Company registration number 01718196

Ecclesiastical Insurance Group plc

2012 Annual Report

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Page **Contents**

Ecclesiastical Insurance Group plc

Officers and Professional Advisers

Directors	*	W M Samuel BSc, FCA *Chairman*
	*	D Christie BA, BSc (Econ) Dip Ed *Deputy Chairman*
		M C J Hews BSc, FIA
	*	J F Hylands FFA
	*	A P Latham ACII
		M H Tripp BSc, ARCS, FIA
	*	The Venerable C L Wilson
	*	Ms D P Wilson BA (Hons), FCII
		S A Wood BSc, FCII
Company Secretary		Mrs R J Hall FCIS
Auditor		Deloitte LLP, London
Solicitors		Speechly Bircham LLP, London
Registered Office		Beaufort House, Brunswick Road, Gloucester, GL1 1JZ
Company Registration Number		01718196
	*	Non-Executive Directors

Ecclesiastical Insurance Group plc

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

Principal activity
The principal activity of the company is that of an investment holding company of the Ecclesiastical group (a specialist insurance and financial services group that is ultimately owned by a charity)

Ownership
At the date of this report the entire Ordinary share capital of the company was owned by Allchurches Trust Limited

Business review
The results of the company for the year are shown on page 5 and the position at the year end is shown on page 6

The directors consider the performance and the year end financial position to be satisfactory Profit for the year was primarily generated from dividend income and investment gains, including £0 5 million gains arising on the partial disposal of preference shares held in the company's principal subsidiary, Ecclesiastical Insurance Office plc The loss in the prior year was due to the one off cost of £1 8 million incurred on the early redemption of long term external borrowings

The operations of the Ecclesiastical group are managed on a segmental basis For this reason, the company's directors believe that key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance and position of the business

Principal risks and uncertainties
The principal risks and uncertainties, together with details of the financial risk management objectives and policies of the company are disclosed in note 2 to the financial statements

Future prospects
The company's business is financed internally by group loans and other appropriate methods The Ecclesiastical group has considerable financial resources and, as a consequence, the directors believe the group is well placed to continue to support the company in the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

Dividend
The directors do not recommend the payment of a dividend for the year ended 31 December 2012 (2011 £nil)

Board of directors
The directors of the company at the date of this report are stated on page 1

Mr M D Couve and The Rt Revd Dr N Peyton retired as directors of the company on 21 June 2012 The Venerable C L Wilson was appointed as a director of the company on 21 June 2012 following the AGM

Sir Philip Mawer served as a director and Deputy Chairman of the company throughout the year and resigned on 6 February 2013 David Christie was appointed Deputy Chairman on 6 February 2013 Mr M H Tripp has announced that he will retire as Group Chief Executive Officer during 2013

The company has 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

Payment of creditors
The company's principal activity as investment holding company does not give rise to trade creditor payments, therefore disclosure of payment practice is not applicable

Ecclesiastical Insurance Group plc

Directors' 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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 the provisions of Section 418 of the Companies Act 2006

In accordance with Section 489 of the Companies Act 2006, a resolution proposing that Deloitte LLP be re-appointed as auditor of the company will be put to the AGM

By order of the board

R Hall

Mrs R J Hall
Secretary
19 March 2013

Independent auditor's report to the members of Ecclesiastical Insurance Group plc

We have audited the financial statements of Ecclesiastical Insurance Group plc for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of 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 Directors' Responsibilities Statement, 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 Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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 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

Colin Rawlings (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
19 March 2013

Ecclesiastical Insurance Group plc

Profit and Loss Account

for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
CHARGES			
Administrative expenses	5	**5**	(415)
Interest payable and similar charges	9	**(335)**	(2,671)
INCOME			
Income from shares in group undertakings		**820**	853
Income from other fixed asset investments		**244**	228
Investment gains/(losses)	2(d)	**749**	(373)
Other interest receivable and similar income		**6**	26
Profit/(loss) on ordinary activities before taxation	5	**1,489**	(2,352)
Tax credit	6	**37**	946
Profit/(loss) for the financial year	11	**1,526**	(1,406)

All of the amounts above are in respect of continuing operations

The company had no recognised gains or losses during the current financial year or the preceding financial year other than that included in the profit and loss account Accordingly no separate statement of total recognised gains and losses has been presented

