

Long term business technical account (continued)

Allocation of surpluses and fund for future appropriations

Surpluses arising on the long term business funds are determined by an actuarial valuation of the assets and liabilities relating to each fund. A proportion of the surplus on the participating fund is appropriated by the directors to participating policyholders by way of bonuses, with the unallocated balance carried forward in the fund for future appropriations. The surplus on the non-participating fund, representing shareholders' interests, is transferred to the non-technical account from the long term business technical account.

Investments

Listed equity investments and irredeemable fixed interest securities are included in the balance sheet at mid-market value or where appropriate, bid price. 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, including properties occupied by the group, are stated at open market value as determined by external qualified surveyors. The full market value has been reduced by 2% to reflect anticipated selling costs. Assets held to cover linked liabilities comprise of listed equity investments and fixed income securities and are valued in accordance with the bases described above.

In accordance with SSAP 19, which requires a departure from the Companies Act 1985, no depreciation is provided in respect of freehold properties. The directors consider that depreciation of these 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.

Group companies use futures contracts and options 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 the 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, and the movement during the year is recognised in the profit and loss account. 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 funds is reported in the technical account for long term business. The return on the associated shareholders' and general business funds are reported in the non-technical account.

Deferred taxation

Provision for deferred tax includes timing differences relating to the recalculation 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.

Accounting Policies

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	3 - 15 years

Pensions

The pension costs charged against profits are based on actuarial methods and assumptions designed to spread the anticipated pension costs over the service lives of the employees in the scheme, so as to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable payroll. Variations from regular cost are spread over the average service lives of current employees in the scheme.

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.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

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 10 years, on a straight-line basis. The gain or loss on any subsequent disposal of a subsidiary or associated undertaking will include any attributable unamortised goodwill.

Notes to the Accounts

1 Profit after taxation

Of the group profit after taxation, £3,055,000 (*2003:£1,252,000)* has been dealt with in the accounts of the parent company.

2 Exchange rates

	2004	*2003*
The principal rates of exchange used for translation are:		
Canada	**C$2.30**	*C$2.31*
Republic of Ireland	**€ 1.41**	*€ 1.42*
Australia	**AUS$2.45**	*AUS$2.38*

3 Segmental analysis

(a) General business premiums

	2004		*2003*	
	Gross	**Net**	*Gross (Restated)*	*Net (Restated)*
	£000	**£000**	*£000*	*£000*
Direct:				
Accident	**7,178**	**6,928**	*7,635*	*7,271*
Motor	**28,766**	**26,060**	*30,164*	*27,324*
Property	**189,544**	**97,479**	*196,007*	*90,532*
Liability	**73,814**	**65,683**	*69,424*	*60,501*
	299,302	**196,150**	*303,230*	*185,628*
Reinsurance accepted and London market	**44,643**	**30,305**	*50,957*	*35,729*
Total	**343,945**	**226,455**	*354,187*	*221,357*
Geographical analysis - on the basis of location of office				
United Kingdom	**268,650**	**172,037**	*269,856*	*170,419*
Australia and New Zealand	**47,813**	**29,895**	*47,324*	*27,708*
Canada	**17,553**	**18,123**	*25,990*	*16,205*
Other overseas	**9,929**	**6,400**	*11,017*	*7,025*
Total	**343,945**	**226,455**	*354,187*	*221,357*

(b) Long term business premiums

Geographical analysis - on the basis of location of office

All long term business premiums were generated from offices within the United Kingdom.

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

3 Segmental analysis (continued)

(b) Long term business premiums (continued)

The analysis of long term business premiums written before reinsurance is:	2004 £000	*2003 £000*
Life insurance business		
- Single premiums	**4,035**	*4,533*
- Regular premiums	**5,456**	*5,716*
Annuity business		
- Single premiums	**1,201**	*334*
Pension business		
Non-linked contracts		
- Single premiums	**3,214**	*2,901*
- Regular premiums	**3,152**	*3,013*
Linked contracts		
- Single premiums	**-**	*427*
- Regular premiums	**1,954**	*2,325*
Permanent health insurance	**173**	*214*
	19,185	*19,463*
Gross new annualised regular premiums		
Life insurance	**104**	*252*
Pensions	**580**	*344*
	684	*596*

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) Profit before taxation

	2004 £000	*2003 (Restated) £000*
United Kingdom	**57,562**	*43,426*
Australia and New Zealand	**6,729**	*3,829*
Canada	**399**	*3,222*
Other overseas	**(13)**	*1,341*
Long term business	**(1,391)**	*(3,851)*
Total	**63,286**	*47,967*

(d) Net assets

	2004	*2003*
United Kingdom	**131,759**	*98,004*
Australia and New Zealand	**14,801**	*9,947*
Canada	**18,920**	*18,356*
Other overseas	**(774)**	*(526)*
Long term business	**2,575**	*3,966*
Total	**167,281**	*129,747*

(e) Total assets

Of the total assets shown on page 21, £288,285,000 (*2003:£285,954,000*) are attributable to the long term business fund.

