REGISTRATION NUMBER: 00006369

METHODIST INSURANCE PLC

REPORT AND ACCOUNTS 31 DECEMBER 2013

Methodist Insurance PLC

Report and Accounts 31 December 2013

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Methodist Insurance PLC specialises in the insurance of properties belonging to the Methodist Church and its associated organisations and is broadening its base to serve a wider public

The company aims to provide a first class service to all clients, to satisfy their needs and expectations and to deal promptly and responsibly with their claims

As part of its Christian witness, the company's investment portfolio is constructed on a basis consistent with the moral stance and teachings of the Methodist Church

Methodist Insurance PLC

Officers and Professional Advisers

Directors	D S Walton DL, LLB *Chairman* A G Gibbs FCA, MA *Deputy Chairman* Revd L J Barriball C H Boothman FRICS, MACostE J M Coates ACII D M Crompton ACII Revd P H Davis BA J M Hamilton BSc (Econ), FIA
Company Secretary	Mrs R J Hall FCIS
General Manager	J M Coates ACII
Auditor	KPMG Audit Plc
Registered Office	Beaufort House, Brunswick Road, Gloucester, GL1 1JZ
Head Office	St Ann's House St Ann's Place Manchester, M2 7LP Tel 0161 833 9696 Fax 0161 833 1287
Company Registration Number	00006369

Methodist Insurance PLC

Chairman's Statement

Chairman's review of business operations
Although 2013 has been beset by extremes of weather the company has steered a consistent and successful course during the year

The accounts show a turnover of £11,513,352 (2012 £11,223,014) resulting in a significant operating profit of £3,862,221 (2012 £2,952,050) This is despite the effects of storm damage and an increase in liability claims

The company held £20,990,811 (2012 £18,253,491) in financial investments at the year end In the year, the net investment return (a combination of net investment income and capital appreciation) was £1,904,267 (2012 £1,217,601) This was a satisfactory outcome which reflected increasing confidence in the prospects for economic recovery, both in the UK and the USA It is generally expected that sustained economic recovery will be accompanied both by interest rates higher than the present historically low levels and by an improvement in company profits

In consequence, there was considerable disparity in the return from fixed interest and from equities The total return on UK conventional Gilts was negative at -3 9%, while on UK equities the total return was +20 8%

About 40% of the company's portfolio is held in bonds, predominantly index linked gilts with some corporate bonds as well as conventional gilts Most of these assets are held in a segregated 'Internal Capital Guidance (ICG) portfolio to meet our prudential capital adequacy requirements as an insurance company Collectively, the bond holdings in the ICG produced a negative total return of -1 0%

The company's investments that are not in the ICG portfolio are held in the Uncommitted Capital (UC) portfolio and are mostly invested in UK equities In recognition of the unrepresentative nature of the UK equity market in global terms, up to 20% of the UC portfolio may be invested directly in overseas equities The benchmark is made up of the FTSE All Share Index (80%) the FTA British Government All Stock Index (15%) and Cash (5%) The total return on the company s UC portfolio, comprising UK and overseas equities and some corporate bonds was +15 7%, slightly underperforming the benchmark return of +16 1%

We are reviewing our rating approach for churches in 2014 and looking for different ways in which we can assist local churches and circuits in what continues to be a difficult financial climate We continue to monitor a rising number of church closures

Our new small grants scheme for local churches has proved very popular and since launch has helped some 110 churches nationwide

The company continues to support Methodist bodies in the UK and Ireland, and in 2013 made grants totalling £4 005,000 (2012 £1,405,000), a record amount

The company's relationship with Ecclesiastical Insurance remains as strong as ever but changes in regulation and governance will see us looking to review and update our administration agreement with them to ensure that it is compliant going forward We are up to date in our preparations for Solvency II and are carefully reviewing our procedures to ensure compliance with the new regime

The directors are grateful to John Coates and all the staff for their commitment and hard work during the year Particular gratitude is due to Stephen Dyke whose retirement after 29 years' service with the company was announced just after the year end

Anne Bolton retired as a director during the year and we owe much to her for her conscientiousness and financial astuteness We also congratulated the Rev Paul Davis on becoming Chair of the Lancashire Methodist District

At the end of the year the company looks forward to moving into new offices in St Ann s House in Manchester s St Ann's Square

David S Walton
Chairman on behalf of the Directors

Methodist Insurance PLC

Strategic Report

The directors present their strategic report for the year ended 31 December 2013

Objective and strategy
Methodist Insurance PLC is a public limited company incorporated and domiciled in the United Kingdom, authorised and regulated by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA)

The principal activity of the company is the transaction of fire, accident and ancillary liability insurance

The mission of the company is to run an ethical and profitable general insurance company for the benefit of the Methodist church by underwriting its cost of risk and providing risk management advice, thus helping communities create safe environments for worship, witness and service

All risks undertaken by the company are reinsured with Ecclesiastical Insurance Office plc, except eligible terrorism risks which are reinsured with Pool Re It is anticipated that the activities of the company will remain unchanged for the foreseeable future

Review of business performance
The results of the company for the year are shown in the statement of profit or loss on page 9

Premium growth
Gross written premiums rose to £11,513,352 (2012 £11,223,014) representing an increase of 2 6% on the previous year Premium growth can be attributed to normal increases in indexation due to inflationary factors

Claims ratio
Our claims ratio (incurred claims to earned premiums) of 28 0% (2012 33 6%) shows a 5 6 point decrease on the previous year The claims performance has not been affected by weather events as much as expected, despite the storms in the latter months of the year, while we have been fortunate that we have not suffered the large losses of previous years which significantly affected performance

Profit commission
The reinsurance treaty with Ecclesiastical Insurance Office continues The profit commission receivable for the year based on the sharing of the net underwriting result was £2,185,702 (2012 £2,090,802) following the benign claims experience

Investment return
The further recovery of the stock market in 2013 has meant that our underlying investments delivered a positive return We continue to monitor and review the investment strategy to mitigate the risk of future losses The net investment return was £1,904,267 (2012 £1,217,601) as the stock market reached its highest point for five years during 2013

Grants
The aim of the company and the directors continues to be to support Methodist organisations During 2013 charitable grants of £4,005,000 (2012 £1,405,000) were paid or accrued

Retained profits
The factors outlined above have all had an influence on the results for the year A loss before tax of £142,779 (2012 £1,547,050 profit) reflects the planned decision to pay charitable grants in excess of expected current year profits, thereby reducing the retained earnings of the company After the impact of tax the amount of retained earnings has decreased by £116,588 (2012 £1,296,550 increase) Nevertheless, we believe the company remains well capitalised as examined in note 4

The directors consider that the company is well placed to perform satisfactorily in the future

Strategic Report

Principal risks and uncertainties

The principal risks and uncertainties are

- the company has adverse development protection cover from Ecclesiastical Insurance Office plc The company is exposed to the risk of claims being incurred above the current level of provisions, up to the point at which the reinsurance cover takes effect,
- the impact on profit commission if there are underwriting losses or significantly adverse claims experience This is disclosed further under note 3 – Insurance risk,
- investment returns and the security of the investment portfolio Financial risk is discussed in more detail in note 4, and
- the reliance on Ecclesiastical Insurance Office plc from an operational perspective This is highlighted further in note 4

By order of the board

R. Hall

Mrs R J Hall
Secretary
20 March 2014

Methodist Insurance PLC

Directors' Report

The directors present their annual report and financial statements for the year ended 31 December 2013

Future prospects
It is anticipated that the activities of the company will remain unchanged for the foreseeable future

Going concern
The company reinsures all of its current business, except for terrorism cover, with Ecclesiastical Insurance Office plc, who also provide administrative services within a profit share arrangement Therefore, except for investment, credit and counterparty risk, and the adverse development of certain pre - 1998 insurance risks, its financial risks are ultimately borne by the Ecclesiastical group, which has considerable financial resources As a consequence, the directors believe the group is well placed to manage such risks in the foreseeable future, despite the current uncertain economic outlook The directors also consider they have provided adequately for risks not reinsured with Ecclesiastical Insurance Office plc and, as such, they continue to adopt the going concern basis in preparing the annual report and accounts

Dividends
The directors recommend the payment of dividends on the amounts paid up on the company's ordinary shares, for the year ended 31 December 2013, absorbing the sum of £187 (2012 £187) This equates to a dividend of 1p per share (2012 1p per share)

Political Donations
The company did not make any contributions for political purposes in the current or prior year

Directors
The directors of the company at the date of this report are stated on page 2

