Company Number 01718196

Benefact Group

Benefact Group plc

2022 Annual Report and Accounts

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Directors and Company information

Directors

* R D C Henderson *Chair*
* R Bajaj
* F X Boisseau
D P Cockrem *Group Chief Financial Officer*
M C J Hews *Group Chief Executive*
* Sir S M J Lamport
* N P Maidment
* A J McIntyre
* C J G Moulder *Senior Independent Director*
S J Whyte *Deputy Group Chief Executive*
* A Winther

Company Secretary

R J Hall

Registered and Head Office

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Brockworth
Gloucester, GL3 4AW
Tel 0845 777 3322

Company Registration Number

01718196

Investment Management Office

24 Monument Street,
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Tel 0800 358 3010

Independent Auditors

PricewaterhouseCoopers LLP
Bristol

* *Non-executive director*

Strategic Report

The directors present the Strategic Report of the Company, Benefact Group plc, for the year ended 31 December 2022.

Group Chief Executive's Review

For over 135 years, our founders have understood what matters most to our customers and communities.

Trusted, via our insurance subsidiaries, to protect and preserve much of the nation's irreplaceable heritage and history, we are distinguished in the financial services industry by our specialist insurance expertise, our caring approach, and our charitable ownership by the Benefact Trust Limited to which all available profits are distributed in the form of a grant. Unlike many other businesses, we prefer to measure our success by the extent to which our funding enables both the Group and the Trust give to communities to help transform lives for the better. Guided by this, we are driven to profitably grow the business, so that we may give even more to good causes.

Benefact Trust, celebrating the 50th anniversary of its formation as Allchurches Trust, adopted a new name and a new brand which was immediately licensed to us so that Ecclesiastical Insurance Group became Benefact Group and now shares both the Benefact name and logo with the Trust.

Last year was a transformational year for our Benefact Group family of diversified financial services firms. We launched the new brand across all our business units, prepared for a new Group structure, new strategy, new governance framework, new systems, and strengthened our leadership.

The simplified structure we announced is designed to help us realise our growth ambitions. This new structure, which aligns our businesses to our three divisions – Specialist expert Insurance, Responsible and sustainable Investment Management and Broking & Advisory – provides the foundation for our family of businesses to grow even more, to increase profits and, ultimately, to enable even greater giving.

By simplifying and streamlining the Benefact Group structure, we have created dynamic, empowered businesses with clarity of focus, a compelling purpose, and the ideal operating environment for each of our new operating divisions to thrive. This is in stark contrast to some other business models where decision making can be centralised, slow and prioritise profits ahead of customer's interests.

Building a movement for good

A few years ago we set ourselves (and subsequently met) a stretching ambition to give £100m to charity. This level of giving means that Benefact Group plc is now the third largest corporate donor to charity in the UK. An amazing achievement when you consider that there are over five million companies.

It means that our ultimate parent company, Benefact Trust Limited, is now one of the biggest grant making charities in the UK and is able to provide transformative funding to charities both in the UK and abroad – as for example, it did in response to the crisis in Ukraine. We thank the Trust enormously for the outstanding work it undertakes.

Indeed, our combined giving has helped thousands of charities in recent years, changing countless lives and communities for the better. Many of these charities, along with His Majesty King Charles III, joined us at Westminster Abbey last summer for a Service of Thanksgiving to celebrate our £100m giving milestone. It was a proud moment for the Benefact family and for me a rare moment to reflect on our incredible progress.

Hearing moving testimonials about the life changing work of the charities the Group and Trust support and taking inspiration from the Parable of the Good Samaritan, we would like to go further and hold out a hand to many, many more.

We have therefore raised our ambition and have set a new cumulative target to give £250m for good causes by the end of 2025.

Delivering for our customers

Our giving is only possible thanks to the support of our brokers, customers, investors, business partners and the tremendous efforts of our colleagues. For generations, we have been trusted to protect many of the UK's iconic treasures, from beloved castles and stately homes to cathedrals, churches and schools. Today, we insure world-renowned buildings such as St Paul's Cathedral, Royal Albert Hall, [illegible] and Westminster Abbey, the home of the coronation. [illegible] expertise in our markets and our commitment to [illegible].

For our insurance business, our goal is to protect our customers through our specialist risk management advice and insurance cover. But as a trusted expert committed to creating a movement for good, our dedication to our customers goes beyond that.

Many of our church and charity customers have seen their income fall due to the challenging economic climate and we recognise the difficulties they face. We have established resources to help these organisations raise much-needed funds and we invest significantly in our risk management services to help customers reduce the risk of losses occurring. And if the worst happens, our expert claims team are always there for our customers when they need us most.

Strategic Report

As the UK's leading insurer of Grade I listed buildings, we are passionate about protecting Britain's heritage. We know the key to protecting our built environment from climate change is adaptation and resilient repairs. However, the challenge for heritage buildings, compared to modern properties, is that adaptation can be more complicated to do sensitively. We are working to be at the forefront of this issue and collaborating with partners like English Heritage to research and understand this important issue better. The threat of climate change is one of the biggest challenges facing our customers and communities. We are committed to making a positive environmental impact and we recognise the importance of reducing our own climate impact as well as supporting our customers to reduce theirs. Last year we announced our climate commitments to achieve net zero by 2040 and we are making good progress against our targets, which are detailed later in this Report.

Providing exceptional service

Our customers tell us that our expert service and our compassion makes us stand out in the insurance industry. In the UK, Ecclesiastical retained its top spot in the Fairer Finance Home Insurance league table for a record sixteenth time and remains the UK's most trusted home insurance provider. It was also named Risk Management Specialist Company of the Year – Large in the CIR Risk Management Awards. Ecclesiastical Canada was named one of Canada's Top Employers for Young People for the 10th consecutive year and won Excellence in Claims Service in the Insurance Business Canada Awards.

Also, for a second year, I'm delighted the independent research consultancy, Gracechurch, put Ecclesiastical ahead of all other insurers for claims service. In addition, an incredible 98% of customers are satisfied with the service they receive from Ecclesiastical, whether that is making a claim or experiencing our risk management service. The Net Promoter Score, which measures how likely a customer is to recommend a company's products and services, for Ecclesiastical Insurance puts us ahead of many well-known and respected brands.

Financial Performance

Profit before tax of £5.9m has decreased by £80.5m from 2021, largely driven by fair value investment losses resulting from the challenging economic environment, with the net investment loss of £17.4m (2021: net investment return of £104.6m).

There were a number of specific items affecting the results, both before and after tax. Before tax, and included within the net investment loss, a credit of £47.6m (2021: £14.5m) arose from an increase in the discount on general insurance liabilities. A fair value gain was also recognised for £19.5m (2021: £10.9m) on an unlisted equity investment benefiting from the buoyant reinsurance market, and fair value losses of £21.2m (2021: £20.2m gains) were recognised on investment properties.

During the year, the Group changed its approach to discounting to include all general insurance liabilities. This change in discounting accounting policy ensured the effects of higher interest rates and high inflation were being reflected across both our short and longer tail insurance liabilities and so as to more consistently match the effects of changes in interest rates on both insurance liabilities and the assets held to match them. This contributed £13.2m towards the total 2022 impact of discounting and £2.6m in the prior year, which has been restated. More information on these items is included in the investments section below.

We have continued and will continue to manage our businesses with a long-term view of risk. As a result we have a strong capital position that can withstand short-term volatility and our excellent and strong credit ratings with AM Best and S&P were reaffirmed during the year. Following a routine review of our credit rating agencies, we added Moody's alongside AM Best as our agencies, who have also affirmed our excellent credit rating. Given that businesses of our size and type would typically have two rating agencies, we agreed with S&P to exit our relationship with them. S&P reiterated an exit rating of A (stable). Our Solvency II regulatory capital position remains above regulatory requirements and risk appetite.

Structural changes

Across the Group we have made a number of changes to the legal entity structure to better align and optimise our businesses to the way in which we manage and achieve our growth ambitions across our specialist insurance, investment management and broking and advisory divisions. As part of these changes Benefact Broking & Advisory Holdings Limited was incorporated on 18 November 2022 and EdenTree Holdings Limited was incorporated on 21 November 2022.

On 30 December 2022, Ecclesiastical Insurance Office plc disposed of South Essex Insurance Holdings Limited and its wholly owned subsidiary SEIB Insurance Brokers Limited (together 'SEIB') to the Lloyd & Whyte Group Limited (Lloyd & Whyte) for £45.2m, recognising a gain after tax of £14.3m. Lloyd & Whyte is an associate of the Group in whom we are taking an increased share of ownership over time, with full ownership expected to occur in 2026. They provide a range of expert financial planning and specialist insurance services. This disposal took us another step closer to our longer-term growth ambitions for our broking and advisory division and will provide synergies and opportunities for closer co-operation in the areas these businesses operate in.