4 Investment return

	2004 General business £000	2004 Long term business £000	*2003 General business (Restated) £000*	*2003 Long term business (Restated) £000*
Land and buildings	**1,487**	**39**	*1,453*	*19*
Other investments	**18,782**	**12,356**	*18,888*	*13,442*
Realised investment gains	**1,210**	**14,427**	*-*	*-*
Investment income	**21,479**	**26,822**	*20,341*	*13,461*
Investment expenses and charges:				
Investment management expenses, including interest	**1,259**	**677**	*1,138*	*614*
Realised investment losses	**-**	**-**	*427*	*2,472*
Investment expenses and charges	**1,259**	**677**	*1,565*	*3,086*
Net investment return	**20,220**	**26,145**	*18,776*	*10,375*

5 Expenses

		2004 General business £000	2004 Long term business £000	*2003 General business (Restated) £000*	*2003 Long term business £000*
(a) Net operating expenses					
Commission paid on direct business		**50,312**	**17**	*51,458*	*(35)*
Other acquisition costs		**12,036**	**-**	*13,885*	*-*
Change in deferred acquisition costs		**469**	**304**	*1,708*	*44*
Administrative expenses		**45,723**	**6,004**	*37,788*	*5,660*
Reinsurance commissions and profit participation		**(36,832)**	**(176)**	*(37,717)*	*(167)*
		71,708	**6,149**	*67,122*	*5,502*
Administrative expenses include:					
Depreciation	- owned assets	**3,668**	**195**	*3,656*	*427*
	- leased assets	**372**	**95**	*95*	*(52)*
Auditors' remuneration	- parent	**2**	**-**	*2*	*-*
	- group UK, including parent	**276**	**35**	*303*	*38*
	- group overseas	**107**	**-**	*101*	*-*
	- group fees for non-audit services	**180**	**28**	*128*	*39*
Interest payments under lease purchase contracts		**105**	**21**	*103*	*27*

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

	2004 General business £000	2004 Long term business £000	*2003 General business (Restated) £000*	*2003 Long term business £000*
(b) Other charges				
Debenture interest	**780**	**-**	*780*	*-*
Corporate business loan interest	**258**	**-**	*218*	*-*
Amortisation of goodwill	**418**	**-**	*430*	*-*
Non-insurance subsidiary expenses	**407**	**-**	*-*	*-*
	1,863	**-**	*1,428*	*-*

5 Expenses (continued)

(c) Exceptional items

The exceptional charge of £4,155,000 incurred in the year ended 31 December 2003 relates to the restructure of the group's head office and UK branches.

6 Employee information

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

	2004		*2003*	
	General business No.	**Long term business No.**	*General business No.*	*Long term business No.*
United Kingdom	**770**	**80**	*849*	*85*
Australia and New Zealand	**108**	**-**	*99*	-
Canada	**60**	**-**	*58*	-
Republic of Ireland	**17**	**-**	*16*	-
	955	**80**	*1,022*	*85*

	£000	**£000**	*£000*	*£000*
Wages and salaries	**26,976**	**2,147**	*24,285*	*2,167*
Social security costs	**1,993**	**190**	*1,834*	*201*
Other pension costs	**9,531**	**385**	*5,157*	*270*
	38,500	**2,722**	*31,276*	*2,638*

7 Directors' emoluments

		2004	*2003*
		£	*£*
Aggregate emoluments of the directors of the company		**758,822**	*712,493*
Highest paid director	- emoluments	**278,162**	*251,618*
	- accrued pension benefit	**113,130**	*102,000*
	- accrued lump sum entitlement	**339,380**	*305,980*
Chairman's fees		**51,463**	*51,250*

Two directors *(2003:two)* who were employed by Ecclesiastical Insurance group, were members of the group's defined benefit pension scheme during the year.

In addition one director *(2003:one)* received an ex-gratia payment of £16,000 *(2003: £25,000)* during the year.

8 Pensions

The group has continued to account for pension costs in accordance with Statement of Standard Accounting Practice (SSAP) 24, although in accordance with Financial Reporting Standard (FRS) 17 transitional arrangements, additional disclosures required have also been presented.

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 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 currently 16% of pensionable salary. The scheme is registered with the Pension Schemes Registry. 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 £8,448,000 *(2003:£4,400,000)*. Of this £8,207,000 *(2003:£4,180,000)* related to the UK scheme.

The Ansvar subsidiaries operate separate schemes to the main group scheme. In the Republic of Ireland the Ansvar non-contributory defined contribution scheme is now paid up. In the UK Ansvar 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 are currently 21.6% of pensionable salary together with an annual contribution of £127,000 as recommended by the scheme actuary. 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 2002, when the market value of the assets, at £2,711,000, represented 81% of the benefits that had accrued to members. In Australia, EIG-Ansvar operates, through an AMP Masterplan, a defined contribution plan that complies with the Superannuation Industry (Supervision) Act, 1993. Employees contribute at a rate of 5% of basic salary, and the company at a rate of 9%.

