

ZURICH FINANCIAL SERVICES
(UKISA) COMMUNITY TRUST LIMITED

(a Company limited by guarantee)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2003

COMPANY REGISTRATION NUMBER: 1154049

CHARITY REGISTRATION NUMBER: 266983



Zurich Financial Services (UKISA) Community Trust Limited
(a Company limited by guarantee)

REPORT OF THE TRUSTEES

The trustees, who are also the directors of the Company, submit their annual report and the financial statements of Zurich Financial Services (UKISA) Community Trust Limited for the year ended 31 December 2003. The financial statements comply with current statutory requirements; The Memorandum and Articles of Association, The Companies Act 1985 and The Statement of Recommended Practice 'Accounting and Reporting by Charities' issued in October 2000.

Objectives

The main objective of the Zurich Financial Services (UKISA) Community Trust Limited and its subsidiary undertaking, Community Trust Services Limited, is to help give effect to the Zurich Financial Services UKISA Group's commitment to the community. The Zurich Financial Services UKISA companies (including Allied Dunbar, Zurich Assurance, Eagle Star and Zurich Financial Services UK IFA Group Limited), their staff and members of the Zurich Advice Network, believe that business success should be shared with those in society who are most disadvantaged and, in so doing, accrue benefits for the group companies and the individuals who involve themselves with the community, as well as for society.

Policies

The policies of the Company are set out in the Memorandum and Articles of Association. The trustees distribute monies covenanted or otherwise contributed to the Zurich Financial Services Community Trust by the Zurich Financial Services UKISA Group companies, Community Trust Services Limited, and members of the Zurich Advice Network. Moneys are distributed to selected charitable organisations under criteria set out to ensure the achievement of Zurich Financial Services UKISA Community Trust's objectives. During 2003 the Company awarded grants to charities totalling £2,705,000. A list of the 50 largest grants awarded is provided in note 3 to the financial statements.

The trustees also promote volunteering and fundraising activities by the staff of Zurich Financial Services UKISA group companies and members of the Zurich Advice Network, and invest funds as appropriate. Community Trust Services Limited sells goods and services to Zurich Financial Services UKISA Group companies' staff and members of the Zurich Advice Network, with the net profits from these activities paid via gift aid to the Zurich Financial Services Community Trust. A summary of the results of Community Trust Services Limited is set out in note 2 to the Financial Statements.

Investment Policy, Powers and Performance

The Company's investments are managed by Threadneedle Asset Management Limited. The objective of the investment managers is to invest in a low risk profile consisting of cash and gilts. Gilts are only purchased when the cash flow requirements of the fund make them worthwhile. The gilt portfolio performance is benchmarked against the Financial Times Under 5 Year Gilt Index. The performance of the Company's gilt portfolio during 2003 was in line with this benchmark.

The investment fund can be totally liquid at the investment manager's discretion if advised by the Trustees for cash flow reasons.

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REPORT OF THE TRUSTEES (Continued)

Risk Management

The Trustees, in conjunction with their internal auditors, operate a formal risk management process to assess the business risks and implement risk management strategies. This involves identifying the types of risks the Charity faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks.

Reserves

The Trustees have reviewed the reserves of the charity. This review encompassed the nature of the income and expenditure streams, the need to match variable income with fixed commitments and the nature of the reserves. The review concluded that to allow the charity to be managed efficiently and to provide a buffer for uninterrupted services, a general reserve equivalent to £1,100,000 should be maintained. This equates to approximately 12 months of unrestricted fund expenditure.

During the year the charity's general fund decreased from £1,469,000 to £925,000. Although at the year end the reserves are below the level set by the Trustees, the anticipated income streams are expected to restore the reserves to an acceptable level.

Restricted funds have increased from £nil to £16,000. The purpose of this fund is detailed in note 15 in the financial statements.

Business Review and Future Developments

2003 saw continued development for the Charity in its core activities of employee and financial adviser community involvement and grant making. Levels of involvement grew again and the new Older People programme was successfully expanded.