Mr D S Walton and Mr A G Gibbs retire by rotation and, being eligible, offer themselves for re-election

Mrs A Bolton retired from the board on 31st January 2014

The company has made qualifying third party indemnity provisions for the benefit of its directors which were in place throughout the year and remain in force at the date of this report

Directors' responsibilities statement
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and applicable law and have elected to prepare the financial statements on this basis Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company s website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Directors' Report

Auditor and the disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information This confirmation is given and should be interpreted in accordance with Section 418 of the Companies Act 2006

Our auditors, KPMG Audit Plc has instigated an orderly wind down of business The Board has decided to put KPMG LLP forward to be appointed as auditors and resolution concerning their appointment will be put to the forthcoming AGM of the company, in accordance with Section 489 of the Companies Act 2006

By order of the board

R. Hall

Mrs R J Hall
Secretary
20 March 2014

Methodist Insurance PLC

Independent Auditor's Report

Independent auditor's report to the members of Methodist Insurance PLC

We have audited the financial statements of Methodist Insurance PLC for the year ended 31 December 2013 set out on pages 9 to 37 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 Part 16 of the Companies Act 2006 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 auditor's 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 auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company s affairs as at 31 December 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Katherine Clinton (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc
Statutory Auditor
St James Square
Manchester, M2 6DS
20 March 2014

Methodist Insurance PLC

Statement of Profit or Loss

for the year ended 31 December 2013

	Notes	2013	*Restated** 2012
Revenue		**£**	£
Gross written premiums	5	**11,513,352**	11,223,014
Outward reinsurance premiums	5	**(11,513,352)**	(11,223,014)
Net change in provision for unearned premiums	5	**-**	-
Net earned premiums	5	**-**	-
Commission income	6	**2,332,702**	2,241,247
Net investment return	7	**1,904,267**	1,217,601
Total revenue		**4,236,969**	3,458,848
Expenses			
Claims and change in insurance liabilities	8	**(3,217,080)**	(3,773,072)
Reinsurance recoveries	8	**3,076,604**	3,509,226
Commissions and other acquisition costs	9	**(121,869)**	(124,888)
Other operating and administrative expenses		**(112,403)**	(118,064)
Total operating expenses		**(374,748)**	(506,798)
Operating profit	10	**3,862,221**	2,952,050
Charitable grants	13	**(4,005,000)**	(1,405,000)
(Loss)/profit before income tax		**(142,779)**	1,547,050
Income tax recoverable/(expense)	14	**50,378**	(217,973)
(Loss)/profit attributable to equity holders		**(92,401)**	1,329,077

All of the amounts above are in respect of continuing operations

* The comparative financial statements have been restated to reflect the retrospective application of a change in accounting policy, detailed in note 28

Methodist Insurance PLC

Statement of Comprehensive Income

for the year ended 31 December 2013	2013	*Restated* 2012
	£	**£**
(Loss)/profit for the year after income tax	**(92,401)**	1,329,077
Other comprehensive income		
Actuarial losses relating to pension fund	**(71,000)**	(210,000)
Elimination of pension fund movement	**41,000**	168,000
Related tax	**6,000**	9,660
Items that will not be reclassified to profit or loss	**(24,000)**	(32,340)
Available for sale financial assets - net change in fair value	**75,050**	-
Related tax	**(16,136)**	-
Items that may be reclassified subsequently to profit or loss	**58,914**	-
Other comprehensive income, net of tax	**34,914**	(32,340)
Total comprehensive income for the year	**(57,487)**	1,296,737

Methodist Insurance PLC

Statement of Financial Position

at 31 December 2013

	Notes	2013	2012
Assets		**£**	£
Financial investments	17	**20,990,811**	18,253,491
Reinsurers' share of insurance contract liabilities	21	**16,075,904**	15,443,006
Current tax recoverable		**2,435**	-
Other assets	18	**1,598,294**	1,577,484
Cash and cash equivalents	19	**2,571,045**	5,708,592
Total assets		**41,238,489**	40,982,573
Equity			
Share capital	20	**112,500**	112,500
Available for sale reserve		**58,914**	-
Retained earnings		**16,963,292**	17,079,880
Total shareholders' equity		**17,134,706**	17,192,380
Liabilities			
Insurance contract liabilities	21	**22,897,693**	22,333,671
Deferred tax liabilities	22	**235,684**	275,926
Current tax liabilities		**-**	231,316
Other liabilities	23	**970,406**	949,280
Total liabilities		**24,103,783**	23,790,193
Total shareholders' equity and liabilities		**41,238,489**	40,982,573

The financial statements of Methodist Insurance PLC, company registration number 00006369, on pages 9 to 37 were approved and authorised for issue by the Board of Directors on 20 March 2014 and signed on its behalf by

D S Walton *Chairman*

Andrew G. Gibbs

A G Gibbs *Deputy Chairman*

Methodist Insurance PLC

Statement of Changes in Equity

for the year ended 31 December 2013

	Share capital £	Available for sale reserve £	Retained earnings £	Total £
At 1 January 2012	112,500	-	15,783,330	15,895,830
Profit for the year	-	-	1,329,077	1,329,077
Other comprehensive income	-	-	(32,340)	(32,340)
Dividends	-	-	(187)	(187)
At 31 December 2012 *(Restated)*	112,500	-	17,079,880	17,192,380
Loss for the year	**-**	**-**	**(92,401)**	**(92,401)**
Other comprehensive income	**-**	**58,914**	**(24,000)**	**34,914**
Dividends	**-**	**-**	**(187)**	**(187)**
At 31 December 2013	**112,500**	**58,914**	**16,963,292**	**17,134,706**

Statement of Cash Flows

for the year ended 31 December 2013	2013	*Restated* 2012
	£	£
(Loss)/profit before tax	**(142,779)**	1,547,050
Adjustments for		
Net fair value gains on financial investments	**(1,309,869)**	(679,997)
Income from investments	**(664,928)**	(628,324)
Changes in operating assets and liabilities		
Net increase in insurance contract provisions	**564,022**	113,982
Net increase in reinsurers' share of contract provisions	**(632,898)**	(26,986)
Net (increase)/decrease in other assets	**(30,056)**	68,959
Net increase/(decrease) in other liabilities	**21,126**	(539,629)
Cash used by operations	**(2,195,382)**	(144,945)
Dividends received	**366,482**	306,877
Interest received	**277,692**	340,021
Income tax paid	**(233,751)**	(30,264)
Net cash (used by)/from operating activities	**(1,784,959)**	471,689
Cash flows from investing activities		
Sales of financial investments	**3,047,904**	3,435,536
Purchases of financial investments	**(4,400,305)**	(2,529,835)
Net cash (used by)/from investing activities	**(1,352,401)**	905,701
Cash flows from financing activities		
Dividends paid to company's shareholders	**(187)**	(187)
Net cash used by financing activities	**(187)**	(187)
Net (decrease)/increase in cash and cash equivalents	**(3,137,547)**	1,377,203
Cash and cash equivalents at beginning of year	**5,708,592**	4,331,389
Cash and cash equivalents at end of year	**2,571,045**	5,708,592

1 Accounting policies
The principal accounting polices adopted in preparing the company's financial statements are set out below These policies have been applied consistently throughout the current and prior financial year

Basis of preparation
The company's financial statements have been prepared in accordance with IFRSs as issued by the International Accounting Standards Board and endorsed by the EU The accounting policies set out below have been applied The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments

The company has elected not to produce consolidated financial statements The subsidiary disclosed in note 27 is dormant, having not traded since incorporation The exemption in Companies Act 2006 s405(2) is taken as the subsidiary is not material to the financial statements

The directors consider they have provided adequately for risks not reinsured with Ecclesiastical Insurance Office plc and, as such, they continue to adopt the going concern basis in preparing the annual report and accounts

In accordance with IFRS 4, *Insurance Contracts*, the company has applied existing accounting practices for insurance contracts, modified as appropriate to comply with the IFRS framework and applicable standards

In the current year the company has adopted the following Standards and Amendments

- IAS 19 (Revised), *Employee Benefits,*
- IAS 27 (Revised), *Separate Financial Statements,*
- IAS 28 (Revised), *Investments in Associates and Joint Ventures*
- IFRS 10, *Consolidated Financial Statements,*
- IFRS 11, *Joint arrangements,*
- IFRS 12, *Disclosure of Interests in Other Entities,*
- IFRS 13, *Fair Value Measurement,*
- Amendment to IAS 1 (Revised), *Presentation of Items of Other Comprehensive Income,*
- Amendment to IFRS 7, *Disclosures Offsetting Financial Assets and Financial Liabilities,*
- Amendments to IFRS 10, IFRS 11 and IFRS 12, *Transition Guidance,* and
- Annual Improvements to IFRSs 2009 - 2011 Cycle