In addition, in accordance with FRS 17, the full actuarial valuation for each defined benefit pension scheme has been reviewed and updated at 31 December 2004. The financial assumptions used, which are the average for all schemes weighted according to the value of each schemes liabilities, were as follows:

	2004	*2003*	*2002*
Inflation	**2.75%**	*2.75%*	*2.25%*
Increase in salary	**4.00%**	*4.00%*	*4.00%*
Increase in pensions in payment	**2.75%**	*2.75%*	*2.25%*
Discount rate for scheme liabilities	**5.25%**	*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 2002.

8 Pensions (continued)

On full compliance with FRS 17, on the basis of the above assumptions, the amounts that would have been charged to the consolidated profit and loss account and consolidated statement of total recognised gains and losses for the year ended 31 December 2004 are shown below.

	2004	*2003*
	£000	*£000*
Service costs		
Current service costs	**4,295**	*4,269*
Past service costs	**990**	*1,135*
	5,285	*5,404*
Other finance costs		
Expected return on scheme assets	**6,802**	*5,263*
Interest cost on scheme liabilities	**(5,354)**	*(4,586)*
Net finance income	**1,448**	*677*
Actuarial gains and losses		
Difference between actual and expected return on scheme assets	**5,539**	*9,545*
Impact of changes in the valuation basis	**(12,010)**	*(5,258)*
Experience gains/(losses) arising on scheme liabilities	**3,416**	*(933)*
Total actuarial (losses)/ gains	**(3,055)**	*3,354*
Movement in surplus during the year		
Surplus at 1 January	**6,769**	*3,763*
Current service cost	**(4,295)**	*(4,269)*
Contributions	**8,481**	*4,379*
Past service cost	**(990)**	*(1,135)*
Other finance income	**1,448**	*677*
Actuarial (losses)/gains	**(3,055)**	*3,354*
Surplus at 31 December	**8,358**	*6,769*

History of experience gains and losses

	2004	*2003*	*2002*
Difference between the expected and actual return on scheme assets:			
Amount £000	**5,539**	*9,545*	*(14,597)*
Percentage of scheme assets	**4.63%**	*9.41%*	*17.35%*
Experience gains and losses on scheme liabilities:			
Amount £000	**3,416**	*(933)*	*(1,497)*
Percentage of the present value of the scheme liabilities	**3.07%**	*0.99%*	*1.86%*
Total amount that would be recognised in statement of total recognised gains and losses:			
Amount £000	**(3,055)**	*3,354*	*(16,094)*
Percentage of the present value of the scheme liabilities	**2.74%**	*3.54%*	*20.03%*

8 Pensions (continued)

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

	Value at 2004 £000	**Expected rate of return**	*Value at 2003 (Restated) £000*	*Expected rate of return*	*Value at 2002 (Restated) £000*	*Expected rate of return*
Equities	**67,074**	**8.00%**	*57,596*	*8.00%*	*45,110*	*8.00%*
Bonds	**30,237**	**5.50%**	*28,274*	*5.50%*	*23,235*	*5.50%*
Other	**22,447**	**4.00%**	*15,575*	*4.00%*	*15,780*	*4.50%*
Total market value of assets	**119,758**		*101,445*		*84,125*	
Present value of scheme liabilities	**(111,400)**		*(94,676)*		*(80,362)*	
Net surplus in the schemes	**8,358**		*6,769*		*3,763*	
Deferred tax liability	**(2,507)**		*(2,031)*		*(1,129)*	
Net pension asset	**5,851**		*4,738*		*2,634*	
Group net assets excluding net pension asset	**167,281**		*129,747*		*98,019*	
Group net assets including net pension asset	**173,132**		*134,485*		*100,653*	
Profit and loss account excluding net pension asset	**141,781**		*104,247*		*72,519*	
Net pension asset	**5,851**		*4,738*		*2,634*	
Profit and loss account including net pension asset	**147,632**		*108,985*		*75,153*	

9 Taxation

	Long term business technical account 2004 £000	*2003 £000*	**Non-technical account 2004 £000**	*2003 (Restated) £000*
UK corporation tax for the current financial year	**-**	-	**13,794**	*5,608*
Overseas tax	**-**	-	**2,887**	*2,403*
	-	-	**16,681**	*8,011*
Deferred tax	**(1,800)**	*1,943*	**2,554**	*5,561*
	(1,800)	*1,943*	**19,235**	*13,572*

UK corporation tax in the long term business technical account has been calculated at rates between 20% and 30% (*2003:20% and 30%*) in accordance with the rates applicable to long term insurance business.