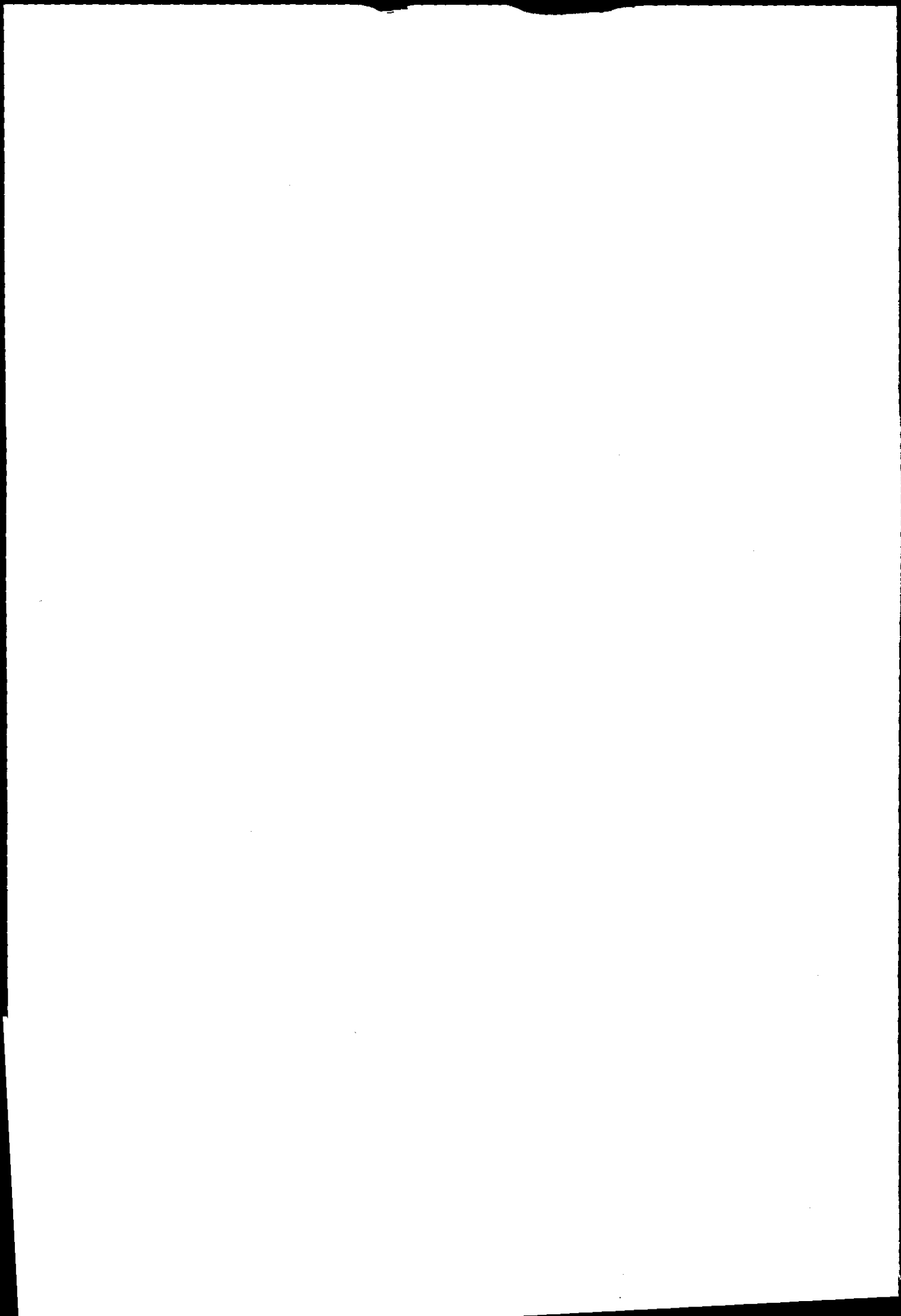
During the year a full strategic review was completed for the Charity. The Trustees agreed a new 3-year strategy, which will focus activity in the following areas:

- Encouraging contribution to the community from the staff and financial advisers of Zurich Financial Services in fund-raising, volunteering and grant-making
- Delivering transformation in our chosen areas of focus, specifically Older People and a new programme to be agreed in 2004. Transformation programmes will concentrate on highly targeted social welfare issues over a period of 3-5 years utilising finance and business skills.

This exciting programme is underway and will be the major emphasis for 2004.

Our annual volunteering event, Challenge, once again exceeded expectations in a difficult climate for our business volunteers, involving over 2,000 staff, who between them completed 192 Community Challenges. These were completed over the UK including Zurich's main UK locations Swindon, Cheltenham, South Coast, Birmingham, Cardiff and Newcastle. Encouraging volunteering has remained a key objective for the Trust –our Skillshare programme had a record year with 51 projects completed with community organisations. Our new innovation of 'virtual volunteering' has grown with RNIB and with a school for disabled children in India.

