

ZURICH FINANCIAL SERVICES
(UKISA) COMMUNITY TRUST LIMITED

(a Company limited by guarantee)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2002

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 2002. 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 Zurich Life, Allied Dunbar, Eagle Star, Zurich Financial Services UK IFA Group Limited and Threadneedle Asset Management 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 2002 the Company awarded grants to charities totalling £1,806,740. 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

The Company's investments are managed by Threadneedle Investment Services Limited (formerly Zurich Scudder Investments Limited), another group company. 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 2002 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.

Zurich Financial Services (UKISA) Community Trust Limited

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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 Company 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 increased from £181,000 to £1,475,000. This increase will help to fund the charity in 2004, due to a planned re-phasing in the timing of the annual gift aid payments from other Group Companies.

Business Review and Future Developments

2002 was a year of excellent progress for both our staff and adviser community involvement programmes, Zurich Cares and the Zurich Advice Network Foundation, and the Community Trust programmes. Zurich Cares, launched in 2000 has seen significant growth in terms of involvement of staff and fund-raising.

Our annual volunteering event, Challenge, once again broke previous records involving over 2,200 staff, who between them completed 213 Challenges. This included not only our established locations of Swindon, Cheltenham, South Coast and Leeds but for the first time communities across the UK where other Zurich offices are based, such as Birmingham, Nottingham and Newcastle. Encouraging volunteering has been a key objective for the Trust – as a result more staff have given more time to activities such as lunchtime volunteering, 50 Skillshare projects and community assignments. A new innovation in 2002 was the introduction of a 'virtual volunteering' scheme with RNIB.

Over £1million, which includes contributions awarded under the Company's matching scheme, was raised by staff through Zurich Cares and members of the Zurich Advice Network. In addition a huge range of in-kind giving saw 1,134 pants collected for Crisis, 1,400 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 for a further 2 years focusing its fund-raising and grants on disadvantaged children. 53 projects were awarded £800,000 and Barnardo's in Northern Ireland received a special £100,000 to fund new premises for children with autism. Fund-raising for the Foundation included a gruelling 540 mile bike ride in the United States raising £80,000.

Our partnership programme was further strengthened and there are now over 30 charities with whom we are combining funding and business skills over a 3 year period to support the achievement of their objectives. This has been and will remain a key strategy for the Trust. In total through the Trust schemes over £1.8 million was donated to over 500 charities and 20,000 hours of volunteering contributed.

Zurich Financial Services (UKISA) Community Trust Limited

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REPORT OF THE TRUSTEES (Continued)

The Zurich Cares Trust programmes focus on issues where there is difficulty gaining support and attracting funds. A new programme focusing on Older People was launched and attracted over 1000 enquiries. The first partnership for the programme was a conditional agreement to invest £70,000 over 3 years with Help the Aged to address homelessness. Other programmes contributed over £0.5 million to the issues of Dementia, Social Exclusion, Child Poverty and Effective Charities Management. Our India programme saw 7 staff deliver management assignments with NGO partners and a conditional grant programme of £100,000, which will continue into 2003.

Recognition of the Trust's work was achieved in 2002 with the Business in the Community Big Tick for the Inclusion Programme and shortlisting for the Community Impact Award sponsored by the Gloucestershire Echo and the Insurance Times Community Initiative of the Year.

Measurement of the impact of the Trust's work was enhanced with the completion of the London Benchmarking evaluation and the publication of our Social Audit, 'On the Right Track?' launched on the Trust's website, www.zurich.org.uk.

2003 will build on the schemes in place and continue the strategy of developing activity across the whole of Zurich UK, involving staff and financial advisers in fund-raising, volunteering and grant-making. The Trust programme themes will be developed with further partnerships as the Dementia programme is concluded and the Older People programme extends its reach.

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
L Churchill (appointed 01 December 2002)
M G Culmer
A C Gillies
R Greenshields (resigned 14 October 2002)
A P Leitch
I N Lovett
G M Riddell (appointed 01 December 2002)
P H O'Sullivan (resigned 02 December 2002)
D P Sims
B M Thomas (resigned 1 January 2002)

None of the trustees had a material interest at any time during the year in any contract of significance in relation to the Company's business.

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

The Company is a wholly owned subsidiary of Zurich Financial Services (UKISA) Limited. The ultimate parent company is Zurich Financial Services, a company incorporated in Switzerland. As such, no trustee had any interests required to be disclosed under the Companies Act 1985.