IAS 19 (Revised) replaces the interest cost and expected return on scheme assets used in the previous version of IAS 19 with a 'net interest' expense or income This is calculated by applying a discount rate to the net defined benefit liability or asset Disclosures relating to the scheme are more extensive, and are included in note 16 The effects of the changes on the prior year are disclosed in note 28

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements The adoption has had no impact on the measurement of fair value of financial assets and financial liabilities in the company, and the disclosures required are shown in note 4

The amendment to IAS 1 requires items of other comprehensive income to be grouped by those items that will be reclassified subsequently to profit or loss and those that will never be reclassified, along with their associated tax The amendments have been applied retrospectively and hence the presentation of items of other comprehensive income has been modified to reflect the changes The amendment also introduces new terminology, whose use is not mandatory, for the statement of comprehensive income and the income statement As such, the 'income statement' has been renamed as the 'statement of profit or loss'

The amendment to IFRS 7 requires disclosure of the gross amounts of recognised financial assets and liabilities where they are offset and the net amount presented in the statement of financial position The required disclosure is included in note 23

The other Standards, Interpretation and Amendments adopted in the year have not had a significant impact on the financial statements

At the date of authorisation of these financial statements, the following Standards and Amendments which have not been applied in these financial statements were in issue but not yet effective, and in some cases had not yet been adopted by the EU

- IFRS 9 (Revised), *Financial Instruments,*
- IFRIC 21, *Levies,*
- Amendment to IAS 19 (Revised), *Defined Benefit Plans Employee Contributions,*
- Amendment to IAS 32, *Offsetting Financial Assets and Financial Liabilities*
- Amendment to IAS 36, *Recoverable Amount Disclosures for Non-Financial Assets,*
- Amendment to IAS 39, *Novation of Derivatives and Continuation of Hedge Accounting,*
- Amendments to IFRS 10, IFRS 12 and IFRS 27 (Revised), *Investment Entities*,
- Annual Improvements to IFRSs 2010 - 2012 Cycle, and
- Annual Improvements to IFRSs 2011 - 2013 Cycle

On adoption of the amendment to IAS 19 (effective for annual periods beginning on or after 1 July 2014), there will be a presentational change in the pension asset note The adoption of the other Standard and Amendments is not expected to significantly impact the company

The company has no transactions within the scope of other new or revised standards or interpretations which are effective in the year or in issue but not yet effective

Use of estimates

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements Although these estimates are based on management s best knowledge of current events and actions, actual results ultimately may differ from those estimates

Foreign currency translation

Foreign currency transactions are translated into sterling using an average exchange rate Exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of profit or loss

Product classification

Contracts under which the company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder, are classified as insurance contracts Contracts that do not transfer significant insurance risk are classified as investment or service contracts All contracts offered by the company meet the definition of an insurance contract

Premium income

Premiums are shown gross of commission paid to intermediaries and accounted for in the period in which the risk commences Estimates are included for premiums not notified by the year end and provision is made for the anticipated lapse of renewals not yet confirmed The proportion of premiums written in a year which relates to periods of risk extending beyond the end of the year are carried forward as unearned premiums

Premiums written 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

Fee and commission income

Fee and commission income primarily comprises reinsurance commissions receivable and is recognised on the trade date

Net investment return

Investment income consists of dividends and interest receivable for the year, realised gains and losses, unrealised gains and losses including currency translation movements on fair value investments, less investment expenses and charges Dividends on equity securities are recorded as revenue on the ex-dividend date, interest income is recognised as it accrues

Realised gains or losses represent the difference between the net sales proceeds and purchase price or, if previously valued, the valuation at the last year end date Unrealised gains and losses represent the difference between the valuation of investments at the year end date and their purchase price or, if they have been previously valued, their valuation at the last year end date

Claims

General insurance claims incurred include all losses occurring during the year, whether reported or not, related handling costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years

Insurance contract liabilities

(i) *Outstanding claims provisions*

General insurance outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the year end date, whether reported or not Significant delays are experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, the ultimate cost of which cannot be known with certainty at the year end date Any estimate represents a determination within a range of possible outcomes Claims provisions are not discounted

(ii) *Provision for unearned premiums*

The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods is deferred as a provision for unearned premiums The change in this provision is taken to the statement of profit or loss in order that revenue is recognised over the period of risk

(iii) *Liability adequacy*

Provision for unexpired risks is made where it is anticipated, on the basis of information available at the year end 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

Reinsurance

The company has a reinsurance treaty with Ecclesiastical Insurance Office plc whereby all business accepted by the company after July 1998 is fully reinsured with Ecclesiastical Insurance Office plc with the exception of terrorism cover which is reinsured through Pool Re Reinsurance premiums are accounted for at the time the business is written by the company The company's and the reinsurers' share of claims are recognised at the time the claims are notified or earlier by way of a provision for claims incurred but not reported

The company has protection cover with Ecclesiastical Insurance Office plc that limits the company s liability to adverse development in historical child abuse claims in children s homes

If a reinsurance asset is impaired, the company reduces the carrying amount accordingly and recognises that impairment loss in the statement of profit or loss A reinsurance asset is impaired if there is objective evidence that, as a result of an event occurring after initial recognition, the company may not receive all the amounts due to it under the terms of the contract, and the impact of the event on the amounts that the company will receive can be reliably measured

Financial instruments

IAS 39 *Financial Instruments Recognition and Measurement* requires the classification of certain financial assets and liabilities into separate categories for which the accounting requirement is different

The classification depends on the nature and purpose of the financial assets and liabilities, and is determined at the time of initial recognition Financial instruments are initially measured at fair value Their subsequent measurement depends on their classification

- Financial instruments designated as at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, all other changes in fair value are recognised through profit or loss in the period in which they arise, and
- All other financial assets and liabilities are held at amortised cost, using the effective interest method

The directors consider that the carrying value of those financial assets and liabilities not carried at fair value in the financial statements approximates to their fair value

Financial investments

The company classifies its quoted investments as financial assets designated at fair value through profit or loss, as these investments are managed, and their performance evaluated, on a fair value basis Investments that do not have a quoted market price in an active market and whose value cannot be reliably measured, are classified as available-for-sale financial assets

Purchases and sales of investments are recognised on the trade date, which is the date that the company commits to purchase or sell the assets, at their fair value adjusted for transaction costs Investments classified at fair value through profit or loss are subsequently carried at fair value, with changes in fair valuerecognised through profit or loss in the period in which they arise

The fair values of investments are based on quoted bid prices Investments for which fair values cannot be measured reliably are recognised at cost less impairment

Offset of financial assets and financial liabilities

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously

Receivables arising from insurance and reinsurance contracts

Receivables arising from insurance and reinsurance contracts are initially recognised at fair value and subsequently measured at amortised cost Interest income on receivables is recognised on the effective interest rate basis

A provision for impairment of receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts

Provisions and contingent liabilities

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made Where the company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset when the reimbursement is more probable than not

The company recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract

Contingent liabilities are disclosed if the future obligation is probable but the amount cannot be reliably estimated

Employee benefits

The company operates a defined benefit pension scheme providing benefits based on final pensionable salary The assets of the scheme are held separately from those of the company, being invested with an insurance company under a Group Funding policy The contributions are determined, on the basis of triennial valuations, by an independent qualified actuary and pension costs are assessed using the projected unit credit method Under this method, the cost of providing pensions is charged to the statement of profit or loss so as to spread the regular cost over the service lives of employees, in accordance with the advice of qualified actuaries The pension obligation is measured as the present value of the estimated future cash outflows using a discount rate based on market yields for high quality corporate bonds

In accordance with IAS 19 (Revised), current and past service costs, gains and losses on curtailments and settlements and net interest expense or income (calculated by applying a discount rate to the net defined benefit liability or asset), are recognised through profit or loss Actuarial gains or losses are recognised in full in the period in which they occur in other comprehensive income

Income tax

Income tax comprises current and deferred tax Income tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income

Current tax is the expected tax payable/(receivable) on the taxable result for the period and any adjustment to the tax payable in respect of previous periods

Deferred tax is provided in full on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes Deferred tax is measured using tax rates expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled based on tax rates and law which have been enacted or substantively enacted at the year end

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised

Deferred tax assets and liabilities are not discounted

Appropriations

Dividends on ordinary shares are recognised in equity in the period in which they are approved by members