Ecclesiastical Insurance Group plc

Balance Sheet

at 31 December 2012

	Notes	2012	2011
ASSETS		**£000**	£000
Fixed assets			
Investments	7	**41,152**	37,632
Current assets			
Debtors	8	**-**	1,030
Cash at bank and in hand		**928**	2,920
		928	3,950
LIABILITIES			
Creditors amounts falling due within one year	9	**10**	92
Net current assets		**918**	3,858
Total assets less current liabilities		**42,070**	41,490
Creditors amounts falling due after more than one year	9	**15,252**	16,161
Provisions for liabilities	10	**79**	37
Net assets		**26,739**	25,292
CAPITAL AND RESERVES			
Called up share capital	11	**20,000**	20,000
Profit and loss account	11	**6,739**	5,292
Shareholders' funds	12	**26,739**	25,292

The financial statements of Ecclesiastical Insurance Group plc, registered number 01718196, on pages 5 to 12, were approved and authorised for issue by the board of directors on 19 March 2013 and signed on their behalf by

W. M. Samuel

W M SAMUEL Chairman

Notes to the Financial Statements

1 Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, modified for the revaluation of certain investments, and in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) Previously the company was required to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) as it had listed debt instruments in issue These were subsequently redeemed in 2011 The change in accounting framework has not resulted in any change in the measurement basis of the assets, liabilities and equity of the company Minor presentational changes have resulted from adopting the Companies Act 2006 individual accounts format

The company is a wholly owned subsidiary of Allchurches Trust Limited, and has taken advantage of the provisions of FRS 1, *Cash Flow Statements (revised)* Accordingly there is no cash flow statement in these financial statements The company has also taken advantage of the exemption from preparing and delivering group accounts under section 400 of the Companies Act 2006

Going concern

The company's business is financed internally by group loans and other appropriate methods The Ecclesiastical group has considerable financial resources and, as a consequence, the directors believe the group is well placed to continue to support the company in the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

Investment income

Income from investments includes dividends and interest Dividends are recognised on the date that shares become quoted ex-dividend Interest is accounted for on an accruals basis

Foreign exchange

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions 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 profit and loss account

Financial instruments

FRS 26 requires the classification of certain financial assets and liabilities into separate categories for which the accounting requirements differ

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 and loss are subsequently carried at fair value Changes in fair value are included in the profit and loss account in the period in which they arise

- all other financial assets and liabilities are held at amortised cost, using the effective interest method (except for short-term debtors and creditors when the recognition of interest would be immaterial)

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

Investments

Investments principally comprise shares in group undertakings which are held at cost less any provision for impairment in valuation Gains or losses arising on disposals are recognised in profit or loss

Other financial investments are managed, and their performance evaluated, on a fair value basis They are classified as financial assets designated at fair value through profit and loss Purchases and sales of these 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

Where there is no active market to determine fair values from quoted bid prices, fair value is established using a valuation technique based on observable market data where available There is no current intention to dispose of these investments

Offset of assets and liabilities

Assets and liabilities are offset and the net amount reported in the balance sheet 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

Notes to the Financial Statements

Taxation
Income tax comprises current and deferred tax Income tax is recognised in the profit and loss account except to the extent that it relates to items taken directly to the statement of total recognised gains and losses if applicable, in which case it is recognised in that statement

Current tax is the expected tax (charge)/credit on the taxable profit/(loss) for the period and any adjustment to the tax payable in respect of previous periods

Deferred tax is provided in full on timing 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 laws which have been enacted or substantively enacted at the balance sheet date

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

Deferred tax assets and liabilities are not discounted

2 Financial risk
The company is exposed to financial risk through its financial assets and financial liabilities The components of financial risk are interest rate risk, credit risk, liquidity risk, equity price risk and currency risk The company does not have any hedging arrangements in place

There has been no change from the prior period in the nature of financial risks that the company is exposed to, nor in the manner in which it manages and measures these risks

(a) Interest rate risk
The company is exposed to cash flow interest rate risk in respect of its cash at bank and in hand and its loan borrowings

(b) Credit risk
The company's principal financial asset that provides exposure to credit risk is cash at bank and in hand

(c) Liquidity risk
The company has robust processes in place to manage liquidity risk and has adequate available funds to pay obligations when due Related party borrowings are long term in nature, with no specified repayment date