Over £1million was again raised from staff through Zurich Cares and members of the Zurich Advice Network, which is a tremendous achievement. In addition a huge range of in-kind giving saw over



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REPORT OF THE TRUSTEES (Continued)

1000 easter eggs donated to disadvantaged children and more hampers, blankets and clothes collected than for any previous Caring at Christmas campaign.

The Zurich Advice Network Foundation extended its Kidz2Care4 theme by agreeing 2 new 3 year partnerships with Weston Spirit and WhizzKidz. The network also achieved a 37% participation rate in its regular giving programme as well as raising £52,000 at the annual Zurich sales conference and £61,000 at the top achievers convention.

The Trust's transformation programmes focus on issues where there is difficulty gaining support and attracting funds. The new programme focusing on Older People agreed 6 partnerships, including projects looking at issues such as nutrition, isolation and accessing information on benefits. Other programmes contributed over £0.5 million to the issues of Social Exclusion, Child Poverty and Effective Charities Management. Our India programme saw 9 staff deliver management assignments with NGO partners and a grant programme of £100,000 concentrated on capacity building.

In total through the Trust schemes £2.7 million was donated to over 600 charities and an estimated 20,000 hours of volunteering contributed.

Recognition of the Trust's work was achieved in 2003 with the Business in the Community Big Tick and a Highly Commended Award for the Dementia Programme in the Healthy Communities category.

Measurement of the impact of the Trust's work was enhanced with the completion of the London Benchmarking evaluation and qualification for Business in the Community's Percent Club. The Trust's website is www.zurich.org.uk.

Company status

Zurich Financial Services (UKISA) Community Trust Limited is a company limited by guarantee and does not have share capital. Each member has guaranteed £1. The Company is a registered charity (registration number 266983). The registered address is:

22 Arlington Street
London
SW1A 1RW

Trustees

The trustees are also the directors of the Company for Companies Act purposes.

Trustees may be appointed or removed by election or resolution of the Board of Trustees.

The trustees who served during the year (except where shown) were:

K R Baldwin (Resigned 31 Aug 2003)
L Churchill
M G Culmer (Resigned 20 Jan 2004)
A C Gillies
Lord A P Leitch (Resigned 20 Feb 2004)
I N Lovett
G M Riddell
D P Sims

Zurich Financial Services (UKISA) Community Trust Limited
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REPORT OF THE TRUSTEES (Continued)

The Company's members are Zurich Financial Services (UKISA) Limited and Zurich Financial Services (UKISA) Nominees Limited.

The members' ultimate parent company is Zurich Financial Services, which is incorporated in Switzerland.

No trustees exercised options in Zurich Financial Services shares during the year.

None of the trustees had a material interest in a contract of significance with the Company or any subsidiary company of Zurich Financial Services during the year to 31 December 2003.

The trustees had no interests in shares or debentures of the Company. No trustee had any interests required to be disclosed under the Companies Act 1985.

M D Moule was appointed as a trustee on 2 February 2004.

Bankers and Auditors

The Company's bankers are:

LloydsTSB Bank plc
PO Box 72
Bailey Drive
Gillingham Business Park
Kent
ME8 0LS

Charity Aid Foundation Management Co. Ltd
Kings Hill
West Malling
Kent
ME19 4TA

The Company's auditors are:

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6NN

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the annual trustees meeting.

Zurich Financial Services (UKISA) Community Trust Limited
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REPORT OF THE TRUSTEES (Continued)

Statement of Trustees' Responsibilities

The following statement sets out the responsibilities of the trustees in relation to the financial statements of the Company. The report of the auditors, shown on pages 6 and 7, sets out their responsibilities in relation to the financial statements.

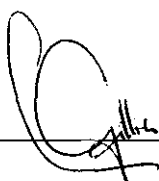
Company law requires the trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group, as at the end of the financial period and of the surplus or deficit for the financial period. In preparing those financial statements, the trustees are required to:

- Select appropriate policies and apply them consistently, subject to any material departures being disclosed and explained;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed; and
- Prepare the financial statements on the going concern basis, unless they consider that to be inappropriate.

The trustees are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and the Group, and to enable them to ensure that the financial statements comply with the United Kingdom Companies Act 1985.