9 Taxation (continued)

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	
	2004	*2003*
		(Restated)
	£000	*£000*
Profit on ordinary activities before tax	**63,286**	*47,967*
Tax on profit on ordinary activities at standard rate	**18,986**	*14,390*
Factors affecting charge for the period:		
Depreciation in excess of capital allowances for the period	**32**	*(225)*
Unrealised investment movements and other timing differences	**(3,630)**	*(6,569)*
Dividends received	**(261)**	*(907)*
Expenses not deductible for tax purposes	**871**	*435*
Tax paid at non-standard rates	**(933)**	*(249)*
Tax relief on gift aid	**1,502**	*1,290*
Adjustments to tax charge in respect of prior periods	**114**	*(154)*
Total actual amount of current tax	**16,681**	*8,011*

10 Charitable grants

Charitable grants of £5,005,000 (*2003:£4,300,000*) gross and £3,503,000 (*2003:£3,010,000*) net of tax relief consist mainly of gift aid payments to the ultimate parent company, Allchurches Trust Limited.

11 Goodwill

	2004	*2003*
	£000	*£000*
Carrying value at 1 January	**2,089**	*2,519*
Additions	**-**	-
Amortisation	**(418)**	*(430)*
Carrying value at 31 December	**1,671**	*2,089*

Goodwill arose on the acquisition of a subsidiary undertaking.

12 **Investments**	**2004**			*2003*		
Group	**General business**	**Long term business**	**Total**	*General business*	*Long term business*	*Total*
Current value	**£000**	**£000**	**£000**	*£000*	*£000*	*£000*
Freehold land and buildings						
- occupied by the group	**2,510**	**441**	**2,951**	*2,468*	*392*	*2,860*
- other	**20,378**	**1,812**	**22,190**	*16,411*	*-*	*16,411*
	22,888	**2,253**	**25,141**	*18,879*	*392*	*19,271*
Investments in group undertakings						
- preference shares	**250**	**-**	**250**	*250*	*-*	*250*
Investment in participating interest						
- ordinary shares	**47**	**-**	**47**	*45*	*-*	*45*
Other financial investments						
Equity shares and other variable yield securities and units in unit trusts:						
- listed	**129,875**	**86,806**	**216,681**	*117,810*	*100,711*	*218,521*
- unlisted	**18,772**	**322**	**19,094**	*16,758*	*297*	*17,055*
	148,647	**87,128**	**235,775**	*134,568*	*101,008*	*235,576*
Debt and other fixed income securities:						
- listed	**238,901**	**84,833**	**323,734**	*229,387*	*87,437*	*316,824*
- unlisted	**1,401**	**3,724**	**5,125**	*1,343*	*3,262*	*4,605*
Loans secured by mortgages	**1,086**	**29,823**	**30,909**	*567*	*35,517*	*36,084*
Other loans	**3,461**	**411**	**3,872**	*6,671*	*418*	*7,089*
	244,849	**118,791**	**363,640**	*237,968*	*126,634*	*364,602*
Total	**393,496**	**205,919**	**599,415**	*372,536*	*227,642*	*600,178*
Cost						
Freehold land and buildings	**19,470**	**2,249**	**21,719**	*17,623*	*400*	*18,023*
Investments in group undertakings	**250**	**-**	**250**	*250*	*-*	*250*
Investment in participating interest	**30**	**-**	**30**	*30*	*-*	*30*
Other financial investments	**331,596**	**146,074**	**477,670**	*320,011*	*159,887*	*479,898*
	351,346	**148,323**	**499,669**	*337,914*	*160,287*	*498,201*
Debt and other fixed income securities valued at amortised cost						
Cost	**232,817**	**73,421**	**306,238**	*221,623*	*44,886*	*266,509*
Cumulative amortisation	**(3,930)**	**(2,974)**	**(6,904)**	*(2,034)*	*(879)*	*(2,913)*
Current value	**228,887**	**70,447**	**299,334**	*219,589*	*44,007*	*263,596*
Unamortised maturity value	**(13,727)**	**(3,009)**	**(16,736)**	*17,043*	*(1,156)*	*15,887*
Maturity value	**215,160**	**67,438**	**282,598**	*236,632*	*42,851*	*279,483*
Market value	**228,496**	**75,402**	**303,898**	*216,316*	*47,458*	*263,774*

Owner occupied properties were valued at market value based on vacant possession at 31 December 2003. Other properties were valued on an open market existing use basis at 31 December 2004. The valuation was performed by Cluttons, an external firm of Chartered Surveyors.

The aggregate cost of the parent company's investments in subsidiary undertakings was £12,320,000 (*2003:£22,320,000*).