On 3 January 2023 two wholly-owned subsidiaries of Ecclesiastical Insurance Office plc, EdenTree Investment Management Limited and Ecclesiastical Financial Advisory Services Limited were transferred to direct ownership of the Benefact Group. Subsequently, the shares of EdenTree Investment Management Limited and EdenTree Asset Management Limited were transferred to EdenTree Holdings Limited and Ecclesiastical Financial Advisory Services Limited, Ecclesiastical Planning Services Limited, Lycetts Holdings Limited and Lloyd & Whyte Group Limited were transferred to Benefact Broking & Advisory Holdings Limited.

Strategic Report

General insurance

The Group's underwriting businesses have performed in line with expectations in most territories, resulting in a Group Combined Operating Ratio (COR) of 91.0% (2021: 96.8%). We have delivered steady underwriting profits despite adverse flooding and freeze events across territories and some unusually large claims in the UK. Prior year releases have been modest overall as we have strengthened reserves for latent claims. Our strategy to focus on profitable growth opportunities has continued to deliver, with new business of £34.7m contributing to almost half of our overall GWP growth of 15% to £559m (2021: £486m). The strong growth also reflects targeted rate increases as well as strong retention and excellent service delivered to brokers and customers.

Our programme of investment has continued, particularly across our technology platforms and with our colleagues. Our investments in these platforms are an important part in supporting the growth of our business and our customers' needs for the long term.

United Kingdom and Ireland

In the UK and Ireland, underwriting profits fell slightly to £24.2m (2021: £25.0m), resulting in a COR of 86.7% (2021: 85.3%). GWP grew by 16.0% to £344.8m (2021: £297.2m). The current year performance was profitable despite a run of weather events and large claims which affected the UK and Ireland in 2022.

Heritage, Real Estate and Schemes were particularly strong growth areas in 2022 as pricing remained robust in these areas, partly due to reduced insurance capacity and strong propositions in these markets, and we continued to focus on consistent service and delivery of expertise across the business. We expect trading conditions to become more competitive in 2023, with the outlook becoming increasingly unpredictable. Inflationary pressures in the economy, the Ukrainian war, global economics, and the potential for more frequent and intense weather events due to climate change all contribute to this uncertainty. However, our Net Promoter Scores across brokers and customers, which measures how likely a customer is to recommend a company's products and services, remain robust and provide resilience, enabling us to carry positive rate change where appropriate and contribute to the high levels of retention experienced. GWP in respect of our Faith business remained in line with prior year, reflecting a good result in challenging competitive conditions specific to this market.

Our strategy over the medium term is to deliver GWP growth, while maintaining our strong underwriting discipline, as our philosophy is to seek only profitable growth. We will continue to deepen our specialist capabilities through investment in technology and innovation, together with the propositions, specialism and excellent service that our customers value.

Ansvar Australia

Our Australian business reported an underwriting loss of AUD$5.1m resulting in a COR of 104.3% (2021: AUD$24.4m loss, COR of 156.9%). GWP grew by 3.9% in local currency to AUD$177.8m (2021: AUD$171.2m) with strong rate increases combined with moderate new business growth offset by a lower retention rate. The performance of the underlying business in the current year has been good and continues to improve in light of positive underwriting actions. The underwriting result for 2022 was impacted by a very high level of catastrophe claims and the strengthening of prior year casualty reserves. The level of historic physical and sexual abuse (PSA) claims being notified stabilised in 2022 following increases in previous years. This risk is predominantly reinsured within the Group and is reported within other insurance operations. The overall result in the prior year has been adversely impacted by PSA reserve strengthening.

The Australia operation contributed an underwriting loss of £1.0m (2021: £10.0m) to the Group internal reinsurance portfolio, with the relative improvement reflecting the levelling of PSA claims reporting.

Canada

Our Canadian business continued its track record of delivering double digit premium growth, reporting GWP of CAD$175.4m (2021: CAD$158.0m), an 11% increase, which was supported by strong retention and rate increases as well as new business.

Canada reported an underwriting profit of CAD$11.5m, resulting in a COR of 91.6% (2021: CAD$[illegible] profit, COR of 88.6%). Despite an increase in the number of large losses and Hurricane Fiona, the property book performed well due to lower than expected attritional losses. The performance of the liability book was impacted by adverse development on prior year claims and the resultant strengthening of the reserves provision.

Investments

Our results include fair value losses of £95.1m (2021: £57.5m gains) on our investment portfolio, which contributed to a net investment loss of £57.4m (2021: gain of £104.6m). Investment income of £33.1m (2021: £32.7m) stood up well and compares favourably with prior year.

Investment markets have been impacted by macroeconomic disruptions exacerbated by the geopolitical turmoil in Ukraine and the cost of living crisis, darkening the economic outlook. Higher food and energy prices are pushing inflation to a 40 year high in the UK and other parts of the world, as central banks respond with tighter monetary policy in an effort to bring this under control. Whilst we may have now passed a peak in inflation, the outlook drove down financial asset prices compared to last year.

The past year's events highlight the impact economic and political uncertainty can have on the performance of our investments. However, we remain confident in our long-term investment philosophy, and are well-diversified and relatively defensively positioned.

Fair value losses on financial instruments of £[illegible]9m (2021: £[illegible] gains) included a gain on an unlisted equity investment of £19.5m (2021: £[illegible]). We recognised fair value losses of £21.2m (2021: £[illegible] gains) on our investment properties, driven by a fall in the value of industrial sector capital values in the portfolio as investors continue to adjust to the new reality of higher interest rates.

Strategic Report

We recognise the importance of our role in tackling climate change and that we have a duty to invest responsibly. Our responsible and sustainable investment policy plays an important part in how we invest responsibly, informing our investment strategy and helping understand and mitigate the risks of climate change. Our strategy includes a focus on responsible investment and encompasses action to respond to climate risk and operations, investing in ways that support the transition to a low carbon economy. The Group is expected to be aligned with the Sustainable Development Scenario by 2050, representing a temperature increase of 1.5 degrees by 2050, well ahead of the 3.1 degree benchmark. More information on the Group's approach to responsible investment including actions we take to mitigate the risks of transitioning to a low carbon economy can be found later in this Report.

Investment management

The Group's investment management business, EdenTree, was pleased to report record net inflows of £597m, excluding group flows, building on the success of the previous high of £433m in 2021. EdenTree incurred a loss before tax for the year of £3.5m (2021: £2.6m) as it continued to invest in growing the business through its distribution capacity and with a widening of its product range.

Whilst net income has risen for the EdenTree companies as a whole, EdenTree Investment Management net revenue has fallen as it adopts its role as Authorised Corporate Director and AIFM, and transfers asset management to EdenTree Asset Management. Net income in the current year was £10.0m reflecting this change (2021: £14.9m). Maintaining margins on fees earned continues to be challenging, a trend which is seen across the industry.

Long-term business

Our life business, Ecclesiastical Life Limited, reopened to business during 2021 launching a new product providing guaranteed funeral planning products sold by Ecclesiastical Planning Services. The legacy book within our life insurance business remains closed to new business. Excluding intergroup trading, ELL reported a loss before tax of £8.1m for the year (2021: breakeven). Assets and liabilities in relation to the life insurance business remain well matched.

Broking and advisory

Overall, broking and advisory performance has been strong, reporting a profit before tax of £20.3m (2021: £6.0m). This area of our business includes our insurance broker business, Lycetts Holdings Limited (Lycetts) and an interest in the Lloyd & Whyte Group Limited (Lloyd & Whyte), along with our small financial advisory business, Ecclesiastical Financial Advisory Services (EFAS). As part of the structural changes, this also includes profit on disposal of SEIB Insurance Brokers Limited (SEIB) and profits of this broker business up to the date of disposal.

Lycetts reported an increase in profit before tax to £2.5m (2021: £1.7m). EFAS reported a loss of £0.2m in the year (2021: £0.2m) and EFSL's result was a loss of £0.6m (2021: £0.9m). Lloyd & Whyte contributed £1.5m towards profit before tax in the year (2021: £2.3m).

IFRS 17

The new IFRS 17 insurance accounting standard has been adopted by the Group and was effective from January 2023. This new accounting standard will make the financial statements of public insurance companies more comparable. The Group's first set of results reported under IFRS 17 will be published in the Group's 2023 interim results. Further information about the application of this new accounting standard is included within the notes to the financial statements.

Principal risks and uncertainties

The principal risks and uncertainties, together with details of the financial risk management objectives and policies of the Group and Company, are disclosed in notes 3 and 4 to the financial statements. The Company is exposed to financial risk through its investments in subsidiary undertakings, its cash on deposit and its financial investments held. In respect of its investments in subsidiaries, the Company is subject to the financial risks within those undertakings, in particular that the proceeds from the trading subsidiaries' financial assets are not sufficient to fund the obligations arising from their insurance contracts. The most important components of financial risk are interest rate risk, credit risk, currency risk and equity price risk.