They are also responsible for taking reasonable steps to safeguard the assets of the Company and the Group, and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

On behalf of the Board



Trustee : A C Gillies

16 July 2004



Trustee : M D Moule

16 July 2004

REPORT OF THE AUDITORS

Independent auditors' report to the members of Zurich Financial Services (UKISA) Community Trust Limited

We have audited the financial statements which comprise the consolidated statement of financial activities, the balance sheets, the consolidated cashflow statement and the related notes, which have been prepared in accordance with the accounting policies set out in note 1.

Respective responsibilities of trustees and auditors

The trustees are also directors of Zurich Financial Services (UKISA) Community Trust Limited for the purposes of company law. Their responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of trustees' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 to you if, in our opinion, the trustees' report is not consistent with the financial statements, if the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the trustees' report.

Basis of audit opinion

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

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REPORT OF THE AUDITORS (Continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the charitable company and the group at 31 December 2003 and of the net incoming resources, including the income, expenditure and cashflows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

16 July 2004

Zurich Financial Services (UKISA) Community Trust Limited
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CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 December 2003

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Totals 2003 £'000	Totals 2002 £'000
Income and expenditure					
Incoming resources					
Gross income from trading activities	2	46	-	46	64
Donations and Gifts		3,138	-	3,138	4,453
Other fund raising activities		547	91	638	739
Investment income					
British government securities		162	-	162	198
Interest bearing deposits		101	-	101	113
Total incoming resources		3,994	91	4,085	5,567
Resources expended					
Costs of generating funds					
Fundraising	4	(440)	-	(440)	(322)
Trading costs including taxation	2	(34)	-	(34)	(55)
		(474)	-	(474)	(377)
Charitable expenditure					
Grants	3	(2,583)	(122)	(2,705)	(1,807)
Support Costs	4	(230)	-	(230)	(716)
Management and Administration of the Charity	4	(486)	-	(486)	(197)
		(3,299)	(122)	(3,421)	(2,720)
Total resources expended		(3,773)	(122)	(3,895)	(3,097)
Net incoming resources/(resources expended) before transfers		221	(31)	190	2,470
Transfers between funds	15	(47)	47	-	-
Net incoming resources		174	16	190	2,470
Net investment losses		(74)	-	(74)	(55)
Net increase in funds for the year	6	100	16	116	2,415
Accumulated fund brought forward	15	6,393	-	6,393	3,978
Accumulated fund carried forward	15	6,493	16	6,509	6,393

All of the above results are derived from continuing activities. All gains and losses recognised in the year are included in the Statement of Financial Activities.

The accounting policies and notes on pages 11 to 23 form part of these financial statements.

Zurich Financial Services (UKISA) Community Trust Limited
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BALANCE SHEETS AS AT 31 DECEMBER 2003

	Note	Group		Company	
		2003 £'000	2002 £'000	2003 £'000	2002 £'000
<u>Fixed assets</u>					
Tangible assets	9	10	10	10	10
Investments	10	2,414	1,655	2,414	1,655
		<u>2,424</u>	<u>1,665</u>	<u>2,424</u>	<u>1,665</u>
<u>Current assets</u>					
Debtors	11	140	115	142	106
Investments	12	4,127	5,042	4,127	5,042
Cash at bank and in hand		258	307	253	307
		<u>4,525</u>	<u>5,464</u>	<u>4,522</u>	<u>5,455</u>
<u>Creditors</u>					
Amounts falling due within one year	13	(402)	(83)	(399)	(74)
Net Current Assets		<u>4,123</u>	<u>5,381</u>	<u>4,123</u>	<u>5,381</u>
Total Assets Less Current Liabilities		6,547	7,046	6,547	7,046
Provisions for liabilities and charges	14	(38)	(653)	(38)	(653)
Net Assets		<u>6,509</u>	<u>6,393</u>	<u>6,509</u>	<u>6,393</u>
<u>Funds:</u>					
<u>Unrestricted Funds</u>					
General Funds	15	925	1,469	925	1,469
Designated Funds	15	5,568	4,924	5,568	4,924
		<u>6,493</u>	<u>6,393</u>	<u>6,493</u>	<u>6,393</u>
<u>Restricted funds</u>	15	16	-	16	-
Total Funds	15	<u>6,509</u>	<u>6,393</u>	<u>6,509</u>	<u>6,393</u>

The financial statements were approved by the Board of Trustees on 16 July 2004 and were signed on its behalf by:



Trustee: A C Gillies



Trustee: M D Moule

16 July 2004

16 July 2004

The accounting policies and notes on pages 11 to 23 form part of these financial statements.