12 Investments (continued)

Parent

Group undertakings	2004 Shares in subsidiary undertakings	 Shares in participating interest	 Total	2003 *Shares in subsidiary undertakings (Restated)*	 *Shares in participating interest*	 *Total (Restated)*
	£000	**£000**	**£000**	*£000*	*£000*	*£000*
Cost						
At 1 January	**22,320**	**30**	**22,350**	*22,533*	*30*	*22,563*
Disposal	**(10,000)**	**-**	**(10,000)**	*(213)*	*-*	*(213)*
At 31 December	**12,320**	**30**	**12,350**	*22,320*	*30*	*22,350*
At valuation						
At 1 January	**111,610**	**15**	**111,625**	*84,769*	*11*	*84,780*
Movement	**34,477**	**2**	**34,479**	*26,841*	*4*	*26,845*
At 31 December	**146,087**	**17**	**146,104**	*111,610*	*15*	*111,625*
Net book value						
At 31 December	**158,407**	**47**	**158,454**	*133,930*	*45*	*133,975*
At 1 January	**133,930**	**45**	**133,975**	*107,302*	*41*	*107,343*

All of the investments in the table above are unlisted.

The valuation of shares in subsidiary undertakings brought forward at 1 January 2003 was previously reported as £83,505,000. This has been increased by £1,264,000 following the prior year adjustments as disclosed in note 18(b).

Other financial investments	2004 **Current value**	 **Historical cost**	2003 *Current value*	 *Historical cost*
Equity shares and other variable yield securities and units in unit trusts:	**£000**	**£000**	*£000*	*£000*
- unlisted	**1,437**	**969**	*-*	*-*

13 Assets held to cover linked liabilities

	2004 **Current value**	 **Historical cost**	2003 *Current value*	 *Historical cost*
	£000	**£000**	*£000*	*£000*
Group	**46,915**	**37,469**	*40,903*	*35,723*

14 Debtors arising out of insurance operations

(a) Debtors arising out of direct insurance operations

	2004			2003		
	General business £000	**Long term business £000**	**Total £000**	*General business £000*	*Long term business £000*	*Total £000*
Group						
Policyholders	**15,816**	**1,344**	**17,160**	*22,433*	*1,262*	*23,695*
Intermediaries	**35,560**	**-**	**35,560**	*39,631*	*-*	*39,631*
	51,376	**1,344**	**52,720**	*62,064*	*1,262*	*63,326*

(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.

15 Tangible assets

Group	**Computer equipment £000**	**Motor vehicles £000**	**Office equipment £000**	**Total £000**
Cost:				
At 1 January 2004	**18,329**	**3,038**	**3,181**	**24,548**
Additions	**1,969**	**955**	**209**	**3,133**
Exchange movements	**(12)**	**(6)**	**(16)**	**(34)**
Disposals	**(115)**	**(1,168)**	**(18)**	**(1,301)**
At 31 December 2004	**20,171**	**2,819**	**3,356**	**26,346**
Depreciation:				
At 1 January 2004	**11,803**	**1,141**	**2,180**	**15,124**
Provided in the year	**3,479**	**603**	**248**	**4,330**
Exchange movements	**(9)**	**(2)**	**(3)**	**(14)**
Disposals	**(112)**	**(662)**	**(16)**	**(790)**
At 31 December 2004	**15,161**	**1,080**	**2,409**	**18,650**
Net book value at 31 December 2004				
General business	**4,566**	**1,454**	**944**	**6,964**
Long term business	**444**	**285**	**3**	**732**
	5,010	**1,739**	**947**	**7,696**
Net book value at 1 January 2004				
General business	*6,022*	*1,586*	*997*	*8,605*
Long term business	*504*	*311*	*4*	*819*
	6,526	*1,897*	*1,001*	*9,424*

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

16 Called up share capital

	2004 £000	*2003 £000*
Authorised, issued, allotted and fully paid		
Ordinary share capital:		
20,000,000 shares of £1 each	**20,000**	*20,000*

Notes to the Accounts

17 Reserves

	Revaluation and other reserves £000	Long term insurance business reserve £000	General reserve £000	Profit and loss account £000	Total £000
Group					
As previously reported	-	4,000	5,500	98,983	108,483
Prior year adjustment	-	(4,000)	-	5,264	1,264
Balance 1 January	-	-	5,500	104,247	109,747
Currency translation differences	-	-	-	(123)	(123)
Transfer from profit and loss account	-	-	-	37,657	37,657
Balance 31 December	-	-	5,500	141,781	147,281
Parent					
As previously reported	93,412	-	-	15,071	108,483
Prior year adjustment	1,264	-	-	-	1,264
Balance 1 January	94,676	-	-	15,071	109,747
Revaluation of group undertakings	34,479	-	-	-	34,479
Transfer from profit and loss account	-	-	-	3,055	3,055
Balance 31 December	129,155	-	-	18,126	147,281