Further details of the financial risks of the main trading subsidiaries can be found in the Risk Management Report within the Strategic Report of the accounts of Ecclesiastical Insurance Office plc (EIO). The core business of the Group is general insurance, thus insurance risks including underwriting, pricing, reserving and reinsurance risk, are all principal risks.

Strategic ambitions

To paraphrase T S Eliot: *"It is only when one tries to go too far that one finds out how far it is possible to go"*.

Inspired by the impact of our giving on so many, we are extremely ambitious for the future. We have launched an exciting new strategy to invest, energise and grow our Group across all our divisions and all our territories. With a strengthened rate environment, tightened insurance capacity and an increasing market focus on Environmental, Social and Governance (ESG) performance, the timing to push for growth has arguably never been better.

This year will see continued investment in new systems, helping to deliver even better service and value for our customers and brokers. We will pursue growth opportunities both in our existing sectors and in new niches where we can leverage our specialist expertise. We will make significant investment in digital propositions, helping to build our distribution capability and reach, as we seek to find ways to meet our customers' changing needs. We will also continue to prioritise risk management innovation, exploring new ways to protect our customers from losses, particularly from the growing threat of climate change.

To achieve all of this we need to be at our best personally and professionally and we will continue to foster a culture where all our colleagues have the space to grow and perform to their full potential.

Strategic Report

For a second year running, we were named an "Outstanding" company to work for by Best Companies following the results of our annual engagement survey. Our ambition is to become a world class employer, attracting, retaining and developing the best talent in the industry by creating career opportunities for every colleague, no matter what their background.

On behalf of the Board and thousands of our beneficiaries, we say a heartfelt, sincere 'thank you' to all our customers, business partners and dedicated colleagues for their exceptional support. I very much hope that they are inspired when they look back at what has been achieved and the positive impact that they have had. I certainly am.

Climate change and environment

The Group reports on all emission sources required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The reporting year runs from January to December 2022. The emissions reporting boundary is defined as all entities and facilities either owned or under operational control of the Group i.e. emissions relating to our premises and associated travel by staff based at those premises. The Group continues to improve the coverage and quality of data which informs our report.

Scope 1 Emissions from fluorinated gas losses and fuel combustion in premises / vehicles, Scope 2 Emissions from electricity and cooling in premises and Scope 3 Emissions associated with business travel, waste and water use have been calculated using UK Government Greenhouse Gas reporting emission factors 2021 (Department for Environment, Food and Rural Affairs), and independently verified according to ISO 14064-3:2019 Specifications with Guidance for the Validation and Verification of Greenhouse Gas Statements.

The Group recognises that the pandemic had a significant impact on direct business activity resulting in a much lower carbon footprint in 2021 caused by low or no occupation of offices and dramatically reduced business fleet travel.

In line with the Streamlined Energy and Carbon Reporting requirements the Group's carbon footprint is detailed here including carbon intensity.

	UK tCO2e		Non-UK tCO2e		Total tCO2e	
	2022	2021	2022	2021	2022	2021
Scope 1	143	9	23	6	166	1[illegible]
Scope 2 - Location based	584	[illegible]85	92	97	676	480
Scope 2 - Market based	82	68	92	9[illegible]	[illegible]	[illegible]65
Scope 3	7[illegible]	1[illegible]2	2[illegible]7	22	9[illegible]	[illegible]94
Total	959	33[illegible]	332	125	1,29[illegible]	4[illegible]2

tCO2e/employee 0.61 (2021 0.23)

Based on current targets the fund is expected to be aligned with the Sustainable Development Scenario by 2050, representing a potential temperature increase of 1.5C by 2050 compared to 3.1C in the benchmark.

There is huge potential to reduce carbon impact through Scope 3 emissions. Accessing accurate data and exerting influence are complex and challenging but we are committed to making progress. The Group's owned investment assets are managed by EdenTree Asset Management. EdenTree has a seven year track record of carbon footprinting its equity funds, and a two year track record of carbon footprinting the Group's General Fund (which encompasses the Group's equity funds and some corporate bond funds).

In 202[illegible] a[illegible] wider assessment of the Group's assets (beyond equities) was completed. This looked at asset classes including strategic investments, property investments and gilts/corporate bonds. [illegible] the impact of climate change on investments is an emerging practice [illegible] the quality of available data. This is challenging to obtain consistent [illegible] portfolio but the Group will extend its assessment [illegible] work and also started to assess the carbon impact of its underwriting portfolio. Methodologies to achieve this are just emerging but the Group is committed to working to understand carbon impact of underwriting in order to influence and support customers and communities to decarbonise.

[illegible] performance targets are part of the Group's Long Term Incentive Plan (LTIP) [illegible] measures specific climate progress [illegible] performance and reduction in carbon emissions. These targets were agreed following a review of remuneration targets with an external partner to ensure best practice.

Looking ahead

While some companies are retrenching in the face of economic difficulties, Benefact Group has set itself an ambitious target to double in size. The strategy announced last year provides a clear roadmap to achieve this stretching goal and I'm excited by the potential within the business to grow.

Across our businesses we have identified many areas of growth, both in existing segments and in new ones, and we have the ambition and capacity to benefit from these opportunities.

Strategic Report

This year will see continued investment in new systems to improve the customer and broker experience, and we will continue to invest in new technology to drive innovation and growth to enable yet more giving to charities and communities. In particular, we will continue to invest in our risk management offering so that we can help to protect our customers from new and emerging threats.

We will also continue to invest in our people as we seek to become a world-class employer. We want to build a workplace where everyone feels welcome and can realise their full potential, while helping to make a difference to the lives of our customers and communities.

Join our movement for good

With a new brand, a clear strategy for growth and a renewed sense of confidence, we go into 2023 energised and inspired to work together for our customers and society.

To those who are reading about the Benefact Group for the first time, I invite you to join us, whether as a colleague, customer or business partner, and experience for yourself how it is possible to do business differently. There is no doubt that, together, we are creating something very special – a movement for good that touches and transforms lives in our homes, in our communities, in this country and abroad.

As we said when we filled Westminster Abbey in the presence of His Majesty King Charles III in June last year – "Individually we can all make a difference. Together, we can perform miracles."

Section 172 statement

This section of the Strategic Report provides an overview of how the directors have fulfilled their duties to promote the success of the Company and had regard to the matters set out in section 172(1) (a) to (f) Companies Act 2006 as detailed below. This also forms the directors' statement required under section 414CZA of the Companies Act 2006.

As the Board remains ultimately responsible for decision making within the Group, it receives regular updates from the Group Chief Executive and other Executive Directors.

Shareholder engagement

Benefact Trust Limited (Company No. 1043742) owns the entire issued Ordinary share capital of the Company.

Protocols for the exchange of information between Benefact Trust Limited and Benefact Group plc and its subsidiaries (including Ecclesiastical Insurance Office plc) are in place and cover performance, operations and financial position. There is at least one Common Director (i.e. a Director who is a member of the Boards of Benefact Trust Limited, Benefact Group plc and Ecclesiastical Insurance Office plc) who is expected to attend every Board meeting. The Common Directors present a summary of highlights from Benefact Trust Limited Board meetings to the Directors. There is also engagement between respective Board and Committee Chairs and the Group Chief Executive Officer. Regular dialogue takes place on Benefact Trust Limited's expectations of the Group and strategy for the development of the business.

This ensures that the views of Benefact Trust Limited are communicated to the Board as a whole.

In turn, the Common Directors are able to support the directors of Benefact Trust Limited to understand the performance and strategic issues faced by the Company. A conflict of interest policy which sets out how actual and perceived conflicts of interest between the two companies are managed is in place.

When determining if it is appropriate to make a distribution in the form of a grant to the Company's ultimate parent undertaking, Benefact Trust Limited, the Board considers advice from the Group Chief Financial Officer. A key area for the Board's consideration is the Company's capital position and the affordability of the grant based on a range of stressed circumstances as well as the views of the Chair of Benefact Trust Limited.

Our Approach to the Long Term Success of the Company

The Directors recognise that the long term success of the Company and therefore our ability to continue to help people, charities and good causes is dependent on having regard to the interests of its stakeholders at its heart. In order to achieve our strategic ambitions the Board understands how important it is to listen and respond to the needs of our stakeholders.

As a global financial services Group driven by the ambition of transforming lives and communities, we are continually striving to do the right thing at all times. However there are occasions where the needs of different stakeholder groups may not always be aligned. On these occasions, the Board attempts to balance the conflicting interests and impacts of our stakeholders in their decision-making.