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

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 6 May 2003 and the trustees appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual trustees meeting. The auditors PricewaterhouseCoopers LLP have signified their willingness to continue in office.

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.

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 and of the surplus or deficit of the group for that 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;
- 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 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. The trustees are also required to prepare the financial statements.

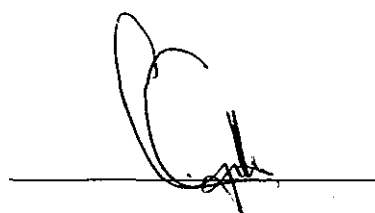
The trustees consider that they have pursued the actions necessary to meet their responsibilities as set out in this statement.

On behalf of the Board



Trustee

6 May 2003



Trustee

6 May 2003

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.

Zurich Financial Services (UK)SA Community Trust Limited
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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 2002 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
Chartered Accountants and Registered Auditors
London

6 May 2003

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

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 December 2002

| | Note | 2002 £'000 | 2001 £'000 |
|---|------|---------------|---------------|
| <u>Income and expenditure</u> | | | |
| Incoming resources | | | |
| Gross income from trading activities | 2 | 64 | 85 |
| Donations and Gifts | | 4,453 | 2,955 |
| Other fund raising activities | | 739 | 664 |
| <u>Investment income</u> | | | |
| British government securities | | 198 | 174 |
| Interest bearing deposits | | 113 | 127 |
| Total incoming resources | | 5,567 | 4,005 |
| <u>Costs of generating funds</u> | | | |
| Trading costs including taxation | 2 | (55) | (56) |
| Net incoming resources available for charitable application | | 5,512 | 3,949 |
| <u>Resources expended</u> | | | |
| <u>Charitable expenditure</u> | | | |
| Fundraising | 4 | (322) | (227) |
| Grants | 3 | (1,807) | (4,067) |
| Support Costs | 4 | (716) | (721) |
| Management and Administration of the Charity | 4 | (197) | (210) |
| Total resources expended | | (3,042) | (5,225) |
| Net incoming/(outgoing) resources for the year | | 2,470 | (1,276) |
| <u>Other recognised gains and losses</u> | | | |
| Net investment (losses)/gains | | (55) | (46) |
| | | (55) | (46) |
| Net increase/(decrease) in funds for the year | 6 | 2,415 | (1,322) |
| Accumulated fund brought forward | | 3,978 | 5,300 |
| Accumulated fund carried forward | | 6,393 | 3,978 |

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 22 form part of these financial statements.

Zurich Financial Services (UKISA) Community Trust Limited
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BALANCE SHEETS AS AT 31 DECEMBER 2002

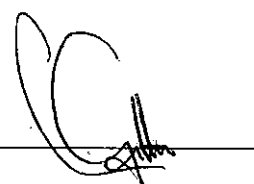
| | Note | Group | | Company | |
|--|------|---------------|---------------|---------------|---------------|
| | | 2002 £'000 | 2001 £'000 | 2002 £'000 | 2001 £'000 |
| <u>Fixed assets</u> | | | | | |
| Tangible assets | 9 | 10 | 10 | 10 | 10 |
| Investments | 10 | 1,655 | 1,907 | 1,655 | 1,908 |
| | | <u>1,665</u> | <u>1,917</u> | <u>1,665</u> | <u>1,918</u> |
| <u>Current assets</u> | | | | | |
| Debtors | 11 | 115 | 633 | 106 | 623 |
| Investments | 12 | 5,042 | 3,412 | 5,042 | 3,412 |
| Cash at bank and in hand | | <u>307</u> | <u>63</u> | <u>307</u> | <u>63</u> |
| | | 5,464 | 4,108 | 5,455 | 4,098 |
| <u>Creditors</u> | | | | | |
| Amounts falling due within one year | 13 | (83) | (744) | (74) | (735) |
| Net Current Assets | | <u>5,381</u> | <u>3,364</u> | <u>5,381</u> | <u>3,363</u> |
| Total Assets Less Current Liabilities | | 7,046 | 5,281 | 7,046 | 5,281 |
| Provisions for liabilities and charges | 14 | (653) | (1,303) | (653) | (1,303) |
| Net Assets | | <u>6,393</u> | <u>3,978</u> | <u>6,393</u> | <u>3,978</u> |
| <u>Funds:</u> | | | | | |
| <u>Unrestricted Funds</u> | | | | | |
| General Funds | | 1,469 | 181 | 1,469 | 181 |
| Designated Funds | 15 | <u>4,924</u> | <u>3,797</u> | <u>4,924</u> | <u>3,797</u> |
| Total Funds | | <u>6,393</u> | <u>3,978</u> | <u>6,393</u> | <u>3,978</u> |

The financial statements were approved by the Board of Trustees on 6 May 2003 and were signed on its behalf by:



 Trustee

6 May 2003



 Trustee

6 May 2003

The accounting policies and notes on pages 11 to 22 form part of these financial statements.