Zurich Financial Services (UKISA) Community Trust Limited
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CONSOLIDATED CASHFLOW STATEMENT

for the year ended 31 December 2003

	Note	2003 £'000	2003 £'000	2002 £'000	2002 £'000
Net cash (outflow)/inflow from operating activities	17		(423)		1,657
<u>Returns on investments and servicing of finance</u>					
Interest received		101		113	
Net cash inflow from returns on investments and servicing of finance			101		113
Net cash (outflow)/inflow before management of liquid resources and financing			(322)		1,770
<u>Management of liquid resources and financing</u>					
Purchase of government securities		(1,223)		(13,596)	
Sale of government securities		999		13,486	
Net cash outflow from management of liquid resources and financing			(224)		(110)
(Decrease)/Increase in cash	18		(546)		1,660

The accounting policies and notes on pages 11 to 23 form part of these financial statements.

1 Accounting policies

1.1 Basis of Accounting

The financial statements have been prepared under the historical cost convention, as modified by the valuation of investments, and in accordance with applicable accounting standards and the Charity Commission's Statement of Recommended Practice - 'Accounting and Reporting by Charities', issued in October 2000 and in accordance with the Companies Act 1985.

1.2 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertaking, to 31 December.

1.3 Statement of Financial Activities

The Company is a registered charity and achievements cannot be measured by normal commercial criteria. Accordingly, the trustees consider that it would be inappropriate to present a Profit and Loss Account in one of the formats set out in the Companies Act, and therefore, as permitted by that Act, and in order to reflect the special nature of the Company's activities and the recommendations of the "Charities SORP", the trustees have presented a Statement of Financial Activities.

1.4 Incoming Resources

Donations represent the amount receivable under deeds of covenant and Gift Aid from Allied Dunbar Assurance plc, ZPC (Construction) Company Ltd and Zurich Financial Services Group staff and members of the Allied Dunbar Franchise Network, gross of income tax recoverable.

Other fundraising activities income represents amounts receivable as a result of a variety of fundraising events and initiatives including events organised by Zurich Financial Services Group staff.

1.5 Investments

Investments are held at their market value as at 31 December. Investment income is accounted for on an accruals basis. Investment gains and losses are included in the Statement of Financial Activities.

1.6 Grants

Grants represent amounts payable and amounts authorised for payment to charities during the year. There were no grants made during the year which may be termed as prejudicial to the furtherance of the recipient institution or the Company.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2003

1.7 Resources Expended

Expenditure that relates to more than one cost category has been apportioned across Support Costs, Fundraising and Publicity and Management and Administration of the Charity on the basis of the nature of work performed by the staff. The costs are recognised as the services are performed.

1.8 Pension Costs

Pension costs are charged to the statement of financial activities in line with the contributions made to the Group Pension Schemes.

1.9 Fund Accounting

Unrestricted funds comprise accumulated surpluses and deficits on general funds. They are available for use at the discretion of the Trustees in furtherance of the general charitable objectives.

Designated funds are unrestricted funds earmarked by the Trustees for specific purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes.

1.10 Fixed assets and depreciation

Fixed assets are held at cost. Assets below a value of £5,000 are not capitalised.

Depreciation is provided so as to write off the cost of tangible fixed assets in equal instalments over their estimated useful lives. Freehold property is depreciated over 50 years. Office equipment is written off in the year of purchase.

1.11 Recognition of liabilities

Liabilities are recognised when an obligation arises to transfer economic benefits as a result of past transactions or events.

Zurich Financial Services (UKISA) Community Trust Limited
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2003

2. Net income from trading activities of subsidiary undertaking

The Company's subsidiary undertaking, Community Trust Services Limited, undertakes the sale of goods and services to members of the Zurich Advice Network and staff in the UK. Community Trust Services Limited is wholly and directly owned. Its net profit is gift aided to the Company.

A summary of Community Trust Services Limited trading results is shown below.