Stakeholder Engagement in Decision Making

The Board adopts a range of approaches to engage with stakeholders and recognises that the importance of a stakeholder group may differ depending on the matter being considered. Given the nature of the business, the Board sometimes engages directly with stakeholders and also understands that it may be more appropriate for engagement to be undertaken at an operational level. The Board considers a variety of information to understand the impact of the Company's operations and the interests and views of key stakeholders.

Strategic Report

A one-year rolling plan of business for discussion is agreed annually to ensure that the Board is focused on the right issues at the right time and sufficient time is allowed for appropriate consideration and debate. Information is provided to Directors in papers in advance of each meeting. People from the business are invited to attend meetings to provide insight into key matters and developments. At each Board meeting the Directors discuss strategic and business matters, financial, operational and governance issues and other relevant issues that arise. In addition, the Chair of each Committee provides a verbal report to the Board on proceedings of those meetings including areas of discussion and any recommendations. Because of this the Board has an appreciation of engagement with stakeholders and other relevant matters which enables the Directors to comply with their legal duties.

General Management Board (GMB)

Under the leadership of the Group Chief Executive, the GMB leads the Shared Services and oversees the business divisions. Working closely with the Board, it focuses on Group delivery of culture and values; strategy and direction; governance and risk management; key projects and programmes; budgets; reviewing performance; rating agency and shareholder matters; and leadership and communication.

Management Committees

A number of Management Committees and Boards have been established to ensure that each SBU Managing Director has oversight of their respective areas whilst providing assurance to the Group Chief Executive and other Executive Directors and ultimately the Board.

Other matters and stakeholder engagement

Benefact Group plc is an investment holding company, therefore consideration of matters relating to employees, customers, suppliers, community, environment and reputation are undertaken at a subsidiary Board level. The Group approach to stakeholder engagement is set out in the 172 statement contained in the 2022 Annual Report and Accounts of Ecclesiastical Insurance Office plc along with further detail on the interests of the Group's employees included within the Directors' Report on page 1.

Key performance indicators

The Group considers its key performance indicators to be profit and loss before tax, regulatory capital, combined operating ratio and net expenses ratio. In addition to information included within this Strategic report, details about the Group's regulatory capital and combined operating ratio and net expenses ratio *can be found in notes 4 and 41 to the financial statements.*

On behalf of the Board

Mark Hews

Group Chief Executive, Benefact Group plc

2[illegible] April 2023

Directors' Report

Principal activity

The principal activity of the Company is that of an investment holding company. Its principal subsidiary is Ecclesiastical Insurance Office plc (EIO). That company heads a group which operates principally as a provider of general insurance with offices in the UK and Ireland, Canada and Australia. A list of the main subsidiary undertakings is given in note 39 to the financial statements.

Ownership

At the date of this report the entire issued equity capital of the Company was owned by Benefact Trust Limited.

Board of directors

The directors of the Company who were in office at the date of this report are stated on page 2.

All directors who have served since the last AGM will be proposed for re-election at the forthcoming AGM.

The Group 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.

Neither the directors nor their connected persons held any beneficial interest in any Ordinary shares of group companies during the year ended 31 December 2022. There has been no change in these interests since the end of the financial year to the date of this report.

The following directors of the Company, and their connected persons, held Preference shares in the capital of EIO at 31 December 2022 and 31 December 2021.

Director	Nature of Interest	Number of EIO Non-Cumulative Irredeemable Preference Shares held 31.12.2022	31.12.2021
Mark Hews	Connected person	75,342	75,342
Denise Cockrem	Connected person	32,070	16,000

There has been no change to Mr Hews' or Mrs Cockrem's interests since the end of the financial year to the date of this report.

No contract of significance subsisted during or at the end of the financial year in which a director was or is materially interested, with the exception of a non-interest bearing loan to a director.

Future developments

The future developments of the Group are detailed in the Strategic Report.

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2022 (2021: £nil).

Charitable and political donations

Charitable donations made by the Group in the year amounted to £22.8m (2021: £23.5m).

In line with the Group's policy, no political donations have been made in the current or prior year.

Employees

The Board recognises that employees are the Group's greatest asset given their specialist skills and knowledge and propensity to go above and beyond. Members of the management team and subject matter experts are invited to Board and Committee meetings to present on items and input into discussion. Directors also visit subsidiaries and other SBUs and Project teams to gain a good understanding of employees' views. In order to engage, involve and inform employees, the following methods are used:

- Sir Stephen Lamport, as the designated Non-Executive Director for employee engagement, is briefed on associated survey results and findings are reported to the Board;
- A variety of communication channels including intranet, all colleague emails (including weekly news, results, achievements and changes), briefings, conferences, publishing financial reports and feedback and discussion is adopted (including to make colleagues aware of financial and economic factors affecting the performance of the Company).

Directors' Report

Colleague engagement surveys adopting the [illegible] Survey provided by an external partner, Best Companies.

- *During the year colleagues undertake training to support the accessibility and understanding of our whistleblowing policy, procedure and* approach to ensure they feel safe to speak up and challenge when needed.

- Direct engagement and consultation through colleague representative forums including the Group's recognised Union and Employee Working Groups such as the Diversity and Inclusion working group.

- 'Town Hall' meetings are hosted virtually by senior management where colleagues can ask questions and provide feedback.

- A performance-related bonus scheme is operated, which directly links individual objectives and business performance to encourage employees to participate in the overall financial success of the Group; and

- A range of training, development and volunteering activities are available to colleagues, including technical courses, mentoring, coaching and community opportunities.

Climate change and environment

Information about the Group's approach to climate change and the environment is provided in the Strategic Report.

Remuneration policy

The Group's approach to executive director and wider employee remuneration is based on the common set of principles set out in the Group's Remuneration Policy. However, given the size of the Group and the range of its operations, the manner in which these principles are implemented varies with seniority and where appropriate, with the nature of the business transacted by a Group entity and the individual regulatory requirements which may be applicable.

All employees of the Group are entitled to a salary, benefits, pension and an annual bonus opportunity. However, remuneration for executive directors is more heavily weighted towards variable rewards through a higher annual bonus opportunity and participation in the Group LTIP alongside other senior employees. Such variable remuneration is conditional on the achievement of performance targets that are linked to the successful delivery of the Group strategy. The greater weighting towards variable remuneration thereby aligns the interests of executive directors with those of the shareholder.

Internal controls

The Board is ultimately responsible for the systems of risk management and internal control maintained by the Group and reviews their appropriateness and effectiveness annually. The Board views the management of risk as a key accountability and is the responsibility of all management and believes that, for the period in question, the Group has maintained an adequate and effective system of risk management and internal control that complies with the Code. Further details are set out in the Risk Management Report.

The Group embeds risk management into its strategic and business planning activities whereby major risks that could affect the business in the short and long *term are identified by the [illegible] management together with the assessment of the effectiveness of the processes and controls in place to manage and* mitigate these risks.

The Group's internal control framework is vital in setting the tone for the Group and in creating a high degree of control consciousness in all employees.

A Code of Conduct and a Code of Ethics are embedded into the culture of the Group and are accessible to all staff via the intranet.

Assurance on the adequacy and the effectiveness of internal control systems is obtained through management reviews, control self-assessment and internal audits.

Systems of internal control are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance as to the prevention and detection of financial misstatements, errors, fraud or violation of laws and regulations.

Directors' Report

Internal control over financial reporting

Internal control over financial reporting is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of management and financial reporting in accordance with generally accepted accounting principles. Controls over financial reporting policies and procedures include controls to ensure that:

- through clearly defined role profiles and financial mandates, there is effective delegation of authority;
- there is adequate segregation of duties in respect of all financial transactions;
- commitments and expenditure are appropriately authorised by management;
- records are maintained which accurately and fairly reflect transactions;
- any unauthorised acquisition, use or disposal of the Group's assets that could have a material effect on the financial statements should be detected on a timely basis;
- transactions are recorded as required to permit the preparation of financial statements; and
- the Group is able to report its financial statements in compliance with IFRS.

Due to inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Risk management and control systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies. Through its review of reports received from management, along with those from internal and external auditors, the Committee did not identify any material weaknesses in internal controls over financial reporting during the year. The financial systems are deemed to have functioned properly during the year under review, and there are no current indications they will not continue to do so in the forthcoming period.

Going concern

A review of the Group's business activities is provided within the Strategic Report. In addition, notes 3 and 4 to the financial statements, along with the Risk Management Report in the Strategic Report in the accounts of Ecclesiastical Insurance Office plc, disclose the Group's principal risks and uncertainties, including exposures to insurance, financial, operational and strategic risk. Risks arising from the Ukraine conflict, in particular investment market volatility and supply chain/inflationary pressures, have been considered. Scenario testing showed that at this stage, there is no perceived material risk to the going concern status of the Group resulting from the conflict.