(d) Equity price risk
At the year end the company's investments include £3,317,000 (2011 £3,048,000) unlisted equity investments measured at fair value through profit or loss The fair value measurement basis used is level 3, as the valuation inputs are not based on observable market data There have been no purchases or sales during the current or prior period therefore the change in value over the year all relates to investment gains and losses included in the profit and loss account

(e) Currency risk
The company has exposure to foreign currency risk within its portfolio of investments and cash, for those balances denominated in euros At the year end the total exposure is £3,317,000 (2011 £3,807,000)

(f) Market risk sensitivity analysis
The sensitivity of profit after tax (and shareholders' funds) to movements on market risk variables, each considered in isolation, is shown in the following table

		Potential increase / (decrease) in profit	
		2012	2011
		£000	£000
Interest rate risk	-100 basis points	**114**	40
	+100 basis points	**(104)**	(83)
Currency risk	+ / -5%	**125**	140
Equity price risk	+ / -5%	**125**	112

Change in profit is stated net of tax at the blended standard rate of 24 5% (2011 26 5%)

Notes to the Financial Statements

3 Employee information

The company has no employees (2011 nil)

4 Directors' emoluments

The directors were employed by a subsidiary company, Ecclesiastical Insurance Office plc, and received emoluments from that company during the current and prior year It is not practicable to allocate their remuneration between the group companies of which they were directors during the year Messrs Tripp and Hews were members of the group's defined contribution pension scheme during the current and prior year Mr Wood was a member of the group's defined benefit pension scheme during the current and prior year

5 Profit/(loss) for the year

	2012	2011
	£000	£000
Profit/(loss) for the year has been arrived at after charging		
Fees payable to the company's auditor for the audit of the company's annual accounts	7	6
Net foreign exchange losses	4	23

Administrative expenses for the current year have been offset by a £14,000 credit relating to share acquisition costs which were charged to income in the prior year, and have subsequently been capitalised within the cost of investments

6 Taxation

The credit for taxation in the company's profit and loss account is in respect of UK corporation tax for the year

	2012	2011
	£000	£000
Corporation tax credit	(79)	(802)
Deferred tax charge/(credit)	42	(144)
	(37)	(946)

Tax on the company's result before tax differs from the United Kingdom standard rate of corporation tax for the reasons set out in the following reconciliation

	2012	2011
	£000	£000
Profit/(loss) on ordinary activities before tax	1,489	(2,352)
Tax calculated at the UK standard rate of 24 5% (2011 26 5%)	365	(623)
Factors affecting credit for the period		
Investment (gains)/losses	(184)	99
Non-taxable franked investment income	(260)	(287)
Expenses not deductible for tax purposes	-	9
Total actual amount of current tax credit	(79)	(802)

A change in the UK standard rate of corporation tax from 26% to 24% became effective from 1 April 2012 Current tax has been provided at the blended rate of 24 5% A further 1% reduction in the rate of corporation tax, effective from 1 April 2013, was substantively enacted on 3 July 2012 and, as such, deferred tax has been provided for at 23% (2011 25%) The announcement of a planned reduction of 2% (such that the standard rate reaches 21% from April 2014) had not been substantively enacted at the balance sheet date, and is not expected to materially impact the tax charge

Notes to the Financial Statements

7 Investments

	2012	2011
	£000	£000
Investment in group undertakings at cost	**37,835**	34,584
Other financial investments	**3,317**	3,048
	41,152	37,632

Included within investment in group undertakings at cost are £2,747,000 (2011 £5,979,000) of listed preference shares All the remaining investments are unlisted

The company's interest in group undertakings at 31 December 2012 is as follows

Subsidiary undertakings	**Share capital**	**Holding of shares by Parent**	**Holding of shares by Subsidiary**
Incorporated and operating in Great Britain, engaged in investment, insurance and financial services or other insurance related business			
Ecclesiastical Insurance Office plc	Ordinary shares	100%	-
	8 625% Non-Cumulative Irredeemable Preference shares	2 6%	-
Ecclesiastical Underwriting Management Limited	Ordinary shares	100%	-
Ecclesiastical Financial Advisory Services Limited	Ordinary shares	-	100%
Ecclesiastical Investment Management Limited	Ordinary shares	-	100%
Ecclesiastical Life Limited	Ordinary shares	-	100%
South Essex Insurance Brokers Limited	Ordinary shares	-	100%
Lycetts Holdings Limited	Ordinary shares	72 6%	-
Lycett, Browne-Swinburne & Douglass Limited	Ordinary shares	-	100%
Lycetts Financial Services Limited	Ordinary shares	-	100%
Highflyer Bloodstock Agency Limited	Ordinary shares	-	100%
Farmers & Mercantile Insurance Brokers Limited	Ordinary shares	-	100%
Incorporated and operating in Great Britain, engaged in retail of goods and services			
Ecclesiastical Services Limited	Ordinary shares	100%	-
Incorporated and operating in Australia, engaged in insurance business			
Ansvar Insurance Limited	Ordinary shares	-	100%
Joint venture			
Incorporated and operating in Great Britain, engaged in insurance broking business			
Amlin Plus Limited	Ordinary shares	-	40%