18 Reconciliation of movements in group shareholders' funds

(a) Movement for the financial Year

	2004 £000	*2003 (Restated) £000*
Profit for the financial year	41,160	*31,937*
Currency translation differences	(123)	*2,801*
	41,037	*34,738*
Charitable grants net of tax relief	(3,503)	*(3,010)*
Net movement in shareholders' funds	37,534	*31,728*
Opening shareholders' funds as previously stated	128,483	*100,521*
Prior year adjustments (see note 18(b))	1,264	*(2,502)*
Opening shareholders' funds as restated	129,747	*98,019*
Closing shareholders' funds	167,281	*129,747*

(b) Prior year adjustments affecting subsidiary undertakings

On implementation of the 2003 ABI SORP the basis of accounting for London market and all reinsurance business accepted changed from the fund basis to the annual basis. This resulted in an increase in profit and loss reserves of £5,264,000, of which £3,766,000 relates to the year ended 31 December 2003 and £1,498,000 relates to years ended 31 December 2002 and prior. The derecognition of the internally generated present value of in-force business within the group's life business resulted in a reduction of £4,000,000 against reserves at 1 January 2003.

The net movement in reserves was £1,264,000, represented by an increase of £3,766,000 in the year ended 31 December 2003 and a decrease of £2,502,000 relating to years ended 31 December 2002 and prior.

Profit after tax at 31 December 2004 has decreased by £4,360,000 as a result of the move to the annual accounting basis.

19 Minority interests

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

	Profit and loss account		Balance sheet	
	2004	*2003*	**2004**	*2003*
	£000	*£000*	**£000**	*£000*
Non-equity interests				
Ecclesiastical Insurance Office plc				
2.8% First Cumulative Preference shares of £1	**-**	*2*	**-**	*77*
10% Redeemable Second Cumulative Preference shares of £1 each	**300**	*300*	**3,000**	*3,000*
8.625% Non-Cumulative Irredeemable Preference shares of £1 each	**2,591**	*2,156*	**35,074**	*25,000*
	2,891	*2,458*	**38,074**	*28,077*

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

Year of Redemption	Premium
2003 to 2007	2½ %
2008 to 2012	Nil

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

20 Long term business provision

The long term business provision has been calculated by the actuarial function holder of the company using the following principal assumptions approved by the company's directors:

Product	**Interest rate**	**Mortality**	**Method of valuation**
With-profit endowment and whole life assurances	2.50%	AM 92 Ult	Net premium with an implicit allowance for future bonuses of 1% pa via the interest rate.
With-profit bond	3.50%	AM 92 Ult	Greater of the surrender value and the value of future benefits and expenses (with an explicit allowance of 3.25% pa for future bonuses).
Deposit administration	N/A	N/A	Face value of benefits.
With-profit pensions deferred annuities	3.00%	PA92 (c=2030) Zero pre vesting	Gross premium with an implicit allowance for future bonuses of 1% pa via the interest rate.
Term assurances	3.25% or 4.25%	AM 92 Ult	Gross premium.
Pension annuities in payment	4.47%	PA92 (c=2030)	Present value of future benefits and expenses.
Life annuities in payment	3.25% to 4.50%	IA92 (c=2030)	Present value of future benefits and expenses.
Unit linked pensions	4.25%	AM 92 Ult	Value of units plus a sterling reserve.

No allowance is made for future lapses or surrenders in the valuation but the reserves allow for any guaranteed surrender benefits.

20 Long term business provision (continued)

The mortality tables for pensions annuities (in deferment and in payment) reflect anticipated improvements in the mortality experience of pensioners according to the medium cohort CMI table. This assumption was strengthened for this valuation which increased the relevant reserves, in isolation, by around 3%.

The total bonuses attributable to the accounting period, representing an allocation of surplus, are £1.9m.

21 Claims outstanding

The outcome of the ultimate settlement cost of outstanding general insurance claims is inherently uncertain. Such uncertainty includes :

- Whether a claim event has occurred or not and how much it will ultimately settle for.
- Variability in the speed with which claims are notified and in the time taken to settle them, especially complex ones resolved through the courts.
- Changes in the business portfolio affecting factors such as the number of claims and their typical settlement costs, which may differ significantly from past patterns.
- New types of claim, including latent claims, which arise from time to time.
- Future potential changes affecting the settlement of claims, such as changes in court attitudes to compensation, which may apply retrospectively.

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

Chain Ladder methods extrapolate paid and incurred claim amounts and the number of claims, based on the development of previous 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 or Fisher Lange are used. This enables judgement to be made of the expected impact on claims 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. The Bornhuetter Ferguson method places more credibility on expected loss ratios for the most recent loss years. The Fisher Lange method incorporates projections of the number of claims and average cost including an allowance for inflation. For smaller portfolios the materiality of the business and data available may also shape the methods used in reviewing reserve adequacy.

To reflect the uncertain nature of the outcome of the ultimate settlement cost of claims, and to ensure prudent provisions are made, an addition is made to the most likely outcome. The addition for prudence 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 Thomas 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 2004 amounted to £7,713,000 *(2003: £6,908,000 restated).*

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 Integrated Prudential Sourcebook, 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 £17,613,000 (*2003:£14,708,000*) and decreased both the balance on the general business technical account and the profit before taxation for the year by £2,905,000 (*2003:£4,770,000*).