The Group has considerable financial resources: financial investments, excluding funeral plan investments, of £964.5m, 76% of which are liquid (2021: £919.9m, 87% liquid) and cash and cash equivalents of £145.9m (2021: £144.0m). Liquid financial investments consist of listed equities and open ended investment companies, government bonds and listed debt.

The Group has a strong risk management framework and solvency position, is well placed to withstand significant market disruption and has proved resilient to stress testing.

The Group has considered its capital position, liquidity and expected performance. The Group and its businesses have sufficient levels of cash and other liquid resources and has expectations it can meet its cash commitments over its planning horizon. The Group and its businesses expect to continue to meet regulatory requirements.

Despite the continuing and expected economic pressures and challenges, given the Group's operations, robust capital strength, liquidity and in conjunction with forecast projections and stress testing, which were considered severe but plausible downside scenarios, the directors have a reasonable expectation that the Group has adequate resources and is well placed to manage its risks successfully and continue in operational existence for at least 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Auditor and the disclosure of information to 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 that the auditor is unaware of that could be needed by the auditor in order to prepare their report. Having made enquiries of fellow directors and the Group's auditor, each director has taken all the steps that they ought to have taken as a director in order to make themselves 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 PricewaterhouseCoopers LLP be reappointed as auditor of the Group will be put to the forthcoming AGM.

Directors' Report

Non-audit work

The Committee is responsible for the development, implementation and monitoring of the Group's policy on the provision of non-audit services by the external auditor. The policy is reviewed annually by the Committee. The purpose of the policy is to safeguard the independence and objectivity of the external auditor and to comply with the ethical standards of the Financial Reporting Council (FRC).

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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. 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.

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.

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware;
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

On behalf of the Board

Mark Hews
Group Chief Executive, Benefact Group plc
27 April 2023

Independent Auditor's Report to the members of Benefact Group plc

Report on the audit of the financial statements

Opinion

In our opinion, Benefact Group plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's profit and the Group's and parent Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the 2022 Annual Report and Accounts (the "Annual Report"), which comprise: Consolidated and parent statements of financial position as at 31 December 2022; Consolidated statement of profit or loss; Consolidated and parent statements of comprehensive income; Consolidated and parent statements of cash flows and Consolidated and parent statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the parent Company's ability to continue to adopt the going concern basis of accounting included:

- Obtained and reviewed management's going concern assessment which included the board approved income statement, balance sheet, cash flow and solvency forecasts along with stressed and downside scenarios;
- Considered the forward looking assumptions and assessed the reasonableness of these based on recent historic performance;
- Considered information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment; and
- Considered our own independent alternative downside scenarios and whether these could impact the going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the parent Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Independent Auditor's Report to the members of Benefact Group plc

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are *considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of* these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulation such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue or expenditure and management bias in accounting estimates, specifically the valuation of specific general insurance reserves including Physical and Sexual Abuse ("PSA") reserves. Audit procedures performed by the engagement team included:

- Enquiries of the compliance risk, Internal Audit and the Group's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with law and regulation;
- Reviewing relevant meeting minutes including those of the Group Board, Group Audit Committee and Group Risk Committee;
- Procedures relating to the valuation of investment property and unlisted equity investments and the valuation of specific general insurance reserves, in particular [illegible] and PSA reserves;
- Risk based targeted testing of journal entries, in particular any journal entries which include characteristics which were identified as potentially being indicative of a fraudulent journal; and
- Procedures to incorporate unpredictability around the nature, timing or extent of our testing.

Independent Auditor's Report to the members of Benefact Group plc

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Sue Morling
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
27 April 2023

Consolidated statement of profit or loss

for the year ended 31 December 2022

	Notes	2022 £000	*Restated** 2021 £000
Revenue			
Gross written premiums	5, 6	**558,609**	486,218
Outward reinsurance premiums	6	**(238,069)**	(198,601)
Net change in provision for unearned premiums	6	**(16,505)**	(14,620)
Net earned premiums		**304,035**	272,997
Fee and commission income	7	**121,161**	109,059
Other operating income		**2,020**	1,136
Net investment return	8	**(17,386)**	104,623
Total revenue		**409,830**	487,815
Expenses			
Claims and change in insurance liabilities	9	**(271,361)**	(268,349)
Reinsurance recoveries	9	**136,507**	123,822
Fees, commissions and other acquisition costs	10	**(108,573)**	(96,939)
Other operating and administrative expenses		**(175,595)**	(161,676)
Total operating expenses		**(419,022)**	(403,142)
Operating (loss)/profit		**(9,192)**	84,673
Finance costs		**(2,641)**	(2,492)
Profit on disposal of subsidiary	18	**14,293**	-
Share of profit after tax of associate		**1,463**	2,274
Profit before tax	5	**3,923**	84,455
Tax credit/(expense)	14	**1,254**	(19,250)
Profit for the year	11	**5,177**	65,205
Attributable to:			
Equity holders of the Parent		**(3,605)**	56,423
Non-controlling interests		**8,782**	8,782
		5,177	65,205

*The comparative financial statements have been restated as detailed in note 45

Consolidated and parent statements of comprehensive income

for the year ended 31 December 2022

		2022		*Restated** 2021	
	Notes	**Group £000**	**Parent £000**	Group £000	Parent £000
Profit for the year		**5,177**	**10,108**	65,205	3,688
Other comprehensive (expense)/income					
Items that will not be reclassified to profit or loss:					
Fair value losses on property		**-**	-	-	
(Losses)/gains on retirement benefit plans	21	**(11,288)**	-	61,260	
Attributable tax		**2,822**	-	(8,368)	-
		(8,466)	-	52,892	-
Items that may be reclassified subsequently to profit or loss:					
Gains/(losses) on currency translation differences	29	**5,392**	-	(2,356)	
(Losses)/gains on net investment hedges	29	**(4,514)**	-	1,912	-
Attributable tax		**824**	-	(184)	-
		1,702	-	(628)	-
Net other comprehensive (expense)/income		**(6,764)**	-	32,264	
Total comprehensive (expense)/income		**(1,587)**	**10,108**	97,469	3,688
Attributable to:					
Equity holders of the Parent		**(10,369)**	**10,108**	88,687	3,688
Non-controlling interests		**8,782**	-	8,782	-
		(1,587)	**10,108**	97,469	3,688

* The comparative financial statements have been restated as detailed in note 45

Consolidated and parent statements of changes in equity

for the year ended 31 December 2022

		Attributable to equity holders of the Parent						
Group	Notes	Share capital £000	Revaluation reserve £000	Translation and hedging reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
At 1 January 2022		**20,000**	**268**	**17,602**	**525,528**	**563,398**	**101,815**	**665,213**
(Loss)/profit for the year		-	-	-	***(3,605)***	***(3,605)***	***8,782***	***5,177***
Other net income/(expense)		-	-	***1,702***	***(8,466)***	***(6,764)***	-	***(6,764)***
Total comprehensive (expense)/income		-	-	**1,702**	**(12,071)**	**(10,369)**	**8,782**	**(1,587)**
Dividends		-	-	-	-	-	**(8,782)**	**(8,782)**
Gross charitable grant	15	-	-	-	**(20,000)**	**(20,000)**	-	**(20,000)**
Tax relief on charitable grant	15	-	-	-	**3,800**	**3,800**	-	**3,800**
Reserve transfers		-	**(46)**	-	**46**	-	-	-
At 31 December 2022		**20,000**	**222**	**19,304**	**497,303**	**536,829**	**101,815**	**638,644**
At 31 December 2020 (as reported)		20,000	624	18,230	452,373	491,227	101,815	593,042
*Restatement**			-		494	494		494
At 1 January 2021 (as restated*)		20,000	624	18,230	452,867	491,721	101,815	593,536
Profit for the year		-		-	*56,423*	*56,423*	*8,782*	*65,205*
Other net (expense)/income		-	*(18)*	*(628)*	*32,910*	*32,264*	-	*32,264*
Total comprehensive (expense)/income		-	(18)	(628)	89,333	88,687	8,782	97,469
Acquisition of non-controlling interest							(8,782)	(8,782)
Gross charitable grant	15	-		-	(21,000)	(21,000)	-	(21,000)
Tax relief on charitable grant	15	-			3,990	3,990		3,990
Reserve transfers		-	(338)	-	338		-	
At 31 December 2021 (as restated*)		*20,000*	*268*	*17,602*	525,528	563,398	101,815	665,213
Parent								
At 1 January 2022		**20,000**	-	-	**9,427**	**29,427**		
Total comprehensive income attributable to equity holders		-	-	-	**10,108**	**10,108**		
At 31 December 2022		**20,000**	-	-	**19,535**	**39,535**		
At 1 January 2021		20,000			5,739	25,739		
Total comprehensive income attributable to equity holders		-	-	-	3,688	3,688		
At 31 December 2021		20,000			9,427	29,427		

*The comparative financial statements have been restated as detailed in note [illegible]

The revaluation reserve [illegible] note 28.