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

CONSOLIDATED CASHFLOW STATEMENT

for the year ended 31 December 2002

| | Note | 2002 £'000 | 2002 £'000 | 2001 £'000 | 2001 £'000 |
|---|------|---------------|---------------|---------------|---------------|
| Net cash inflow/(outflow) from operating activities | 16 | | 1,657 | | (586) |
| <u>Returns on investments and servicing of finance</u> | | | | | |
| Interest received | | 113 | | 127 | |
| Net cash inflow from returns on investments and servicing of finance | | | 113 | | 127 |
| Net cash inflow/(outflow) before management of liquid resources and financing | | | 1,770 | | (459) |
| <u>Management of liquid resources and financing</u> | | | | | |
| Purchase of government securities | | (13,596) | | (6,995) | |
| Sale of government securities | | 13,486 | | 6,824 | |
| Net cash outflow from management of liquid resources and financing | | | (110) | | (171) |
| Increase/(Decrease) in cash | 17 | | 1,660 | | (630) |

The accounting policies and notes on pages 11 to 22 form part of these financial statements.

NOTES TO THE 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 amounts received under deeds of covenant and Gift Aid from Allied Dunbar Assurance plc, Eagle Star Insurance 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 received 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.

Zurich Financial Services (UKISA) Community Trust Limited
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

1.8 Pension Costs

Pension costs are charged to the profit and loss account in line with the contributions made to the Group Pension Schemes.

1.9 Funds

All funds detailed in the Statement of Financial Activities are unrestricted.

1.10 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.

1.11 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.

1.12 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)

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.

| | 2002 £'000 | 2001 £'000 |
|------------------------------|---------------|---------------|
| Profit and loss account | | |
| Turnover | 64 | 85 |
| Cost of sales | (43) | (50) |
| Gross profit | 21 | 35 |
| Administrative expenses | (6) | (6) |
| Payment under gift aid | (9) | (29) |
| Taxation | (6) | - |
| Retained profit for the year | - | - |

3. Grants payable

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

| | |
|---|---------|
| Barnardo's | 100,525 |
| Commonwealth Education Fund | 100,000 |
| Western Spirit | 100,000 |
| Calvert Trust | 93,289 |
| Firehouse | 88,125 |
| India | 57,260 |
| INclusion - Partner GNPN | 50,000 |
| Matched Department Grants (Staff Initiatives) | 49,642 |
| INclusion - The Dove House Project | 48,894 |
| INclusion - Partner Scarman Trust | 48,442 |
| Teenage Cancer Trust | 42,708 |
| INclusion - Partner Learning Curve | 40,000 |
| Claire House | 31,875 |
| DEBRA | 30,731 |
| DCI | 30,000 |
| Marie Curie Cancer Care | 28,575 |
| Dementia Relief Trust | 27,000 |
| Charity Management Consortium | 25,000 |
| Childline | 25,000 |
| End Child Poverty | 25,000 |

Zurich Financial Services (UKISA) Community Trust Limited
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Grants payable (Continued)