2 Critical accounting estimates, and judgements in applying accounting policies

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year Estimates and judgements are regularly reviewed and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

The ultimate liability arising from claims made under general business insurance contracts

The estimation of the ultimate liability arising from claims made under general business insurance contracts is a critical accounting estimate The amount that the company will ultimately pay with respect to such contracts is uncertain and will vary with the total number of claims made on each class of business, the amounts that claims settle for and the timings of payments

The uncertainties surrounding the estimates of claims payments for the various classes of business are discussed further in note 3

Notes to the Financial Statements

Pension benefits

The cost of these benefits and the present value of the pension benefit liabilities depend on factors that are determined on an actuarial basis using a number of assumptions The assumptions used in determining the charge to profit or loss for these benefits include the discount rate Any changes in these assumptions will impact profit or loss and may affect planned funding of the pension plans The company determines an appropriate discount rate at the end of each year, to be used to determine the present value of estimated future cash outflows expected to be required to settle the pension benefit obligations

In determining the appropriate discount rate, the company considered interest rates of high quality corporate bonds that have terms to maturity approximating the terms of the related pension liability Other key assumptions for the pension and post-employment benefit costs and credits are based in part on current market conditions Additional information is disclosed in note 16

3 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim By the very nature of an insurance contract, this risk is unpredictable and difficult to quantify with certainty

The principal risk that the company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities, which may occur if the frequency or severity of claims and benefits are greater than estimated Insurance events are unpredictable and the actual level of claims and benefits may vary from year to year from the estimate established using statistical techniques

Experience shows that the larger and more diversified the portfolio of similar insurance contracts, the smaller the variability about the expected outcome will be As a niche market operator the company's opportunity to diversify the type of insurance risks is limited, however, some diversity is achieved by the geographical spread of its business

General business risks

General insurance business classes written include property and liability Property cover mainly compensates the policyholder for damage suffered to their properties or for the value of property lost Property may also include cover for pecuniary loss through the inability to use damaged insured properties Liability insurance contracts protect policyholders from the liability to compensate injured employees (employers' liability) and third parties (public liability) Injury, death or incapacity as a result of an unforeseen event is covered by the accident class of business

In all operations pricing controls are in place, underpinned by sound statistical analysis, market expertise and appropriate external consultant advice The company manages risks to limit severity through its underwriting strategy, a comprehensive reinsurance programme and proactive claims handling

Frequency and severity of claims

(i) *Property classes*

For property insurance contracts, the number of claims made can be affected by weather events, changes in climate and crime rates Individual claims can vary in amount since the property insured is diverse in both size and nature The cost of repairing property varies according to the extent of damage, cost of materials and labour charges

Climate change may give rise to more frequent and severe extreme weather events, such as river flooding, hurricanes and drought, and their consequences, for example, subsidence claims

The maximum claim payable is limited to the sum insured The company has the right to re-price the risk on renewal It also has the ability to impose deductibles, reject fraudulent claims and pursue third parties for payment of some or all costs These contracts are underwritten on a reinstatement basis or repair and renovation basis as appropriate Costs of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims Individual large claims are more likely to arise from fire, storm or flood damage The greatest likelihood of an aggregation of claims arises from weather or recession related events

(ii) *Liability classes*

For liability insurance contracts, the frequency and severity of claims can be affected by several factors The most significant are the increasing level of awards for damages suffered and the increase in the number of cases that were latent for a long period of time Inflation, from these and other sources, is a significant factor due to the long period typically required to settle these claims

The company has the right to re-price the risk on renewal It also has the ability to impose deductibles, reject fraudulent claims and pursue third parties for payment of some or all costs The severity of bodily injury claims is highly influenced by the value of loss of earnings and the future cost of care

Concentrations of risk

The underwriting strategy is designed to ensure that the underwritten risks are well diversified by type, amount of risk and geographical spread The company protects its gross underwriting exposure through the use of a comprehensive programme of reinsurance The concentration of insurance risk for the financial year before and after reinsurance by territory in relation to the type of risk accepted is summarised below, with reference to written premiums

		Type of risk			
		Property	**Liability**	**Accident**	**Total**
		£	**£**	**£**	**£**
2013					
United Kingdom	Gross	**8,896,744**	**1,851,428**	**273,315**	**11,021,487**
	Net	-	-	-	-
Eire	Gross	**366,951**	**115,283**	**9,631**	**491,865**
	Net	-	-	-	-
Total	Gross	**9,263,695**	**1,966,711**	**282,946**	**11,513,352**
	Net	-	-	-	-
2012					
United Kingdom	Gross	8,943,903	1,530,583	280,632	10,755,118
	Net	-	-	-	-
Eire	Gross	363,148	95,504	9,244	467,896
	Net	-	-	-	-
Total	Gross	9,307,051	1,626,087	289,876	11,223,014
	Net	-	-	-	-

Sources of uncertainty in the estimation of future claim payments

(i) *Property classes*

The property classes give rise to a variety of different types of claims including fire, business interruption, weather damage, subsidence and theft There can be variability in both the number of claims in each period and the size of those claims If a weather event happens near the end of the financial year, then the uncertainty about ultimate claims cost in the financial statements is much higher because there is insufficient time for adequate data to be received to assess the final cost of claims

Claims payment, on average, occurs within a year of the event that gives rise to the claim, however there is variability around this average with larger claims typically taking longer to settle

Subsidence claims are difficult to predict because the damage is often not apparent for some time Changes in soil moisture conditions can give rise to changes in claims volume over time The ultimate settlements can be small or large with a greater risk of a settled claim being re-opened at a later date

(ii) *Liability classes*
The settlement value of claims arising under public and employers' liability is particularly difficult to predict There is uncertainty as to whether any payments will be made and if they are, the amount and timing of the payments Key factors driving the high levels of uncertainty include the late notification of possible claim events and the legal process

Late notification of possible claims necessitates the holding of provisions for incurred claims that may only emerge some years into the future In particular the effect of inflation over such a long period can be considerable and is uncertain A lack of comparable past experience makes it difficult to quantify the number of claims and, for certain types of claims, the amounts for which they will ultimately settle The legal and legislative framework continues to develop, having a consequent impact on the uncertainty as to the length of the claims settlement process and the ultimate settlement amounts

Claims that may arise from the liability portfolios include damage to property, physical injury, disease and psychological trauma The exposure profile of the company is different from most other commercial lines insurance companies as it has lower exposure to industrial risks, where uncertainty is higher Therefore, claims for industrial diseases are less common for the company than injury claims such as slips, trips and back injuries

Claims payment, on average, occurs about three years after the event that gives rise to the claim However, there is significant variability around this average

Note 21 presents the development of the estimate of ultimate claim cost for public and employers' liability claims occurring in a given year This gives an indication of the accuracy of the estimation technique for incurred claims

(iii) *Sources of uncertainty*
The ultimate settlement cost of incurred 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 cases 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,
- changes in legislation and court attitudes to compensation, which may apply retrospectively,
- the way in which certain reinsurance contracts (principally liability) will be interpreted in relation to unusual and latent claims where aggregation of claimants and exposure over time are a factor, and
- whether all such reinsurances will remain in force over the long term

(iv) *Prudence in the provisions for outstanding claims*
The company has taken into account the uncertain nature of claims reporting and settlement when provisioning for outstanding claims

(v) *Special provisions for latent claims*
The public and employers liability classes can give rise to very late reported claims which are often referred to as latent claims These can vary in nature and are difficult to predict They typically emerge slowly over many years The company has taken a prudent approach to reflect this uncertainty and believes that it holds adequate reserves for latent claims that may result from exposure periods up to the reporting date

4 Financial risk and capital management
The company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts The most important components of financial risk are interest rate risk, credit risk, liquidity risk, currency risk, and equity price risk

There has been no change from the prior period in the financial risks that the company is exposed to, or the manner in which it manages and measures these risks