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 and restructuring costs.

	2004		
	Deferred tax	**Restructuring costs**	**Total**
Group	**£000**	**£000**	**£000**
Balance at 1 January	**17,508**	**2,200**	**19,708**
Provided during the year	**754**	**-**	**754**
Utilised during the year	**-**	**(880)**	**(880)**
Balance at 31 December	**18,262**	**1,320**	**19,582**

Restructuring costs

The provision for restructuring costs relates to costs in respect of onerous leases arising from the restructure of the UK group's branch operations together with remaining severance costs.

	2004	*2003*
Deferred tax	**£000**	*£000*
The potential liability for deferred tax provided in the financial statements is as follows:		
Unrealised investment gains	**27,921**	*31,861*
Depreciation in excess of capital allowances	**(1,549)**	*(1,442)*
Other timing differences	**(1,081)**	*(1,275)*
Undiscounted provision for deferred tax	**25,291**	*29,144*
Discount	**(7,029)**	*(11,636)*
Discounted provision for deferred tax	**18,262**	*17,508*

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 £3,800,000 (*2003:£2,700,000*) in respect of tax losses in the life fund has not been recognised in these accounts.

24 Other creditors including taxation and social security

	2004	*2003*
	£000	*£000*
Amounts falling due within one year:		
Other creditors	**10,646**	*14,519*
Taxation	**9,180**	*2,632*
Corporate business loan	**-**	*5,000*
	19,826	*22,151*
Amounts falling due after more than one year:		
Debenture stock	**6,000**	*6,000*
Corporate business loan	**5,000**	*-*
Other creditors	**941**	*998*
	11,941	*6,998*
	31,767	*29,149*

24	Other creditors including taxation and social security (continued)	2004	*2003*
		£000	*£000*
	Included in other creditors are obligations under lease purchase contracts due:		
	In 1 year or less	**502**	*525*
	Between 2 and 5 years	**941**	*998*
		1,443	*1,523*

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

The corporate business loan is repayable on 30 June 2006.

The group is required under the Financial Services Compensation Scheme to contribute towards any levies raised on UK general and life 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. At the year end the group has provided at the maximum rate in respect of this levy.

25	Notes to the cash flow statement	2004	*2003*
(a)	Reconciliation of profit on ordinary activities before		*(Restated)*
	tax to net cash flow from operating activities	£000	*£000*
	Profit on ordinary activities before tax	**63,286**	*47,967*
	Depreciation charges	**4,040**	*3,751*
	Amortisation of fixed interest securities	**1,988**	*1,447*
	Amortisation of goodwill	**418**	*430*
	Unrealised gains on investments	**(13,349)**	*(21,005)*
	Increase in net general insurance technical provisions	**16,717**	*32,161*
	Loss relating to long term business	**1,391**	*3,851*
	Share of profits of associates	**(2)**	*(4)*
	Loan interest payable	**1,038**	*995*
	Other interest payable	**105**	*103*
	Realised investment (gains)/losses	**(1,210)**	*1,022*
	Loss on sale of tangible fixed assets	**227**	*32*
	Movement in other debtors and creditors	**10,437**	*3,448*
	Exchange and other non-cash movements	**1,543**	*(5,852)*
	Net cash inflow from operating activities	**86,629**	*68,346*

(b) Movements in cash, portfolio investments and financing

	At 1 January 2004 £000	Cash flow £000	Changes in long term business £000	Exchange and other non-cash movements £000	At 31 December 2004 £000
Cash at bank and in hand	96,190	63,111	21,397	(794)	179,904
Shares and other variable yield securities	235,621	3,415	(13,880)	10,666	235,822
Fixed income securities	364,852	9,369	(7,845)	(2,486)	363,890
Land and buildings	19,271	1,850	1,861	2,159	25,141
Assets held to cover linked liabilities	40,903	-	6,012	-	46,915
	756,837	77,745	7,545	9,545	851,672
Borrowings	(11,000)	-	-	-	(11,000)
	745,837	77,745	7,545	9,545	840,672

26 Operating leases

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

	2004		*2003*	
	Premises	**Equipment**	*Premises*	*Equipment*
	£000	**£000**	*£000*	*£000*
Commitments				
Expiring:				
Within 1 year	**68**	**237**	*387*	*545*
Between 2 and 5 years	**523**	**167**	*972*	*171*
Over 5 years	**1,541**	**-**	*1,197*	-
Total	**2,132**	**404**	*2,556*	*716*
Payments included in operating expenses	**2,243**	**561**	*2,590*	*494*

27 Capital Commitments

At 31 December 2004 there were no outstanding contracts for capital expenditure *(2003:£nil)* .