	2003 £'000	2002 £'000
Profit and loss account		
Turnover	46	64
Cost of sales	(28)	(43)
Gross profit	18	21
Administrative expenses	(6)	(6)
Payment under gift aid	(12)	(9)
Taxation	-	(6)
Retained profit for the year	-	-

3. Grants payable

The fifty largest grants paid or accrued by the Company during the year were:

	£
Western Spirit	131,200
Commonwealth Education Fund	125,000
Canine Partners for Independence	75,300
Joshua Foundation (The)	70,550
INclusion Partner - GNPN	52,500
Princes Trust (The)	51,521
Welcome Centre (The)	50,975
Calvert Trust	50,000
Queen Margaret Unit	50,000
Dove House Project (The)	48,894
Comic Relief	44,872
Hope & Homes for Children	42,769
Association of People with Disabilities (The)	41,654
DSDC - HCPL	40,000
Twigs	36,244
INclusion Partner - Learning Curve	35,000
Whizz Kidz	31,100
Crossroads	30,000
Dementia Care Initiative	30,000
DEBRA	30,000

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2003

3. Grants payable (continued)

	£
Rockinghorse Appeal (The)	29,000
Marie Curie Cancer Care	28,115
St Oswalds Hospice	26,832
Foundation for Conductive Education (The)	26,500
Children Today Charitable Trust	26,200
Age Concern	25,495
Childline	25,000
Demelza House Children's Hospice	25,000
End Child Poverty	25,000
OAK Project	25,000
Wessex Autistic Society (The)	24,840
National Library for the Blind	24,525
INclusion Partner - Scarman Trust	24,221
Help the Aged	23,833
Trussel Trust (The)	22,630
Princess Royal Trust for Carers	22,500
Meningitis Trust (The)	21,375
Multiple Sclerosis Society	20,864
Mobility India	20,819
Cystic Fibrosis Trust (The)	20,350
Scottish Spina Bifida Association	20,035
ACEVO Leadership Centre	20,000
Princes Trust School (The)	20,000
SPASTN	19,283
Wings South West	19,200
Naomi House (The Wessex Children's Hospice)	18,000
Firehouse Productions Ltd	17,942
New Phoenix Disability Resource Centre (The)	17,420
Cycle Trek- Classic Tours	17,127
Walsall Deaf People's Centre	16,500
Other grants paid and accrued	963,815
Total	<u>2,705,000</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2003

4. Total Resources Expended

	Staff 2003 £'000	Other 2003 £'000	Total 2003 £'000	Total 2002 £'000
<u>Charitable Expenditure</u>				
Fundraising	235	205	440	322
Support costs	211	19	230	716
Management and administration of the charity	396	90	486	197
	<u>842</u>	<u>314</u>	<u>1,156</u>	<u>1,235</u>

<u>Management and administration of the charity</u>	2003 £'000	2002 £'000
Salary costs	396	127
Travel & accommodation	15	6
Stationery	13	8
Office equipment and IT	12	3
Audit fee	3	4
Telecoms	-	4
Meetings	-	7
Miscellaneous	47	38
	<u>486</u>	<u>197</u>

5. Taxation

The Company has been a registered charity throughout the year and as such was not liable to corporation tax on capital gains arising from the disposal of assets. Investment income is stated inclusive of income tax credits.

Community Trust Services Limited did not make a taxable profit during 2003 (2002: £Nil).

Zurich Financial Services (UKISA) Community Trust Limited
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2003

6. Net movement in funds for the year

Net movement in funds for the year is stated after charging (or crediting):

	2003 £'000	2002 £'000
Auditors' remuneration	3	4
Other interest receivable	(101)	(113)
	<hr/>	<hr/>

Of the net increase in funds for the year, £116,000 (2002: £2,421,000 increase) has been dealt with in the financial statements of the Company. As permitted by section 230 of the Companies Act 1985, a separate statement of financial activities has not been presented for the Company.

7. Staff

No staff are employed by Community Trust Services Limited, which draws on the services of the staff of the Company. However, a charge of £5,200 (2002: £5,000) has been made by the Company to Community Trust Services Limited to cover the cost of administration for the year.

Staff are under contracts of employment with and are disclosed within the accounts of Zurich Employment Services Limited. Staff costs are included to the extent that these are a separately identifiable element of the recharges from other group companies.

	2003	2002
The average number of employees working for the Company during 2003 was:	22	24
	<hr/>	<hr/>

The aggregate payroll costs of these employees were:

	2003 £'000	2002 £'000
Wages and salaries	654	687
Social security costs	68	71
	<hr/>	<hr/>
	722	758
	<hr/>	<hr/>

The number of employees who served during the year whose emoluments, excluding pension contributions, fell within the following category was:

	2003	2002
£70,001 - £80,000	1	1

All of the above employees have benefits accruing under a defined benefit pension scheme, details of which are disclosed in note 20.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2003

8. Trustees' emoluments

No emoluments or expenses were paid to the trustees during the year (2002: £Nil).