Categories of financial instruments

	Financial assets			Financial	Non-financial	
	Designated at fair value	Available for sale	Loans and receivables	liabilities at amortised cost	assets and liabilities	Total
As at 31 December 2013	**£**	**£**	**£**	**£**	**£**	**£**
Financial Investments	**20,889,763**	**100,050**	**-**	**-**	**998**	**20,990,811**
Other assets	**-**	**-**	**1,580,979**	**-**	**17,315**	**1,598,294**
Cash and cash equivalents	**-**	**-**	**2,571,045**	**-**	**-**	**2,571,045**
Other liabilities	**-**	**-**	**-**	**(760,621)**	**(209,785)**	**(970,406)**
Total	**20,889,763**	**100,050**	**4,152,024**	**(760,621)**	**(191,472)**	**24,189,744**
Net other liabilities						**(7,055,038)**
Net asset						**17,134,706**
As at 31 December 2012						
Financial Investments	18,227,493	25,000	-	-	998	18,253,491
Other assets	-	-	1,559,348	-	18,136	1,577,484
Cash and cash equivalents	-	-	5,708,592	-	-	5,708,592
Other liabilities	-	-	-	(751,577)	(197,703)	(949,280)
Total	18,227,493	25,000	7,267,940	(751,577)	(178,569)	24,590,287
Net other liabilities						(7,397,907)
Net asset						17,192,380

Fair value hierarchy

The fair value measurement basis used to value financial assets and financial liabilities held at fair value is categorised into a fair value hierarchy as follows

Level 1 fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities This category includes listed equities in active markets, listed debt securities in active markets and exchange traded derivatives

Level 2 fair values measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i e as prices) or indirectly (i e derived from prices) This category includes listed debt or equity securities in a market that is not active and derivatives that are not exchange traded

Level 3 fair values measured using inputs for the asset or liability that are not based on observable market data (unobservable inputs) This category includes unlisted equities, including investments in venture capital, and suspended securities

All financial investments held by the company and designated at fair value are classified as level 1 In the prior year a corporate bond with a value of £141 749 was classified as level 2 as the maket for this stock was considered inactive In the current year the market is considered active and has been classified as level 1 All available-for-sale financial instruments are classified as level 3 and no transactions of these holdings have occurred in the financial period

Interest rate risk

The table below summarises the maturity dates at the year end for those financial assets that are exposed to interest rate risk

	Maturing within:			
	1 year	**1-5 years**	**More than 5 years**	**Total**
	£	**£**	**£**	**£**
As at 31 December 2013				
Debt securities	**-**	**2,699,508**	**5,589,907**	**8,289,415**
Other assets including insurance receivables	**1,126,987**	**-**	**-**	**1,126,987**
Cash and cash equivalents	**2,571,045**	**-**	**-**	**2,571,045**
	3,698,032	**2,699,508**	**5,589,907**	**11,987,447**
As at 31 December 2012				
Debt securities	-	2,569,383	5,270,764	7,840,147
Other assets including insurance receivables	945,312	-	-	945,312
Cash and cash equivalents	5,708,592	-	-	5,708,592
	6,653,904	2,569,383	5,270,764	14,494,051

General business insurance liabilities and reinsurers' share of insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest bearing Furthermore, these liabilities and assets do not have maturity dates hence are not included in the above tables

Credit and operational risk

The company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due Key areas where the company is exposed to credit risk are

- reinsurers share of insurance liabilities (excluding provision for unearned premiums) and amounts due from reinsurers in respect of claims already paid,
- amounts due from insurance intermediaries and policyholders,
- corporate bond counterparty default, and
- amounts due from Ecclesiastical Insurance Office under the Joint Administration Agreement and Reinsurance Treaty

The carrying amount of financial assets represents the company's maximum exposure to credit risk

The company uses reinsurance to manage insurance risk, with all business accepted by the company fully reinsured with Ecclesiastical Insurance Office plc, with the exception of terrorism cover which is reinsured through Pool Re This does not, however, discharge the company's liability as primary insurer If a reinsurer fails to pay a claim for any reason, the company remains liable for the payment to the policyholder Ecclesiastical Insurance Office plc mitigates its own insurance risk through a comprehensive programme of reinsurance Its Reinsurance Security Committee assesses, monitors and approves the creditworthiness of its reinsurers reviewing relevant credit ratings provided by the recognised credit rating agencies, as well as market information and other publicly available data

The company's credit risk policy details prescriptive methods for the collection of premiums and control of intermediary and policyholder debtor balances The level and age of debtor balances are regularly assessed via monthly credit management reports These reports are scrutinised to assess exposure in respect of aged or outstanding balances These accounts are primarily brokers, which are in turn monitored via credit reference agencies and considered to pose minimal risk of default

The company has no material concentration of credit risk in respect of amounts due from insurance intermediaries and policyholders due to the well-diversified spread of such debtors

The current fixed interest portfolio consists of a range of fixed interest instruments including government securities, corporate loans and bonds, overseas bonds, preference shares and other interest bearing securities

The company has outsourced its day to day operations to Ecclesiastical Insurance Office plc Inadequate oversight of daily operational administration, potentially resulting in inadequate record keeping, incorrect payments to customers or general poor underwriting and administrative performance, may lead to regulatory censure and customer dissatisfaction This operational risk is managed by having dedicated resources within Ecclesiastical Insurance Office plc, with close monitoring of performance against agreed service levels and specific business continuity plans

Liquidity risk

The company is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts Liquidity risk is the risk that funds may not be available to pay obligations when due The company has robust processes in place to manage liquidity risk and has adequate access to funding in case of exceptional need Sources of funding include cash balances that are realisable on demand and other readily marketable assets

Financial liabilities of the company all mature within one year An estimate of the timing of the net cash outflows resulting from insurance contracts is provided in note 21

Currency risk

The company operates in the UK and the Republic of Ireland Its exposure to foreign exchange risk arises primarily from recognised assets and liabilities denominated in euros

The company's exposure to foreign currency risk within the investment portfolios arises from purchased investments that are denominated in currencies other than sterling

The company's primary currency risks are all designated in euros The total carrying amount of those assets is €3,019,000 (2012 €2,597,038), liabilities total €2,021,400 (2012 €1,726,721)

Equity price risk

The company is exposed to equity securities price risk from its investments which are classified at fair value through profit or loss

Further details of the value of each type of investment that is exposed to equity price risk is included in note 17 to the financial statements

Market risk sensitivity analysis

The sensitivity of profit to movements on market risk variables (comprising interest rate, currency and equity price risk), each considered in isolation, is shown in the following table

		Potential increase/ (decrease) in profit after tax	
Variable	**Change in variable**	**2013**	2012
		£	£
Interest rate risk	-100 basis points	**417,005**	462,970
	+100 basis points	**(380,562)**	(418,733)
Currency risk	-10 0%	**(169,133)**	(152,866)
	+10 0%	**169,133**	152,866
Equity price risk	-10 0%	**(968,516)**	(785,660)
	+10 0%	**968,516**	785,660

Other equity reserves would not be affected by movements on market risk variables

The following assumptions have been made in preparing the above sensitivity analysis

- the value of fixed income investments will vary inversely with changes in interest rates,
- currency gains and losses will arise from a change in the value of sterling against all other currencies moving in concert, and
- change in profit is stated net of tax at the blended rate of 23 25% (2012 24 5%)

Capital management

The company is subject to insurance solvency regulations, and capital is managed and evaluated on the basis of regulatory capital The company's objectives when managing capital are

- to comply with the regulator's capital requirements of the insurance market in which the company operates, and
- to safeguard the company's ability to continue to meet stakeholders' expectations

The company is required to comply with rules issued by the PRA and FCA Regulatory capital, as published in the company's PRA return, must be in excess of the higher of two amounts The first is an amount calculated by applying fixed percentages to premiums and claims The second is an economic capital assessment by the company, which the PRA reviews and may amend by issuing Individual Capital Guidance (ICG) The company sets internal capital standards above the PRA's minimum requirement

At 31 December 2013, capital resources available to meet PRA requirements totalled £17,106,000 (2012 £17,173,000) The company has complied with all externally imposed capital requirements throughout the year

5 Net insurance premium

	2013	2012
	£	£
Gross written premiums	**11,513,352**	11,223,014
Change in the gross provision for unearned premiums	**(171,978)**	(118,288)
Gross earned premiums	**11,341,374**	11,104,726
Outward reinsurance premiums	**(11,513,352)**	(11,223,014)
Change in the provision for unearned premiums, reinsurers' share	**171,978**	118,288
Reinsurers' share of unearned premiums	**(11,341,374)**	(11,104,726)
Net written premiums	**-**	-
Net earned premiums	**-**	-

6 Commission income

	2013	2012
	£	£
Reinsurance commissions and profit commission	**2,307,571**	2,215,690
Other commissions	**25,131**	25,557
	2,332,702	2,241,247

7 Net investment return

	2013	2012
Investments at fair value through profit or loss	£	£
- dividend income	**383,264**	312,600
- interest income	**211,340**	230,738
Other investments		
- cash and cash equivalents income	**44,874**	31,139
- other income received	**42,793**	40,795
Investment income	**682,271**	615,272
Fair value gains on investments at fair value through profit or loss	**1,309,869**	679,997
Investment expenses	**(87,873)**	(77,668)
Net investment return	**1,904,267**	1,217,601