28 Parent, subsidiary and associated undertakings

Parent company

The company's ultimate parent and controlling company is Allchurches Trust Limited incorporated in Great Britain. Copies of the accounts for the company and the parent company are available from the registered office as shown on page 10. The parent companies of the smallest and largest groups for which group accounts are drawn up are Ecclesiastical Insurance Group 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**
Incorporated and operating in Great Britain, engaged in investment, insurance and financial services or other insurance related business:			
Ecclesiastical Insurance Office plc	Ordinary shares	100%	
	8.625% Non-Cumulative Irredeemable Preference shares	14.97%	
Ecclesiastical Group Asset Management Limited	Ordinary shares	100%	
The Churches Purchasing Scheme Limited	Ordinary shares	100%	
Ecclesiastical Underwriting Management Limited	Ordinary shares	100%	
Hinton and Wild (Home Plans) Limited	Ordinary shares		100%
Allchurches Investment Management Services Limited	Ordinary shares		100%
Ecclesiastical Life Limited	Ordinary shares		100%
Ansvar Insurance Company Limited	Ordinary shares		100%
Ansvar Pensions Limited	Ordinary shares		100%
Ecumenical Insurance Company Limited	Ordinary shares		100%
Incorporated and operating in Australia, engaged in insurance business:			
EIG - Ansvar Limited	Ordinary shares		100%
Incorporated and operating in New Zealand, engaged in insurance business:			
EIG - Ansvar Insurance (New Zealand) Limited	Ordinary shares		100%

28 Parent, subsidiary and associated undertakings (continued)

Subsidiary undertakings (continued)

In addition, there are seven other wholly owned subsidiary undertakings and a 30% investment in an associated undertaking whose assets and contribution to group income are not significant. Ecclesiastical Insurance Office plc 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 £418,000 *(2003:£606,000)* school fee annuities were accounted for by the group to Beaufort House Trust Limited, a company under common control. Of this £134,000 *(2003:£145,000)* was prepaid at the balance sheet date. This has been accounted for in the long term business technical account.

Financial Summary

	2004	*2003**	*2002**	*2001**	*2000**
		(Restated)	*(Restated)*	*(Restated)*	*(Restated)*
	£000	*£000*	*£000*	*£000*	*£000*
Premium income					
Gross premiums written					
General business	**343,945**	*354,187*	*314,204*	*281,649*	*251,625*
Long term business	**19,185**	*19,463*	*19,925*	*22,498*	*20,089*
Total	**363,130**	*373,650*	*334,129*	*304,147*	*271,714*
Net premiums written					
General business	**226,455**	*221,357*	*204,926*	*195,876*	*178,394*
Long term business	**19,006**	*19,012*	*19,403*	*22,243*	*19,748*
Total	**245,461**	*240,369*	*224,329*	*218,119*	*198,142*
Summary of results					
Profit/(loss) on ordinary activities before tax	**63,286**	*47,967*	*(4,829)*	*(19,079)*	*(3,347)*
Profit/(loss) on ordinary activities after tax	**44,051**	*34,395*	*(3,643)*	*(16,925)*	*(3,335)*
Minority interests	**2,891**	*2,458*	*2,458*	*2,330*	*2,330*
	41,160	*31,937*	*(6,101)*	*(19,255)*	*(5,665)*
Charitable grants net of tax relief	**3,503**	*3,010*	*2,835*	*2,835*	*2,825*
	37,657	*28,927*	*(8,936)*	*(22,090)*	*(8,490)*
Capital and reserves					
Share capital	**20,000**	*20,000*	*20,000*	*20,000*	*20,000*
General reserve	**5,500**	*5,500*	*5,500*	*5,500*	*5,500*
Retained profits	**141,781**	*104,247*	*72,519*	*82,627*	*105,567*
	167,281	*129,747*	*98,019*	*108,127*	*131,067*

* Figures for 2003 and 2002 have been restated to comply with the change in accounting policy resulting from the implementation of the 2003 ABI SORP. The figures for 2001 and 2000 have been restated to exclude the present value of in-force business within the group's life business subsidiary, but do not reflect the move to the annual basis of accounting as the effect is not considered to be material.

Notice of Meeting

NOTICE is hereby given that the Annual General Meeting of Ecclesiastical Insurance Group plc will be held at Beaufort House, Brunswick Road, Gloucester GL1 1JZ on Tuesday 21 June 2005 at 12.30 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 2004 and the report of the auditors thereon.

2. To re-elect Mr W. H. Yates as a director.*

3. To re-elect Mr M. C. D. Roberts as a director. *

4. To re-elect Mr N. J. E. Sealy as a director. *

5. To consider the declaration of a dividend.

6. To re-appoint Deloitte & Touche LLP as auditors and authorise the directors to fix their remuneration.

By order of the board

Mrs R. J. Hall
Secretary

Gloucester
23 March 2005

** Brief biographies of the directors seeking election or re-election are shown on page 11.*

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 13% Debenture Stock 2018.