9. Tangible fixed assets

<u>Group and Company</u>	Freehold property £'000
<u>Cost</u>	
At 1 January 2003	15
	<hr/>
At 31 December 2003	15
	<hr/>
<u>Depreciation</u>	
At 1 January 2003	5
Charge for the year	-
	<hr/>
At 31 December 2003	5
	<hr/>
<u>Net Book Value</u>	
At 31 December 2003	10
	<hr/>
At 31 December 2002	10
	<hr/>

The Trustees do not consider the value of freehold property to be substantially in excess of book value because the buildings have been leased for peppercorn rents for charitable purposes.

10. Investments

<u>Treasury Stock</u>	2003 £'000
Market value as at 1 January 2003	1,655
Transfer of Accrued Income to Current Assets	(18)
Transfer Short Term Investment to Current Assets	(183)
Additions at cost (excluding Accrued Income)	1,223
Disposal proceeds (excluding Accrued Income)	(196)
Unrealised loss for the year	(67)
	<hr/>
Market value as at 31 December 2003	2,414
	<hr/>

Treasury Stock is comprised of UK Fixed Interest Government Bonds. Investments held by the Company also include an additional £100 (2002: £100) investment in a subsidiary undertaking at cost. Details of the subsidiary undertaking is given in Note 2.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2003

11. Debtors

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Taxation recoverable	38	48	38	48
Sundry debtors and accrued income	42	37	39	32
Amounts due from group undertakings	60	30	65	26
	<u>140</u>	<u>115</u>	<u>142</u>	<u>106</u>

12. Current asset investments

Group and Company

	2003	2002
	£'000	£'000
Interest bearing deposits	3,947	4,226
Treasury Stock	180	816
	<u>4,127</u>	<u>5,042</u>

Interest bearing deposits comprise monies deposited in CAFCASH money market trust funds operated by the Charity Aid Foundation Money Management Co. Limited.

Treasury Stock is comprised of UK Fixed Interest Government Bonds, with a redemption date of less than 1 year.

13. Creditors: Amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Bank overdraft	219	1	219	-
Amounts due to group undertakings	60	2	60	2
Corporation Tax	-	6	-	-
Accruals and deferred income	123	74	120	72
	<u>402</u>	<u>83</u>	<u>399</u>	<u>74</u>

The bank overdraft is unsecured.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2003

14. Provisions for liabilities and charges

Movements in provisions for the year are:

	2003 Grants Payable £'000	2002 Grants Payable £'000
Provisions at 1 January	653	1,303
Provided in the year	-	69
Utilised in the year	(615)	(719)
Provisions at 31 December	38	653

Grants Payable

This provision represents amounts committed unconditionally to charities, but not yet paid. The majority of this provision will be utilised during 2004.

15. Statement of funds

	At 1 Jan 2003 £'000	Income £'000	Expenditure £'000	Investment losses £'000	Transfers £'000	At 31 Dec 2003 £'000
General Reserve	1,469	3,994	(2,880)	(74)	(1,584)	925
Designated Funds	4,924	-	(893)	-	1,537	5,568
<u>Total Unrestricted funds</u>	<u>6,393</u>	<u>3,994</u>	<u>(3,773)</u>	<u>(74)</u>	<u>(47)</u>	<u>6,493</u>
<u>Restricted Funds</u>	<u>-</u>	<u>91</u>	<u>(122)</u>	<u>-</u>	<u>47</u>	<u>16</u>
<u>Total Funds</u>	<u>6,393</u>	<u>4,085</u>	<u>(3,895)</u>	<u>(74)</u>	<u>-</u>	<u>6,509</u>

The General reserve represents the free funds of the charity which are not designated for particular purposes.

Designated funds include funds set aside for the support of various long term projects and an undertaking to match the future fundraising income generated by staff during 2004. The designated fund has increased by £644,123 during 2003.