Included within cash and cash equivalents income are exchange gains of £17,343 (2012 £13,052 losses)

Methodist Insurance PLC

Notes to the Financial Statements

8 Claims and change in insurance liabilities and reinsurance recoveries

	2013	2012
	£	£
Gross claims paid	**2,848,055**	3,753,236
Gross change in the provision for claims	**369,025**	19,836
Claims and change in insurance liabilities	**3,217,080**	3,773,072
Reinsurers' share of claims paid	**(2,638,704)**	(3,576,386)
Reinsurers' share of change in the provision for claims	**(437,900)**	67,160
Reinsurance recoveries	**(3,076,604)**	(3,509,226)
Claims and change in insurance liabilities, net of reinsurance	**140,476**	263,846

9 Commissions and other acquisition costs

	2013	2012
	£	£
Commission paid	**121,869**	124,888

10 Operating profit

	2013	2012
Operating profit has been arrived at after (crediting)/charging	£	£
- Net foreign exchange (gains)/losses	**(17,343)**	13,052
- Directors' emoluments	**59,281**	53,418

11 Auditor's remuneration

	2013	2012
	£	£
Fees payable to the company's auditor for		
- The audit of the company's annual accounts	**29,449**	32,909
- Audit related assurance services	**5,001**	4,780
- The audit of the pension scheme	**4,665**	3,555

Audit related assurance services represents PRA audit work

12 Employee information

As all management services are provided by Ecclesiastical Insurance Office plc under the terms of the Joint Administration Agreement, the company has no employees

13 Charitable grants

	2013	2012
	£	£
Charitable grants to Methodist funds and organisations	**1,000,000**	1,400,000
Charitable grants to other organisations	**3,005,000**	5,000
	4,005,000	1,405,000

14 Income tax

	2013	Restated 2012
	£	£
UK corporation tax for the current financial year	-	232,777
Adjustment in respect of prior periods	-	(2,708)
Total current tax charge	-	230,069
Deferred taxation relating to the pension scheme	**6,000**	9,660
Deferred taxation relating to available for sale financial assets	**(16,136)**	-
Other deferred taxation charges	**(4,252)**	2,058
Impact of change in tax rate on deferred tax provision	**(35,990)**	(23,814)
Income tax (recoverable)/charge	**(50,378)**	217,973

Tax on the company's profit before tax differs from the United Kingdom blended rate of corporation tax of 23 25% (2012 24 5%) for the reasons set out in the following reconciliation

	2013	Restated 2012
	£	£
(Loss)/profit before tax	**(142,779)**	1,547,050
Tax calculated at the UK blended rate of 23 3% (2012 24 5%)	**(33,196)**	379,027
Factors affecting charge for the period		
Non-taxable franked investment income	**(135,989)**	(132,487)
Unrealised gains on investments crystallising	**5,645**	-
Expenses not deductible for tax purposes	**149,152**	3,892
Tax charged at non-standard rate	-	(5,937)
Impact of change in deferred tax rate	**(35,990)**	(23,814)
Adjustments to tax charge in respect of prior periods	-	(2,708)
Income tax (recoverable)/charge	**(50,378)**	217,973

A change in the UK standard rate of corporation tax from 24% to 23% became effective from 1 April 2013 Current tax has been provided at the blended rate of 23 25% (2012 24 5%) Further reductions in the rate of corporation tax to 21% from April 2014, and to 20% from April 2015 were substantively enacted on 2 July 2013 Deferred tax has been provided at the rate of between 20% and 21 5% (2012 23%)

15 Appropriations

	2013	2012
Amounts recognised as distributions to equity holders in the period	£	£
Dividends	**187**	187

This equates to a dividend of 1p per share (2012 1p)

16 Pension asset

The company operates a defined benefit pension scheme providing benefits based on final pensionable salary The assets of the scheme are held separately from those of the company, being invested with an insurance company under a Group Funding policy The contributions are determined, on the basis of triennial valuations, by an independent qualified actuary The scheme has been closed to new entrants since 1 July 1998 As the scheme is closed, the current service cost will increase as the members of the scheme approach retirement The most recent triennial valuation was carried out as at 1 January 2011 using the Projected Unit Method The triennial valuation is reviewed annually

The assumptions which have the greatest effect on the valuation results are those related to the rate of return on investments and the rates of increase in salaries and pensions The valuation is further impacted as liabilities are discharged by the purchase of annuities on the commencement of members' pensions The most recently reviewed actuarial valuation showed that the notional value of the scheme's assets was £2,947,000, representing 130% of the benefits accrued to members

The full actuarial valuation for the defined benefit pension scheme has been reviewed and updated by a qualified independent actuary at 31 December 2013 The financial assumptions used were as follows

	2013	2012
Inflation	**2 8%**	2 3%
Future increase in salary	**n/a**	n/a
Future increase in pensions - in payment	**4 0%**	4 0%
Future increase in pensions - deferred pensions	**2 8%**	2 3%
Discount rate	**4 4%**	4 1%
Mortality rate		
The average life expectancy in years of a pensioner retiring at age 65, at the year end date, is as follows		
Male	**22 2**	22 5
Female	**24 4**	24 7
The average life expectancy in years of a pensioner retiring at age 65, 20 years after the year end date, is as follows		
Male	**23 9**	24 2
Female	**26 3**	26 6

The scheme typically exposes the company to actuarial risks such as investment risk, interest rate risk, mortality risk and longevity risk A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase in scheme liabilities This may give rise to increased charges in future profit or loss statements This effect would be partially offset by in increase in the value of the scheme's bond holdings Additionally, caps on inflationary increases are in place to protect the scheme against extreme inflation

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation and mortality The sensitivity analysis below has been determined on reasonably possible changes of the assumptions occurring at the end of the reporting period assuming that all other assumptions are held constant

Assumption	Change in assumption	Change in scheme liabilities
Discount rate	Decrease of 0 25% per annum	Increase liabilities by 3 0%
Rate of inflation	Increase of 0 25% per annum	Increase liabilities by 0 4%
Life expectancy	Increase of 1 year	Increase liabilities by 4 3%

The company has taken advantage of the transitional exemption from presenting a sensitivity analysis for the prior period

As the recoverability of the pension asset remains uncertain, the pension asset and associated deferred taxation continue to be derecognised, and all gains and losses relating to the scheme are eliminated in the year that they arise

The amounts recognised in the scheme are as follows

	2013	2012
	£	£
Present value of funded obligations	**(2,259,000)**	(2,410,000)
Fair value of scheme assets	**2,947,000**	3,139,000
Surplus in the scheme	**688,000**	729,000
Restriction to net asset due to recoverability	**(688,000)**	(729,000)
Net asset in the statement of financial position	**-**	-

The movement in the statement of financial position asset is as follows

	2013	*Restated* 2012
	£	£
As at 1 January	**-**	-
Amounts charged to profit or loss	**30,000**	42,000
Amounts recognised in other comprehensive income	**(30,000)**	(42,000)
As at 31 December	**-**	-

Notes to the Financial Statements

The amounts recognised in the statement of profit or loss and the statement of comprehensive income in respect of the company's pension scheme are as follows

	2013	*Restated* 2012
	£	£
Analysis of amounts charged to statement of profit or loss		
Current service cost	**(6,000)**	(6,000)
Interest income on scheme assets	**126,000**	143,000
Interest expense on scheme liabilities	**(96,000)**	(101,000)
Contributions paid by Ecclesiastical	**6,000**	6,000
Total included in other operating and administrative expenses	**30,000**	42,000
Analysis of amounts included in the statement of comprehensive income		
Return on scheme assets, excluding interest income	**(180,000)**	17,000
Experience losses on scheme liabilities	**(1,000)**	(273,000)
Gains from changes in financial assumptions	**110,000**	46,000
Actuarial losses relating to pension asset	**(71,000)**	(210,000)
Elimination of pension movement	**41,000**	168,000
Total included in other comprehensive income	**(30,000)**	(42,000)

The movements in the fair value of scheme assets and the defined benefit obligation over the year are as follows