| | |
|---|------------------|
| Scottish Politician Award | 25,000 |
| The Rockinghorse Appeal | 25,000 |
| Help the Aged | 23,333 |
| LEPRA | 21,160 |
| Canine Partners for Independence | 21,098 |
| PSS (Liverpool Personal Services Society) | 21,000 |
| Corrongrange School | 20,000 |
| Friends of Little Heath | 20,000 |
| Maggies Cancer Caring Centres | 20,000 |
| Marshfields Special School | 20,000 |
| The Joshua Foundation | 20,000 |
| Friends of Russet House School | 19,700 |
| Friends of Oermerod's School | 19,500 |
| INclusion – Portsmouth Safety Community Partnership | 19,198 |
| Homestart - Watford & Three Rivers | 19,000 |
| Naomi House (The Wessex Children's Hospice) | 18,000 |
| Children in Need | 17,960 |
| RNIB | 17,340 |
| PROPS, Briarwood School | 17,000 |
| Twigs | 16,662 |
| Children's Services, Telford & Wreken Primary Care | 16,000 |
| Springhead Community School | 15,700 |
| The Treloar Trust | 15,190 |
| Birmingham Children's Hospital. Cystic Fib. Dept. | 15,000 |
| Farney Close School | 15,000 |
| Hansell Foundation | 15,000 |
| PAFORS (Redway School) | 15,000 |
| Rowdeford Charity Trust | 15,000 |
| Woolley Wood Community School | 15,000 |
| Eagle Appeal, Rachel Maddocks School | 14,650 |
| Other grants paid and accrued | 212,183 |
| Total | <u>1,806,740</u> |

Zurich Financial Services (UKISA) Community Trust Limited
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Total Resources Expended

| | Staff 2002 £'000 | Other 2002 £'000 | Total 2002 £'000 | Total 2001 £'000 |
|---|------------------------|------------------------|------------------------|------------------------|
| <u>Charitable Expenditure</u> | | | | |
| Fundraising | 81 | 241 | 322 | 227 |
| Support costs | 643 | 73 | 716 | 721 |
| Management and administration of the charity | 127 | 70 | 197 | 210 |
| | <u>851</u> | <u>384</u> | <u>1,235</u> | <u>1,158</u> |

| | 2002 £'000 | 2001 £'000 |
|---|---------------|---------------|
| <u>Management and administration of the charity</u> | | |
| Salary costs | 127 | 131 |
| Travel & accommodation | 6 | 6 |
| Stationery | 8 | 5 |
| Office equipment and IT | 3 | 16 |
| Audit fee | 3 | 3 |
| Telecoms | 4 | 4 |
| Meetings | 7 | 4 |
| Miscellaneous | 39 | 41 |
| | <u>197</u> | <u>210</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 2002 (2001: £Nil).

Zurich Financial Services (UKISA) Community Trust Limited
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Net movement in funds for the year

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

| | 2002 £'000 | 2001 £'000 |
|---------------------------|---------------|---------------|
| Auditors' remuneration | 4 | 4 |
| Other interest receivable | (113) | (127) |

Of the net increase in funds for the year, £2,421,000 (2001: £1,322,000 decrease) 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

| | 2002 | 2001 |
|---|---------------|---------------|
| The average number of employees of the Company during 2002 was: | 24 | 24 |
| The aggregate payroll costs of these employees were: | | |
| | 2002 £'000 | 2001 £'000 |
| Wages and salaries | 687 | 713 |
| Social security costs | 71 | 64 |
| Other pension costs | - | - |
| | 758 | 777 |

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

| | 2002 | 2001 |
|-------------------|------|------|
| £60,001 - £70,000 | 1 | 1 |

No staff are employed by Community Trust Services Limited, which draws on the services of the staff of the Company. However, a charge of £5,000 (2001: £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.

All of the above employees have benefits accruing under a defined benefit pension scheme.

Zurich Financial Services (UKISA) Community Trust Limited
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Trustees' emoluments

No emoluments or expenses were paid to the trustees during the year (2001: £Nil).

9. Tangible fixed assets

| <u>Group and Company</u> | Freehold property £'000 |
|--------------------------|-------------------------------|
| <u>Cost</u> | |
| At 1 January 2002 | 15 |
| At 31 December 2002 | 15 |
| <u>Depreciation</u> | |
| At 1 January 2002 | 5 |
| Charge for the year | - |
| At 31 December 2002 | 5 |
| <u>Net Book Value</u> | |
| At 31 December 2002 | 10 |
| At 31 December 2001 | 10 |

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> | 2002 £'000 |
|---|---------------|
| Market value as at 1 January 2002 | 1,907 |
| Transfer of investments to current assets | (825) |
| Additions at cost | 10,511 |
| Disposal proceeds | (9,976) |
| Gain on revaluation | 38 |
| Market value as at 31 December 2002 | 1,655 |

Treasury Stock is comprised of UK Fixed Interest Government Bonds.

Investments held by the Company also include an additional £100 (2001: £100) investment in a subsidiary undertaking at cost. Details of shares in subsidiary undertakings are given in Note 2.