Restricted funds comprise funds raised for a particular purpose, but not expended by the end of the year. The restricted fund has increased by £15,653 during 2003.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2003

15. Statement of funds (continued)

The long term projects for which designated funds have been set aside include:

	£'000
<u>Transformation Theme</u>	
New programmes supporting and funding a clear area of social need, which will have a transformational impact and enable sustainable improvements for those communities affected.	1,500
<u>Older People Programme</u>	1,150
Supporting organisations that aim to improve the lives of older people, for example reducing levels of isolation.	
<u>Child Poverty Programme</u>	225
Funding in support of programmes aimed at reducing the level of child poverty in the UK and overseas.	
<u>Inclusion Programme</u>	357
Support for community organisations working in socially deprived areas.	
<u>India Programme</u>	479
A capacity building programme for Non-Governmental Organisations in Southern India.	
<u>XL Rugby Princes Trust</u>	299
Programme using rugby as a means of motivating young people to improve education performance through the Princes Trust XL clubs.	
Matching of future staff fundraising	874
Other commitments including short term projects	684
Total designated funds	<u>5,568</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2003

16. Analysis of group net assets between funds

	Restricted funds £'000	Designated funds £'000	General funds £'000	Total £'000
Fund balances at 31 December 2003 are represented by:				
Fixed assets	-	2,424	-	2,424
Current Assets	16	3,144	1,365	4,525
Creditors	-	-	(402)	(402)
Provisions	-	-	(38)	(38)
	<u>16</u>	<u>5,568</u>	<u>925</u>	<u>6,509</u>

17. Reconciliation of surplus to net outflow from operating activities

	2003 £'000	2002 £'000
Net incoming resources	190	2,470
Decrease in debtors	2	518
Increase/(decrease) in creditors	101	(568)
Decrease in provisions	(615)	(650)
Interest received	(101)	(113)
Net cash (outflow) / inflow from operating activities	<u>(423)</u>	<u>1,657</u>

18. Analysis of cash and cash equivalents as shown in the balance sheet

	Cash at bank and in hand £'000	Current Asset Investments £'000	Overdrafts £'000	Total £'000
Balance as at 31 December 2002	307	4,226	(1)	4,532
Increase in cash	(49)	(279)	(218)	(546)
Balance as at 31 December 2003	<u>258</u>	<u>3,947</u>	<u>(219)</u>	<u>3,986</u>

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19. Analysis of changes in net funds

	At 1 Jan 2003 £'000	Cash flows £'000	At 31 Dec 2003 £'000
Cash in hand, at bank	307	(49)	258
Overdraft	(1)	(218)	(219)
Interest bearing deposits	4,226	(279)	3,947
	<hr/> 4,532	<hr/> (546)	<hr/> 3,986
Current asset investments	816	(636)	180
Total	<hr/> 5,348	<hr/> (1,182)	<hr/> 4,166

20. Group pension arrangements

Employees of the company are members of two funded defined benefit schemes operated by the intermediate holding company Zurich Financial Services (UKISA) Limited. The principal scheme is the Zurich Financial Services UK Pension Scheme. The last actuarial valuation of the principal Scheme, at 30 June 2001 and which was carried out by qualified independent actuaries, identified a surplus of £642m, which is being eliminated by reduced company contributions. It is not possible to identify the Company's share of the underlying assets and liabilities on a consistent and reasonable basis, and so the company has accounted for the scheme as a defined contribution scheme. Contributions in the period were £nil (2002: £nil).

Details of the Scheme and the disclosures required by FRS 17 appear in the accounts of Zurich Financial Services (UKISA) Limited.

21. Related Party Transactions

The Company has taken advantage of an exemption from Financial Reporting Standard 8 not to disclose transactions with Zurich Financial Services' Group undertakings. Balances with Zurich Financial Services' group undertakings are shown in notes 11 and 13.

The Trustees of the Company and its key management had no material transactions with any related parties of the Zurich Financial Services Group. The term "Trustees and key management" includes members of their families.

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22. Ultimate Holding Company

The Company's members are Zurich Financial Services (UKISA) Limited and Zurich Financial Services (UKISA) Nominees Limited.

The members' ultimate parent company is Zurich Financial Services, which is incorporated in Switzerland. Copies of the consolidated financial statements of Zurich Financial Services can be obtained from Mythenquai 2, 8002 Zurich, Switzerland.

Zurich Financial Services (UKISA) Limited is the parent company of the smallest group of companies for which group accounts are drawn up. Copies of the consolidated financial statements of Zurich Financial Services (UKISA) Limited can be obtained from:

The Secretary
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