	2013	*Restated* 2012
Scheme assets	**£**	£
As at 1 January	**3,139,000**	3,112,000
Interest income	**126,000**	143,000
Return on scheme assets, excluding interest income	**(180,000)**	17,000
Pension benefits paid and payable	**(144,000)**	(139,000)
Contributions paid	**6,000**	6,000
As at 31 December	**2,947,000**	3,139,000
Defined benefit obligation		
As at 1 January	**2,410,000**	2,215,000
Current service cost	**6,000**	6,000
Interest cost	**96,000**	101,000
Pension benefits paid and payable	**(144,000)**	(139,000)
Experience losses on scheme liabilities	**1,000**	273,000
Gains from changes in financial assumptions	**(110,000)**	(46,000)
As at 31 December	**2,259,000**	2,410,000

History of scheme assets and liabilities

	2013	2012	2011	2010	2009
	£	£	£	£	£
Fair value of scheme assets	**2,947,000**	3,139,000	3,112,000	2,963,000	3,087,000
Present value of defined benefit obligations	**(2,259,000)**	(2,410,000)	(2,215,000)	(2,089,000)	(2,116,000)
Surplus	**688,000**	729,000	897,000	874,000	971,000

The average duration of the defined benefit obligation at the period ending 31 December 2013 is 12 years (2012 12 years)

The contribution expected to be paid during the year ended 31 December 2014 is £nil

The scheme assets are invested in insurance policies, the underlying investments of which are shown below

	2013	2012
	£	£
Bonds	**1,205,000**	1,249,000
Insured pensioners	**1,742,000**	1,890,000
Total scheme assets	**2,947,000**	3,139,000

The actual return on scheme assets was a £54 000 loss (2012 £160,000 gain)

17 Financial investments

	2013	2012
Financial investments at fair value through profit or loss	**£**	£
Equity securities		
- listed	**12,619,098**	10,406,096
Debt securities		
- government bonds	**7,440,152**	6,996,353
- listed	**830,513**	825,044
Financial investments available for sale		
Equity securities		
- unlisted	**81,300**	6,250
Debt securities		
- unlisted	**18,750**	18,750
Investments in group undertakings		
Shares in subsidiary undertakings	**998**	998
Total financial investments	**20,990,811**	18,253,491

Other than investments in group undertakings, all financial investments are current

18 Other assets

	2013	2012
Receivables arising from insurance and reinsurance contracts	**£**	£
- due from contract holders	**1,388,001**	1,361,812
- due from agents, brokers and intermediaries	**53,320**	78,632
Other receivables		
- accrued interest	**86,626**	82,654
- other prepayments and accrued income	**70,347**	54,386
	1,598,294	1,577,484

Other assets are all current, and due to their short term nature, the above carrying amounts are a reasonable approximation of fair value

At 31 December 2013 £33,377 (2012 £29,708) of receivables were past due and not impaired No impairment charges have been recognised in the current or prior year

19 Cash and cash equivalents

	2013	2012
	£	£
Cash at bank and in hand	**418,617**	437,642
Short term bank deposits	**2,152,428**	5,270,950
	2,571,045	5,708,592

The above carrying amounts are a reasonable approximation of fair value

Notes to the Financial Statements

20 Called up share capital

	2013	2012
Issued allotted and fully paid	£	£
18,750 shares of £6, each fully paid	**112,500**	112,500

On winding up of the company, shareholders are only entitled to receive the amount paid-up in cash, excluding any amount credited as paid-up resulting from the capitalisation of any reserves or profits of the company They have no further right to participate in the surplus assets of the company

The remaining surplus is to be distributed to or for the benefit of the Methodist Church, as defined and constituted under the Methodist Church Act 1976 or the Methodist Church in Ireland, as the company, in general meeting on the recommendation of the directors, shall determine

21 Insurance liabilities and reinsurance assets
Claims outstanding

	2013	2012
Gross	£	£
Claims outstanding	**16,064,570**	15,677,973
Unearned premiums	**6,833,123**	6,655,698
Total gross insurance liabilities	**22,897,693**	22,333,671
Recoverable from reinsurers		
Claims outstanding	**9,242,781**	8,787,308
Unearned premiums	**6,833,123**	6,655,698
Total reinsurers' share of insurance liabilities	**16,075,904**	15,443,006
Net		
Claims outstanding	**6,821,789**	6,890,665
Unearned premiums	**-**	-
Total net insurance liabilities	**6,821,789**	6,890,665
Gross insurance liabilities		
Current	**10,271,499**	11,303,332
Non-current	**12,626,194**	11,030,339
	22,897,693	22,333,671
Reinsurance assets		
Current	**10,271,499**	11,303,332
Non-current	**5,804,405**	4,139,674
	16,075,904	15,443,006

General business insurance contracts

(i) *Reserving methodology*

Reserving for insurance claims is a complex process and the company adopts recognised actuarial methods, and, where appropriate, other calculations and statistical analysis Actuarial methods used include chain ladder and the Bornhuetter-Ferguson methods

Chain ladder methods extrapolate paid amounts, incurred amounts (paid claims plus case estimates), the number of claims or average cost of claims, to ultimate 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 are used The Bornhuetter-Ferguson method places more credibility on expected loss ratios for the most recent loss years For smaller portfolios the materiality of the business and data available may also shape the methods used in reviewing reserve adequacy

The selection of results for each accident year and for each portfolio depends on an assessment of the most appropriate method Sometimes a combination of techniques is used

(ii) *Calculation of uncertainty margins*

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 then additional uncertainty margins are added and are typically expressed as a percentage of outstanding claims This approach generally results in a favourable release of provisions in the current financial year, arising from the settlement of claims relating to previous financial years, as shown in part (viii) of the note

(iii) *Calculation of special provisions for latent claims*

The company adopts commonly used industry methods including those based on claims frequency and severity and benchmarking

(iv) *Assumptions*

The company follows a process of reviewing its reserves for outstanding claims on a quarterly basis This involves an appraisal of each portfolio with respect to ultimate claims liability for the recent exposure period as well as for earlier periods, together with a review of the factors that have the most significant impact on the assumptions used to determine the reserving methodology The work conducted on each portfolio is subject to an internal peer review and management sign-off process

The most significant assumptions in determining general insurance reserves are the anticipated number and ultimate settlement cost of claims, and the extent to which reinsurers will share in the cost Factors which influence decisions on assumptions include legal and judicial changes, significant weather events, other catastrophes, subsidence events, exceptional claims or substantial changes in claims experience and developments in older or latent claims Significant factors influencing assumptions about reinsurance are terms of the reinsurance treaties, the anticipated time taken to settle a claim and the incidence of large individual and aggregated claims

Notes to the Financial Statements

The technical provisions for claims have been estimated in accordance with the methods set out in the accounting policies note 1 Claims outstanding are affected by significant uncertainties in relation to the calculation of child abuse claims in children's homes Such claims, relating to incidents over the last sixty years have emerged during the last fifteen years and are likely to take some years to resolve The methods used to calculate these provisions are similar to other claims provisions and they include an estimate for claims incurred but not reported

Of the total claims provision £4,330,637 (2012 £5,094,424) gross and £4,330,637 (2012 £5,094,424) net after assumed reinsurance recoveries relate to this matter

The claims provision is particularly sensitive to the number of assumed abuse claims that are incurred but not reported Some sensitivity exists over the calculation of the amount of such claims, however, there is less uncertainty over the amount compared with the number because of the experience of the cost of settled claims

(v) *Change in assumptions*
There are no significant changes in assumptions

(vi) *Sensitivity of results*
The ultimate amount of claims settlement is uncertain and the company's aim is to reserve at a prudent level

If final settlement of insurance claims reserved for at the year end turns out to be 10% higher or lower than that included in these financial statements, the following loss or profit will be realised

	2013		2012	
	Gross	**Net**	Gross	Net
	£000	**£000**	£000	£000
Liability	**1,284**	**647**	1,140	653
Property	**287**	**-**	392	-

(vii) *Claims development tables*
The nature of insurance business is that claims may take a number of years to settle and before the final liability is known The following table shows the development of the estimate of ultimate gross claims cost for these classes across all territories Due to the reinsurance arrangements in place, no meaningful net claims development can be provided

	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Estimate of ultimate claims											
At end of year	3,531	3,980	4,548	7,439	7,441	4,756	6,271	6,148	6,205	4,289	
One year later	3,280	3,304	4,225	6,734	6,327	3,905	5,526	4,653	4,914		
Two years later	3,093	3,010	4,307	6,461	6,100	3,708	4,811	4,604			
Three years later	2,884	3,075	4,277	6,051	5,896	3,692	4,832				
Four years later	2,881	3,173	3,946	5,922	5,779	3,578					
Five years later	2,841	3,238	3,909	5,833	5,830						
Six years later	2,798	3,142	3,883	5,870							
Seven years later	2,992	3,093	3,909								
Eight years later	2,950	3,134									
Nine years later	2,794										
Current estimate of ultimate claims	2,794	3,134	3,909	5,870	5,830	3,578	4,832	4,604	4,914	4,289	43,754
Cumulative payments to date	(2,743)	(3,088)	(3,839)	(5,821)	(5,639)	(3,338)	(3,969)	(2,886)	(2,671)	(851)	(34,845)
Outstanding liability	51	46	70	49	191	240	863	1,718	2,243	3,438	8,909