The above percentage shareholdings held by subsidiaries are the direct or indirect holdings of Ecclesiastical Insurance Office plc with the exception of Lycett, Browne-Swinburne & Douglass Limited, Lycetts Financial Services Limited, Highflyer Bloodstock Agency Limited, Farmers & Mercantile Insurance Brokers Limited and Amlin Plus Limited, all of which are owned by Lycetts Holdings Limited

Additionally, at the year end there were eight other subsidiary undertakings of which the assets and contributions to group income are not significant

During the year the company acquired 16 4% of the issued ordinary share capital of Lycetts Holdings Limited, increasing its ownership interest to 72 6% The company also reduced its holding of Non-Cumulative Irredeemable Preference shares in Ecclesiastical Insurance Office Plc from 5 6% to 2 6%

Notes to the Financial Statements

8 Debtors

	2012	2011
	£000	£000
Amounts owed by related parties	-	728
Accrued income	-	302
	-	1,030

All debtors are due within one year, with the above carrying amounts being a reasonable approximation of fair value

9 Creditors

	2012	2011
	£000	£000
Amounts falling due within 1 year		
Amounts owed to group undertakings	**8**	-
Accruals	**2**	92
	10	92
Amounts falling due after more than 1 year		
Loans from subsidiary	**15,252**	16,161
	15,252	16,161

The loans from subsidiary are provided by Ecclesiastical Insurance Office plc, are unsecured and have no specified repayment date Interest is payable on the loans at the London inter-bank offered rate (Libor) plus 0 5%, and amounted to £331,000 (2011 £129,000)

During the prior year £6,000,000 13% Debenture Stock 2018 was redeemed at a cost of £7,800,000, with the premium on redemption being recognised in interest payable and similar charges in profit and loss

10 Provisions for liabilities

The provision is wholly in respect of deferred tax on unrealised gains on investments The movement in the provision is recognised in the profit and loss account, including £3,000 decrease (2011 £13,000 decrease) resulting from reductions in the tax rate

11 Share capital and reserves

	2012	2011
	£000	£000
Share capital		
Allotted, issued and fully paid		
20,000,000 Ordinary shares of £1 each	**20,000**	20,000

Ordinary shares in issue in the company rank pari passu and carry equal voting rights On winding up, the residual interest in the assets of the company after deducting all liabilities belongs to the Ordinary shareholders

Profit and loss account		
Balance 1 January	**5,292**	6,395
Profit/(loss) for the financial year	**1,526**	(1,406)
Group tax relief not at standard rate	**(79)**	303
Balance 31 December	**6,739**	5,292

Notes to the Financial Statements

12 Reconciliation of movements in shareholders' funds

	2012	2011
	£000	£000
Opening shareholders' funds	**25,292**	26,395
Profit/(loss) for the financial year	**1,526**	(1,406)
Group tax relief not at standard rate	**(79)**	303
Closing shareholders' funds	**26,739**	25,292

13 Ultimate parent company and controlling party

The company is a public limited company incorporated and domiciled in England, and is a wholly owned subsidiary of Allchurches Trust Limited The parent company of the smallest and largest group for which group financial statements are drawn up is Allchurches Trust Limited, which is incorporated in and operates in Great Britain Copies of the financial statements for Allchurches Trust Limited are available from the registered office of the company as shown on page 1

14 Related party transactions

In accordance with the exemption under FRS 8, *Related Party Disclosures,* available to companies which are wholly owned within a group, no disclosure is given of transactions with such group companies Income from shares in group undertakings includes £422,000 (2011 £336,000) dividend income from Lycetts Holdings Limited, a subsidiary which is not wholly owned