Zurich Financial Services (UKISA) Community Trust Limited
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Debtors

| | Group | | Company | |
|-------------------------------------|------------|------------|------------|------------|
| | 2002 | 2001 | 2002 | 2001 |
| | £'000 | £'000 | £'000 | £'000 |
| Taxation recoverable | 48 | 52 | 48 | 52 |
| Sundry debtors and accrued income | 37 | 12 | 32 | 12 |
| Amounts due from group undertakings | 30 | 568 | 26 | 558 |
| VAT recoverable | - | 1 | - | 1 |
| | <u>115</u> | <u>633</u> | <u>106</u> | <u>623</u> |

12. Current asset investments

Group and Company

| | 2002 | 2001 |
|---------------------------|--------------|--------------|
| | £'000 | £'000 |
| Interest bearing deposits | 4,226 | 2,903 |
| Treasury Stock | 816 | 509 |
| | <u>5,042</u> | <u>3,412</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 | |
|-----------------------------------|-----------|------------|-----------|------------|
| | 2002 | 2001 | 2002 | 2001 |
| | £'000 | £'000 | £'000 | £'000 |
| Bank overdraft | 1 | 94 | - | 88 |
| Amounts due to group undertakings | 2 | 520 | 2 | 520 |
| Corporation Tax | 6 | - | - | - |
| Accruals and deferred income | 74 | 130 | 72 | 127 |
| | <u>83</u> | <u>744</u> | <u>74</u> | <u>735</u> |

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Provisions for liabilities and charges

Movements in provisions for the year are:

| | 2002 Grants Payable £'000 | 2001 Grants Payable £'000 |
|---------------------------|---------------------------------|---------------------------------|
| Provisions at 1 January | 1,303 | - |
| Provided in the year | 69 | 1,303 |
| Utilised in the year | (719) | - |
| Provisions at 31 December | <u>653</u> | <u>1,303</u> |

Grants Payable

This provision represents amounts committed unconditionally to charities, but not yet paid. The majority of this provision will be utilised during 2003.

15. Designated Funds

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 2003. The designated fund has increased by £1,127,000 during 2002.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Designated Funds (Continued)

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

| | £'000 |
|--|--------------|
| <u>Older People Programme</u> | 1,427 |
| Supporting organisations that aim to improve the lives of older people, for example reducing levels of isolation. | |
| <u>Child Poverty Programme</u> | 375 |
| Funding in support of programmes aimed at reducing the level of child poverty in the UK and overseas. | |
| <u>INclusion Programme</u> | 684 |
| Support for community organisations working in socially deprived areas. | |
| <u>India Programme</u> | 444 |
| A capacity building programme for Non-Governmental Organisations in Southern India. | |
| <u>XL Rugby Princes Trust</u> | 350 |
| 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 | 927 |
| Other commitments including short term projects | 717 |
| Total designated funds | <u>4,924</u> |

16. Reconciliation of deficit to net outflow from operating activities

| | 2002 £'000 | 2001 £'000 |
|---|---------------|---------------|
| Net incoming/(outgoing) resources | 2,470 | (1,276) |
| Decrease/(Increase) in debtors | 518 | (191) |
| (Decrease) in creditors | (568) | (295) |
| (Decrease)/Increase in provisions | (650) | 1,303 |
| Interest received | (113) | (127) |
| Net cash inflow/(outflow) from operating activities | <u>1,657</u> | <u>(586)</u> |

Zurich Financial Services (UKISA) Community Trust Limited
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. 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 2001 | 63 | 2,903 | (94) | 2,872 |
| Increase in cash | 244 | 1,323 | 93 | 1,660 |
| Balance as at 31 December 2002 | 307 | 4,226 | (1) | 4,532 |

18. Analysis of changes in net funds

| | At 1 Jan 2002 £'000 | Cash flows £'000 | At 31 Dec 2002 £'000 |
|---------------------------|---------------------------|------------------------|----------------------------|
| Cash in hand, at bank | 63 | 244 | 307 |
| Overdraft | (94) | 93 | (1) |
| Interest bearing deposits | 2,903 | 1,323 | 4,226 |
| | 2,872 | 1,660 | 4,532 |
| Current asset investments | 509 | 307 | 816 |
| Total | 3,381 | 1,967 | 5,348 |

19. 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 (2001: nil).

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. 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.

21. Ultimate Holding Company

The Company's 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, 8022 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
Zurich Financial Services (UKISA) Limited
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