Liability in respect of earlier years	6,800
Internal claims handling reserve	356
Total gross liability included in insurance liabilities in the statement of financial position	16,065
Reinsurers' share of contract provisions	(9,243)
Total net liability	6,822

(viii) *Movements in insurance liabilities and reinsurance assets*

	Gross	Reinsurance	Net
	£	£	£
Claims outstanding			
At 1 January 2013	**15,677,973**	**(8,787,308)**	**6,890,665**
Exchange differences	**17,572**	**(17,572)**	**-**
Cash (paid)/received for prior year claims settled in the year	**(1,997,220)**	**1,787,869**	**(209,351)**
Change in prior year (reinsurance assets)/liabilities	**(1,072,131)**	**1,212,607**	**140,476**
Prior year liabilities/(reinsurance assets) at 31 December 2013	**12,626,194**	**(5,804,404)**	**6,821,790**
Current year claims/(recoveries)	**4,289,211**	**(4,289,211)**	**-**
Cash (paid)/received for current year claims settled in the year	**(850,835)**	**850,835**	**-**
Current year liabilities/(reinsurance assets) at 31 December 2013	**3,438,376**	**(3,438,376)**	**-**
At 31 December 2013	**16,064,570**	**(9,242,780)**	**6,821,790**
Provision for unearned premiums			
At 1 January 2013	**6,655,698**	**(6,655,698)**	**-**
Exchange differences	**5,447**	**(5,447)**	
Movement in the year	**171,978**	**(171,978)**	**-**
At 31 December 2013	**6,833,123**	**(6,833,123)**	**-**
Claims outstanding			
At 1 January 2012	15,676,326	(8,872,657)	6,803,669
Exchange differences	(18,189)	18,189	-
Cash (paid)/received for prior year claims settled in the year	(2,195,879)	2,019,029	(176,850)
Change in prior year (reinsurance assets)/liabilities	(2,431,919)	2,695,765	263,846
Prior year liabilities/(reinsurance assets) at 31 December 2012	11,030,339	(4,139,674)	6,890,665
Current year claims/(recoveries)	6,204,991	(6,204,991)	-
Cash (paid)/received for current year claims settled in the year	(1,557,357)	1,557,357	-
Current year liabilities/(reinsurance assets) at 31 December 2012	4,647,634	(4,647,634)	-
At 31 December 2012	15,677,973	(8,787,308)	6,890,665
Provision for unearned premiums			
At 1 January 2012	6,543,363	(6,543,363)	-
Exchange differences	(5,953)	5,953	
Movement in the year	118,288	(118,288)	-
At 31 December 2012	6,655,698	(6,655,698)	-

The net liability for unearned premium is £nil as the company's provision is exactly matched by the corresponding reinsurers' share asset

22 Deferred tax

An analysis and reconciliation of the movement of the key components of the net deferred tax liability during the current and prior reporting period is as follows

	Net retirement benefit assets	Financial assets		Capital allowances in excess of depreciation	Total
		Fair value through profit or loss	Available for sale		
	£	£	£	£	£
At 1 January 2012	-	309,773	-	(12,091)	297,682
Charge to income	9,660	-	-	2,058	11,718
(Credit)/charge to income resulting from reduction in tax rate	-	(24,782)	-	968	(23,814)
Credit to comprehensive income	(9,660)	-	-	-	(9,660)
At 31 December 2012 *(Restated)*	-	284,991	-	(9,065)	275,926
Charge/(credit) to income	**6,000**	**(34,736)**	**-**	**14,350**	**(14,386)**
(Credit)/charge to income resulting from reduction in tax rate	**-**	**(37,173)**	**-**	**1,181**	**(35,992)**
(Credit)/charge to comprehensive income	**(6,000)**	**-**	**16,136**	**-**	**10,136**
At 31 December 2013	**-**	**213,082**	**16,136**	**6,466**	**235,684**

23 Other liabilities

	2013	2012
	£	£
Creditors arising out of reinsurance operations	**659,470**	618,396
Other creditors	**227,323**	254,780
Amounts owed to related parties	**998**	998
Accruals	**82,615**	75,106
	970,406	949,280
Current	**969,408**	948,282
Non-current	**998**	998

The above carrying amounts are a reasonable approximation of fair value

The creditors arising out of reinsurance operations comprises £3,041,221 (2012 £3,035,705) payables net of £2,381,751 (2012 £2,417,309) receivables

24 Capital commitments

At 31 December 2013 there were £nil (2012 £nil) outstanding contracts for capital expenditure

25 Significant shareholding

At 31 December 2013 the company had an interest of 20% or more of the nominal value of the issued share capital in Epworth Investment Management Limited (Epworth) which is held as an investment of the company The holding has not been treated as an associate company with respect to IAS 28 Investments in Associates, because the company does not exert a significant influence over the operating and financial policy of Epworth

Details of Epworth

Class of shares held	Country of incorporation	Percentage of shares held
Ordinary shares	England	25%
9% Non-voting redeemable preference shares	England	25%

During the year an offer was received for the shares of Epworth held by the company The offer was based on an independent third party valuation, which valued the company's holding of ordinary shares and preference shares at £81,300 and £18,750 respectively The offer is being considered and this valuation has been used to determine the fair value of Epworth in the accounts

26 Related party transactions

The company has a reinsurance treaty with Ecclesiastical Insurance Office plc whereby all business accepted by the company is fully reinsured with Ecclesiastical with the exception of terrorism cover which is reinsured through Pool Re Reinsurance premiums are accounted for at the time the business is written by the company The company s and the reinsurers' share of claims are recognised at the time the claims are notified or earlier by way of a provision for claims incurred but not reported

The company operates a Joint Administration Agreement with Ecclesiastical Insurance Office plc under which all administration expenses are borne by Ecclesiastical

The company ceded premiums net of claims paid and commissions to the value of £8,652,681 (2012 £7,413,459) during the year to Ecclesiastical Insurance Office plc, which also bore expenses of the company's business of £2,058,684 (2012 £2,241 431) The reinsurers' share of technical provisions due from Ecclesiastical Insurance Office plc as at 31 December 2013 is £16,007,686 (2012 £15,369,508) which consists of £6,764,905 (2012 £6,582,201) of unearned premium and £9,242,781 (2012 £8 787,307) of outstanding claims At 31 December 2013 £652,889 (2012 £607,397) was due to Ecclesiastical Insurance Office plc Information about key management personnel compensation is provided in note 10 to the financial statements

Transactions and services with related parties are made on commercial terms The company has a letter of credit with Ecclesiastical Insurance Office plc for £2,000,000 (2012 £2,000,000) in respect of reinsurance amounts recoverable Other amounts outstanding are unsecured, are not subject to guarantees, and will be settled in cash No provisions have been made in respect of these balances

27 Subsidiary undertakings

The company's interest in subsidiary undertakings at 31 December 2013 is as follows

	Share Capital	Holding
Methodist Insurance Services Limited	Ordinary shares	99 8%

The subsidiary is incorporated in England and Wales, is dormant, having not traded since incorporation, and is not material to the company's accounts

Notes to the Financial Statements

28 Prior year restatement

During the year the company adopted IAS 19 (Revised), *Employee Benefits* The revised standard introduces a change to the company defined benefit pension scheme, with the expected return on scheme assets calculated using the same rate used to discount the defined benefit obligation, rather than allowing for the return on specific assets held by the fund Shareholder's equity is not affected by the presentational change

This resulted in an increased net credit to the statement of profit or loss, with experience adjustments and other actuarial gains and losses included in other comprehensive income

	As reported 2012	Adoption of revised IAS 19	Restated 2012
	£	£	£
Revenue	3,458,848	-	3,458,848
Net incurred claims	(263,846)	-	(263,846)
Other expenses	(1,670,952)	23,000	(1,647,952)
Profit before tax	1,524,050	23,000	1,547,050
Income tax expense	(212,683)	(5,290)	(217,973)
Net other comprehensive income	(14,630)	(17,710)	(32,340)
Total comprehensive income	1,296,737	-	1,296,737