Retained earnings of the Group includes a specific non-distributable reserve of a subsidiary amounting to £4,200,000 (2021: £4,200,000).

Consolidated and parent statements of financial position

at 31 December 2022

	Notes	31 December 2022		31 December 2021		1 January 2021
				*Restated**		*Restated**
		Group	**Parent**	Group	Parent	Group
		£000	**£000**	£000	£000	£000
Assets						
Goodwill and other intangible assets	19	**53,146**	**-**	74,261	-	77,352
Deferred acquisition costs	20	**52,526**	**-**	46,027	-	41,989
Deferred tax assets	33	**9,792**	**-**	9,607	-	2,502
Pension surplus	21	**15,338**	**-**	28,304	-	1,053
Investment in associate	16	**12,611**	**10,370**	12,148	10,5[illegible]	5,696
Property, plant and equipment	22	**34,435**	**-**	38,[illegible]		12,[illegible]
Investment property	23	**140,846**	**-**	163,355		142,141
Financial investments	24	**1,449,741**	**104,071**	1,119,127	83,135	1,056,766
Reinsurers' share of insurance contract liabilities	5	**306,962**	**-**	253,436		2[illegible]9,677
Current tax recoverable		**4,412**	**56**	525		8,343
Other assets	26	**202,027**	**2,707**	177,693	2,568	167,719
Cash and cash equivalents	27	**145,871**	**1,199**	144,012	1,437	129,596
Assets classified as held for distribution	42	**-**	**50,277**	-	-	-
Total assets		**2,427,707**	**168,680**	2,066,963	97,530	1,864,756
Equity						
Share capital	28	**20,000**	**20,000**	20,000	20,000	20,000
Retained earnings and other reserves		**516,829**	**19,535**	543,398	9,427	471,721
Equity attributable to equity holders of the Parent		**536,829**	**39,535**	563,398	29,427	491,721
Non-controlling interests	30	**101,815**	**-**	101,815	-	101,815
Total equity		**638,644**	**39,535**	665,213	29,427	593,536
Liabilities						
Insurance contract liabilities	5	**925,896**	**-**	884,594	-	810,6[illegible]
Investment contract liabilities	[illegible]	**596,270**	**-**	256,706		234,840
Borrowings	37	**20,912**	**121,008**	24,995	66,108	28,[illegible]
Provisions for other liabilities	32	**6,111**	**-**	7,318		7,013
Pension deficit	21	**4,412**	**-**	3,725		17,226
Retirement benefit obligations	21	**4,960**	**-**	7,058		6,530
Deferred tax liabilities	33	**38,803**	**2,080**	[illegible]	[illegible]	30,[illegible]
Current tax liabilities		**442**	**-**	1,230	3	1,329
Deferred income	34	**36,166**	**-**	29,765	-	26,404
Subordinated liabilities	35	**25,818**	**-**	24,433	-	-
Other liabilities	34	**129,273**	**6,057**	111,559	599	108,350
Total liabilities		**1,789,063**	**129,145**	1,401,747	68,103	1,271,[illegible]
Total equity and liabilities		**2,427,707**	**168,680**	2,066,963	97,530	1,864,756

*The comparative financial statements have been restated as detailed in note 45

No income statement is presented for Benefact Group plc as permitted by Section 408 of the Companies Act 2006. The profit after tax of the parent company for the period was £10,108,000 (2021 loss of £3,688,000).

The financial statements of Benefact Group plc, registered number 1718196, on pages 18 to 89 were approved and authorised for issue by the Board of Directors on 27 April 2023 and signed on its behalf by

Mark Hews
Group Chief Executive

Consolidated and parent statements of cash flows
for the year ended 31 December 2022

	Notes	2022 Group £000	2022 Parent £000	Restated * 2021 Group £000	Restated * 2021 Parent £000
Profit before tax		**3,923**	**10,731**	84,455	4,465
Adjustments for					
Depreciation of property, plant and equipment		**6,974**	**-**	6,852	-
Profit/loss on disposal of property, plant and equipment		**(20)**	**-**	15	
Amortisation and impairment of intangible assets		**4,813**	**-**	[illegible]	
Movement on credit loss provision		**-**	**1,000**	-	
Impairment of shares in subsidiary undertakings		**-**	**(6,808)**	-	-
Loss on disposal of intangible assets		**-**	**-**	4,765	
Share of profit of associate		**(1,463)**	**-**	(2,274)	-
Profit on disposal of subsidiary		**(14,293)**	**-**		-
Net fair value losses/(gains) on financial instruments and investment property		**98,133**	**(2,746)**	[illegible]	[illegible]
Dividend and interest income		**(23,793)**	**(3,873)**	(23,361)	(3,587)
Finance costs		**2,641**	**1,560**	2,492	[illegible]
Adjustment for pension funding		**265**	**-**	[illegible]	-
Changes in operating assets and liabilities					
Net increase in insurance contract liabilities		**22,521**	**-**	[illegible]	-
Net increase in reinsurers' share of contract liabilities		**(47,597)**	**-**	[illegible]	
Net increase in investment contract liabilities		**317,894**	**-**	[illegible]	
Net increase in deferred acquisition costs		**(5,349)**	**-**	[illegible]	
Net (increase)/decrease in other assets		**(29,295)**	**(541)**	[illegible]	129
Net increase in operating liabilities		**25,985**	**5,718**	8,743	[illegible]
Net (decrease)/increase in other liabilities		**(948)**	**-**	[illegible]	-
Cash generated from operations		**360,391**	**5,041**	60,870	[illegible]
Purchases of financial instruments and investment property		**(506,944)**	**(200)**	(206,521)	
Sale of financial instruments and investment property		**183,146**	**-**	174,964	
Dividends received		**8,660**	**1,683**	8,454	[illegible]
Interest received		**17,787**	**2,350**	[illegible]	[illegible]
Tax (paid)/recovered		**(6,519)**	**7**	[illegible]	(186)
Net cash generated from operating activities		**56,521**	**8,881**	[illegible]	[illegible]
Cash flows from investing activities					
Purchases of property, plant and equipment		**(3,752)**	**-**	[illegible]	-
Proceeds from the sale of property, plant and equipment		**40**	**-**	869	
Purchases of intangible assets		**(4,177)**	**-**	(3,942)	-
Acquisition of business, net of cash acquired		**-**	**-**	(5,258)	(5,258)
Acquisition of subsidiary, net of cash acquired	17	**(1,417)**	**-**		
Disposal of subsidiary, net of cash disposed	15	**36,355**	**-**		
Loan issued to associate undertaking		**(55,345)**	**(55,345)**	[illegible]	[illegible]
Repayment of loan by associate undertaking		**686**	**686**	[illegible]	[illegible]
Net cash used by investing activities		**(27,610)**	**(54,659)**	(21,845)	[illegible]
Cash flows from financing activities					
Interest paid		**(2,641)**	**(1,560)**	[illegible]	[illegible]
Payment of lease liabilities		**(3,673)**	**-**	[illegible]	
Change in interest in subsidiary		**-**	**(7,800)**	-	[illegible]
Proceeds from other borrowings		**-**	**54,900**	[illegible]	[illegible]
Dividends paid to non-controlling interests of subsidiaries		**(8,782)**	**-**	[illegible]	-
Donations paid to ultimate parent undertaking	5	**(15,000)**	**-**	[illegible]	-
Net cash (used by)/generated from financing activities		**(30,096)**	**45,540**	[illegible]	[illegible]
Net (decrease)/increase in cash and cash equivalents		**(1,185)**	**(238)**	[illegible]	[illegible]
Cash and cash equivalents at beginning of year		**144,012**	**1,437**	129,596	[illegible]
Exchange gains/(losses) on cash and cash equivalents		**3,044**	**-**	(2,241)	-
Cash and cash equivalents at end of year	[illegible]	**145,871**	**1,199**	144,012	[illegible]

*The comparative financial statements have been restated as detailed in note [illegible]

Notes to the financial statements

1 Accounting policies

Benefact Group plc (hereafter referred to as the 'Company' or 'Parent'), a public limited company incorporated and domiciled in England, together with its subsidiaries (collectively, the 'Group') operates principally as a provider of general insurance and in addition offers a range of financial services, with offices in the UK & Ireland, Australia and Canada. The principal accounting policies adopted in preparing the International Financial Reporting Standards (IFRS) financial statements of the Group and Parent are set out below.

