

ECCLESIASTICAL INSURANCE OFFICE PLC PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

Gross written premiums from general and long term business operations amounted to £386.9m (2006: £403.3m). After adjusting for the one-off effect of the transfer of in-force life business from the National Association of Funeral Directors of £25.6 million in 2006, this represents growth of 2%.

Our investments performed excellently in what was a very unsettled year, with global equity markets affected by the credit and liquidity crisis which originated in the US. Despite this, economic growth in developing economies remained robust, and overall most major stock markets provided positive returns for investors. The total net investment return (including investment income and net fair value movements) was £69.4m (2006: £94.0m).

Group profit before tax was £35.6m, compared with £77.1m in 2006.

General business operations contributed £39.5m (2006: £71.5m) to this result with a combined operating ratio of 102.9% (2006: 88.5%).

The long term business result was adversely impacted by changes to mortality and other assumptions, contributing to a loss of £4.3m (£3.5m profit in 2006).

Other operations, which include the results of activities that are not related to core business segments, contributed £0.4m (2006: £2.1m) to group profit before tax.

Profit after taxation amounted to £26.3m (2006: £54.6m).

Our total grants to Allchurches Trust, the ultimate parent of the group, amounted to £12.7m (2006: £8.0m) in the year. Shareholders' funds grew to £362.1m (2006: £345.0m).

During 2007, Standard & Poor's Rating Services improved the outlook for the company's long term counterparty credit and insurer financial strength rating to A- 'positive' from A- 'stable', whilst A. M. Best reaffirmed their rating of A.

The Directors recognise the increased levels of competition in general insurance which are likely to be reflected in the results for the current year, but remain confident about the prospects in the longer term.

Michael Tripp
Group Chief Executive

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	2007	2006
	£000	£000
Gross written premiums	386,915	403,316
Outward reinsurance premiums	(132,094)	(121,093)
Net change in provision for unearned premiums	(1,183)	(4,170)
Net earned premiums	253,638	278,053
Fee and commission income	37,990	35,762
Net investment return	69,396	94,043
Total revenue	361,024	407,858
Claims and change in insurance liabilities	(267,833)	(231,965)
Reinsurance recoveries	73,357	50,118
Fees, commissions and other acquisition costs	(70,563)	(69,503)
Other operating and administrative expenses	(56,986)	(53,664)
Change in provisions for investment contract liabilities	265	(8,865)
Change in net asset value attributable to unitholders	(1,097)	(7,828)
Total operating expenses	(322,857)	(321,707)
Operating profit	38,167	86,151
Finance costs	(832)	(641)
Transfers to the unallocated divisible surplus	(1,731)	(8,399)
Profit before tax	35,604	77,111
United Kingdom tax expense	(7,566)	(20,140)
Overseas tax expense	(1,782)	(2,402)
Profit attributable to equity holders of the parent	26,256	54,569

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 December 2007

	2007	2006
	£000	£000
Net fair value (losses)/gains on property	(39)	559
Gain/(loss) on currency translation differences	5,996	(4,316)
Net income/(expense) recognised directly in equity	5,957	(3,757)
Profit for the year after tax	26,256	54,569
Total recognised income and expense for the year	32,213	50,812

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	2007	2006
	£000	£000
Assets		
Goodwill and other intangible assets	4,807	5,396
Deferred acquisition costs	31,751	29,477
Deferred tax assets	2,755	2,220
Pension assets	21,276	18,281
Property, plant and equipment	10,522	10,533
Investment property	33,558	36,207
Financial investments	972,792	877,346
Reinsurers' share of contract provisions	189,259	160,773
Current tax recoverable	3,012	206