Basis of preparation
The Group's consolidated and Parent's financial statements have been prepared using the following accounting policies, which are in accordance with UK adopted IAS applicable at 31 December 2022. The financial statements have been prepared on the historical cost basis, except for certain financial assets and derivatives measured at fair value through profit and loss (FVTPL), and the revaluation of properties and certain derivatives measured at fair value through other comprehensive income (FVOCI).

The accounting policies of the Parent are the same as those of the Group unless otherwise stated.

As stated in the Directors' Report, the directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

In accordance with IFRS 4, Insurance Contracts, on initial application of UK adopted IAS, the Group applied existing accounting practices for insurance and participating investment contracts, modified as appropriate to comply with the IFRS framework and applicable standards, introducing changes only where they provide more reliable and relevant information.

Items included in the financial statements of each of the Group's entities are measured in the currency of the primary economic environment in which that entity operates (the 'functional currency'). The consolidated financial statements are stated in sterling, which is the Company's functional currency and the Group's presentational currency.

As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account for the Company is not presented.

New and revised standards
A number of amendments and improvements to accounting standards have been issued by the International Accounting Standards Board (IASB) and endorsed by the UK, with an effective date of on or after 1 January 2022 and are therefore applicable for the 31 December 2022 financial statements. None had a significant impact on the Group.

The following standards were in issue but were either not yet effective or have been deferred and therefore have not been applied in these financial statements.

IFRS 9, Financial Instruments
IFRS 9, *Financial Instruments*, is effective for periods beginning on or after 1 January 2018. However, the Group has taken the option available to insurers to defer the application of IFRS 9 as permitted by IFRS 4, *Insurance Contracts*. The Group qualifies for the temporary exemption, which is available until annual periods beginning on or after 1 January 2023, since at 31 December 2015 greater than 90% of its liabilities were within the scope of IFRS 4. The Parent qualifies for the temporary exemption since at 31 December 2015 greater than 80% of its liabilities were within the scope of IFRS 4 and it does not engage in significant activities unconnected with insurance. Other liabilities of the Parent include employment benefit and tax liabilities which arise solely because the Parent insures, or fulfils obligations arising from insurance contracts. There has been no significant change to the Group's operations since 31 December 2015 and as a result, the Group continue to apply IAS 39, Financial Instruments.

Within the Group, Ecclesiastical Insurance Office plc and Ansvar Insurance Limited qualify for the temporary exemption from the requirements of IFRS 9. Within the Group, Ecclesiastical Life Limited previously qualified for the temporary exemption, however policies issued by Ecclesiastical Life Limited from August 2021 do not give rise to liabilities within the scope of IFRS 4. Following this change in operations, Ecclesiastical Life Limited is still able to defer application of IFRS 9 for a further year until 1 January 2023.

The Parent adopted IFRS 9, *Financial Instruments*, with a date of initial application of 1 January 2018.

Key requirements
Provides a new model for the classification and measurement of financial instruments, a single 'forward-looking' expected loss impairment model and a reformed approach to hedge accounting.

Effective date
Annual periods beginning on or after 1 January 2018, although can be deferred until 2023 for insurers in line with the effective date of IFRS 17.

Notes to the financial statements

1 Accounting policies (continued)

Expected impact on financial statements

There will be no change in the way debt and equity instruments are classified and measured in the financial statements, which will continue to be measured at fair value through profit or loss. The Group expects to recognise expected credit losses (ECLs) on certain financial assets classified and measured at amortised cost. No changes are expected from the more principles-based hedge accounting requirements. In accordance with the transition requirements of IFRS 9, the comparative period is not currently expected to be restated and any differences in carrying amounts will be reported in opening retained earnings as at 1 January 2023.

IFRS 17, Insurance Contracts

Key requirements

Requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.

Effective date

Applicable to annual reporting periods beginning on or after 1 January 2023.

Expected impact on financial statements

IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Key relevant concepts for the Group are:

- Expected profits, represented by the contractual service margin (CSM), are explicitly spread over the lifetime of the contract in a formulaic manner matched to the provision of current and future coverage, rather than for example embedded within ongoing releases from a prudent reserving basis.

- Expected losses [illegible] onerous contracts are recognised up front as and when identified.

Where contracts are serviced over a long coverage period, such as for life insurance, the impact of this conceptual change is potentially significant, requiring new valuation models. Applying IFRS 17 to shorter duration insurance coverage (such as annual general insurance policies, which make up the vast majority of the Group's insurance contracts) does not lead to conceptual change to the basis, because previous practices allowed for the deferral of expected future profits and initial recognition of losses. However, the changes in presentation and disclosure are significant, leading to more aggregated line items in the financial statements, and changes which impact key performance indicators (for example Gross Written Premium is no longer an accounting line).

It is not yet practicable to quantify the overall additional impact on the Group's financial statements expected at transition, however a number of individual decisions that will impact the net assets quantum are well progressed, with the following being the most important areas:

Key item	Impact
Transitional Fair Value of Whole of Life insurance policies	The Group has a portfolio of life insurance contracts supporting pre-paid funeral plans which ceased to be written from 2013. An assessment has been carried out regarding the availability of suitable data to enable a full retrospective calculation concluding that this would be impracticable.
Eligibility for applying the premium allocation approach	The Group expects to use the premium allocation approach for the majority of its general business insurance contracts. Definitions of what constitutes reasonably expected assumption changes on future profitability and measuring the differences between the general measurement model and the premium allocation approach as a proportion of exposure indicates that all of the Group's core insurance products and associated reinsurance is currently eligible.
Discounting of the claims reserves	The Group already incorporates discounting into its measurement techniques and the discount rates have been reviewed to ensure they are compatible with IFRS 17 principles. The Group's adoption of IFRS 17 and the discounting requirements is not expected to be significantly different to the Group's application of existing accounting policies.
Level of aggregation for portfolios and groups of insurance and reinsurance contracts	Within the general insurance business the Group has identified ten portfolios of insurance contracts and five portfolios of reinsurance contracts as at the effective transition date. For the majority of product lines the Group issues packaged policies incorporating a range of lines of business within a single contract. Accounting policy development has focused on applying the IASB's Transition Resource Group's guidance to identify when it is appropriate to unbundle individual components and treat as separate contracts. In the majority of cases, the Group's contracts should not be unbundled below the legal contract level. The most material determinant of portfolios of significant risk that are managed together is the geographic territory in which the Group underwrites its core general insurance products. [illegible] instances of upfront recognition of losses on groups of onerous contracts within a portfolio will be triggered at a more granular level than previously, although the transitional impact is not expected to be significant [illegible] the current Liability Adequacy Test under IFRS 4.

Notes to the financial statements

1 Accounting policies (continued)

Expenses allocation	A new policy has been developed defining directly attributable expenses as those which are required in order to obtain and fulfil contracts, with other expenses being reported outside of insurance services. Under the premium allocation approach, the Group expects to continue deferring acquisition costs.
Risk adjustment	The risk adjustment is defined as the compensation required by the entity for bearing non-financial risks. For products applying the premium allocation approach, the Group's reserves for incurred claims are currently measured using best estimate plus an explicit risk margin quantified using confidence level techniques, also allowing special uncertainties relating to events not in the data. The Group reviews and refines the approach that it uses to calibrate risks and uncertainties on an ongoing basis, and in relation to IFRS 17 is aligning the distribution measurement approaches and allowance for diversification between risk types, to risk management and appetite in order to reflect each entity's compensation required. The Group is reviewing and quantifying what the resulting confidence level to be disclosed in the 2023 annual accounts will be.

Amendments to other standards in issue but not yet effective are not expected to materially impact the Group.

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. Those estimates which have the most material impact on the financial statements are disclosed in note 2.

Basis of consolidation

Subsidiaries

Subsidiaries are those entities over which the Company directly or indirectly has control, with control being achieved when the Company has power over the investee, is exposed to variable return from its involvement with the investee and has the ability to use its power to affect its returns. The results and cash flows relating to subsidiaries acquired or disposed of in the year are included in the consolidated statement of profit or loss, and the consolidated statement of cash flows, from the date of acquisition or up to the date of disposal. All inter-company transactions, balances and cash flows are eliminated.

In the Parent statement of financial position, subsidiaries are accounted for within financial investments at cost less impairment, in accordance with International Accounting Standard (IAS) 27 *Separate Financial Statements*.

The Group uses the acquisition method of accounting to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Non-controlling interests are measured either at fair value or at a proportionate share of the identifiable net assets of the acquiree. Goodwill is measured as the excess of the aggregate of the consideration transferred, the fair value of contingent consideration, the amount of non-controlling interests and, for an acquisition achieved in stages, the fair value of previously held equity interest over the fair value of the identifiable net assets acquired. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly through profit or loss.

For business combinations involving entities or businesses under common control, the cost of the acquisition equals the value of net assets transferred as recognised by the transferor at the date of the transaction. No goodwill arises on such transactions.