Other assets	105,249	85,539
Cash and cash equivalents	181,003	234,425
Total assets	<u>1,555,984</u>	<u>1,460,403</u>
Equity		
Share capital	80,477	80,477
Share premium account	4,632	4,632
Retained earnings and other reserves	276,942	259,900
Total shareholders' equity	<u>362,051</u>	<u>345,009</u>
Liabilities		
Insurance contract provisions	909,469	830,386
Investment contract liabilities	54,919	56,214
Unallocated divisible surplus	39,836	38,105
Finance lease obligations	1,607	1,695
Provisions for other liabilities and charges	8,207	6,671
Retirement benefit obligations	11,452	8,506
Deferred tax liabilities	47,677	50,077
Current tax liabilities	1,807	4,984
Deferred income	16,662	15,140
Other liabilities	33,307	41,596
Net asset value attributable to unitholders	68,990	62,020
Total liabilities	<u>1,193,933</u>	<u>1,115,394</u>
Total shareholders' equity and liabilities	<u>1,555,984</u>	<u>1,460,403</u>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	2007 £000	2006 £000
Net cash from operating activities	35,862	112,340
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,609)	(2,333)
Proceeds from the sale of property, plant and equipment	75	86
Purchases of intangible assets	(573)	(2,062)
Acquisition of subsidiary, net of cash acquired	(905)	-
Purchases of financial investments and investment property	(339,961)	(276,745)
Sale of financial investments and investment property	280,507	246,463
Net cash used by investing activities	<u>(62,466)</u>	<u>(34,591)</u>
Cash flows from financing activities		
Net proceeds from the issue of shares	-	4,340
Payment of finance lease liabilities	(396)	(444)
Repayment of other borrowings	(8,750)	-
Dividends paid to company's shareholders	(6,281)	(6,463)
Donations paid to ultimate parent undertaking	(15,500)	(5,200)
Net cash used by financing activities	<u>(30,927)</u>	<u>(7,767)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(57,531)</u>	<u>69,982</u>
Cash and cash equivalents at beginning of year	234,425	169,301
Exchange gains/(losses) on cash and cash equivalents	4,109	(4,858)

Cash and cash equivalents at end of year	181,003	234,425
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NOTES TO THE PRELIMINARY ANNOUNCEMENT OF RESULTS

For the year ended 31 December 2007

1. Basis of preparation

The company has prepared this preliminary announcement using the same accounting policies and methods of computation as the full financial statements for the years ended 31 December 2006 and 31 December 2007 as prepared under International Financial Reporting Standards (IFRS).

2. Dividends

	2007	2006
	£000	£000
<i>Ordinary</i>		
• interim declared and paid 0.392p per share (2006: 0.356p per share)	550	500
<i>8.625 per cent Non-Cumulative Irredeemable Preference</i>		
• paid in the year	5,731	5,553

The directors do not recommend a final dividend on the ordinary shares for the year ended 31 December 2007 (2006: £nil).

3. Statement of changes in equity

	2007	2006
	£000	£000
Opening shareholders' equity	345,009	301,510
Total recognised income and expense for the year	32,213	50,812
Dividends payable	(6,281)	(6,053)
Net charitable grant to ultimate parent undertaking	(8,890)	(5,600)
Net proceeds from the issue of shares	-	4,340

Closing shareholders' equity	<u>362,051</u>	<u>345,009</u>
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4. General information

The financial information set out above does not constitute the company's statutory accounts for the year ended 31 December 2007 or 2006.

Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRS), this announcement does not itself contain sufficient information to comply with IFRS. Full financial statements that comply with IFRS were approved by the Board of Directors on 26 March 2008 and are expected to be published in April 2008.

The statutory accounts for 2007 will be delivered to the Registrar of Companies shortly.

The auditors have reported in accordance with s.235 of the Companies Act 1985 on the statutory accounts for 2006 and 2007; their reports were unqualified and did not contain statements under s.237(2) or (3) of the Companies Act 1985.

This announcement was approved at a meeting of the Board of Directors held on 26 March 2008.

Ecclesiastical Insurance Office plc is a subsidiary of Ecclesiastical Insurance Group plc which is an investment holding company whose ordinary shares are not listed.

The ordinary shares of Ecclesiastical Insurance Office plc are not listed.

Copies of the audited financial statements are available from the secretary.