Associates

Associates are those entities over which the Group has significant influence and are neither subsidiaries nor interests in joint ventures.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

In the Parent statement of financial position associates are accounted for within financial investments at cost less impairment, in accordance with International Accounting Standard (IAS) 27 *Separate Financial Statements*.

Foreign currency translation

The assets and liabilities of foreign operations are translated from their functional currencies into the Group's presentation currency using year-end exchange rates, and their income and expenses using average exchange rates for the year. Exchange differences arising from the translation of the net investment in foreign operations are taken to the currency translation reserve within equity. On disposal of a foreign operation, such exchange differences are transferred out of this reserve, along with the corresponding movement on net investment hedges, and are recognised in the statement of profit or loss as part of the gain or loss on sale.

Notes to the financial statements
1 Accounting policies (continued)

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 through profit or loss.

Product classification

Contracts under which the Group 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 of the Group's life business contracts written up to April 2013 are classified as insurance contracts and those written from August 2021 are classified as investment contracts.

Contracts may contain a discretionary participating feature, which is defined as a contractual right to receive additional benefits as a supplement to guaranteed benefits. The Group does not have any such participating contracts (referred to as with-profit contracts). The Group's long-term business contracts are referred to as non-profit contracts in the financial statements.

Premium income

General insurance business

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 (pipeline premiums) and provision is made for the anticipated lapse of renewals not yet confirmed. Those proportions of premiums written in a year which relate to periods of risk extending beyond the end of the year are carried forward as unearned premiums.

Premiums written include adjustments to premiums written in prior periods and estimates for pipeline premiums and are shown net of insurance premium taxes.

Life insurance business

Insurance contract premiums are recognised as income when receivable, at which date the liabilities arising from them are also recognised.

Fee and commission income

Fee and commission income consists primarily of reinsurance commissions and reinsurance profit commissions which are accounted for in accordance with IFRS 4 *Insurance contracts*. It also includes income from the Group's broking and advisory, investment fund management, [illegible] distribution fees from mutual funds and commission revenue from the sale of mutual fund shares which is accounted for in accordance with IFRS 15 *Revenue from contracts with customers*.

As with general insurance premiums, reinsurance commissions are accounted for in the period in which the risk commences. Those proportions of reinsurance commissions written in a year which relate to periods of risk extending beyond the end of the year are carried forward as deferred income. Reinsurance profit commissions are recognised at the point in time when the amount of commission can be accurately estimated.

Income generated from the Group's insurance broking activities is recognised at the point at which the performance obligation is satisfied, being the inception date of the insurance cover or, where this income is variable, the point at which it is reasonably certain that no significant reversal of the amount recognised would occur. An estimate is made for the amount of fees and commission that may be clawed back as a result of policy cancellations or amendments in relation to performance obligations satisfied in the year. This is deducted from fee and commission income and recognised in provisions. Where commission or fees are received in advance of the inception date of cover, deferred income is recognised. Receivables are recognised in other debtors on inception date of cover in respect of fees or commissions that the Group has an unconditional right to receive.

Initial adviser and initial management fees from the Group's advisory activities are recognised at a point in time. Administration fees are recognised over time as services are provided. Ongoing service fees and management charges [illegible] are variable based on the value of funds invested or value of assets and [illegible] would not occur.

Fees charged for investment management services are variable based on funds under management and are recognised over time as the services are provided once it is reasonably certain that no significant reversal of the amount recognised would occur. Fees charged for investment management services for institutional and retail fund management are also recognised on this basis. Management fees charged in respect of funeral plans are only refundable when the plan is cancelled within 30 days and are recognised in full when the plan is sold with provision being made for the expected level of cancellations that give rise to a refund.

Other operating income

[illegible]

Net investment return

Net investment return consists of dividends, interest and rents receivable for the year, realised gains and losses, unrealised gains and losses on financial investments and investment properties. Dividends on equity securities are recorded as revenue on the ex-dividend date. Interest and rental income is recognised as it accrues.

Notes to the financial statements

1 Accounting policies (continued)

Unrealised gains and losses are calculated as the difference between carrying value and original cost, and the movement during the year is recognised through profit or loss. The value of realised gains and losses includes an adjustment for previously recognised unrealised gains or losses on investments disposed of in the accounting period.

The impact of discount rate changes on insurance contract liabilities is also presented within net investment return in order to match with the corresponding movements of assets backing the liabilities.

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.

Claims handling costs include all internal and external costs incurred in connection with the negotiation and settlement of claims.

Life business claims and death claims are accounted for when notified.

Insurance contract liabilities

General insurance provisions

(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, together with related claims handling costs. 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. An estimate is made representing the best estimate plus a uncertainty margin within a range of possible outcomes. Insurance liabilities are remeasured to reflect current market interest rates.

The Group's accounting policy for general insurance outstanding claims provisions has previously been to apply discounting only to certain longer term liabilities. The accounting policy has been changed to discount general insurance liabilities that have not previously been discounted. This change in accounting policy resulted in a credit of £13.2m recognised in this financial year and a credit of £2.6m in the prior year, both within net investment return. For further information on the prior year restatement see note 43.

The Group considers this change in accounting policy provides more reliable and relevant information. This is because, if the impact of discounting were not more widely applied during a period of higher interest rates (as in 2022), it would create excessive prudence in the implied claim reserves. Furthermore, this change to accounting policy better reflects the impact of the Group's objective of matching assets with insurance liabilities when managing exposure to interest rate risk.

(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 profit or loss in order that revenue is recognised over the period of risk.

(iii) Liability adequacy

At each reporting date, the Group reviews its unexpired risks and carries out a liability adequacy test for any overall excess of expected claims and deferred acquisition costs over unearned premiums, using the current estimates of future cash flows under its contracts. Unexpired risks are assessed separately for each class of business.

Surpluses and deficits are offset where business classes are considered to be managed together and a provision is held for any net deficit.

Life insurance provisions

Under current UK adopted IAS requirements, insurance contract liabilities are measured using accounting policies consistent with those adopted previously.

The life insurance provision is held in respect of certain funeral plans and is based on an estimate of the discounted future cash flows expected to arise from contracts in-force at the year end date. The methods and assumptions used in calculating the provision are approved by the directors based on advice from the Chief Actuary, including assumptions relating to future interest rates, inflation, mortality, expenses and investment return. Changes in the life business provision are recognised in the statement of profit or loss.

Reinsurance

General insurance business

The Group assumes and cedes reinsurance in the normal course of business, with retention limits varying by line of business. Premiums on reinsurance assumed are recognised as revenue in the same manner as direct business. Outwards reinsurance premiums are accounted for in the same accounting period as the related premiums for the direct or inwards reinsurance business being reinsured. 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 ceded in a year which relates to periods of risk extending beyond the current year is carried forward as unearned. The Group does not reinsure its life business.

Notes to the financial statements
1 Accounting policies (continued)

Reinsurance assets primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or the settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

Further details on insurance contract liabilities are included in note 31.

Investment contract liabilities
For products that have no significant insurance risk and therefore classified as investment contracts, the Group recognises a liability measured at fair value. The fair value of these liabilities is estimated based on an arm's length transaction between willing market participants with consideration given to the cost of the minimum repayment guarantee to the policyholders. The cost of the guarantee is determined using risk free rates of return, with the associated volatility assumption and allowing for the costs of administration associated with this low risk investment strategy.

Certain liabilities measured within the consolidated financial statements of the subsidiary undertaking Ecclesiastical Insurance Office plc, which these are not the financial statements of, are not measured as investment contract liabilities but measured as insurance liabilities where there is significant insurance risk.

Intangible assets
Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable assets and liabilities acquired at the date of acquisition. Goodwill on acquisitions prior to 1 January [illegible], the date of transition to IFRSs, is carried at book value (original cost less amortisation) on that date, less any subsequent impairment. Where it is considered more relevant, the Group uses the option to measure goodwill initially at fair value, less any subsequent impairment.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash generating units for the purpose of impairment testing. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Computer software
Computer software is carried at historical cost less accumulated amortisation and impairment, and amortised over a useful life of between [illegible] years, using the straight-line method. Amortisation and impairment charges incurred for the period are included in the statement of profit or loss within other operating and administrative expenses.

Other intangible assets
Other intangible assets consist of acquired brand, customer and distribution relationships, and are carried at cost at acquisition less accumulated amortisation and impairment after acquisition. Amortisation is on a straight-line basis over the weighted average estimated useful life of intangible assets acquired. Amortisation and impairment charges incurred for the period are included in the statement of profit or loss within other operating and administrative expenses.

Property, plant and equipment
Owner-occupied properties are stated at fair value and movements are taken to the revaluation reserve within equity, net of deferred tax. When such properties are sold, the accumulated revaluation surpluses are transferred from this reserve to retained earnings.

Where the fair value of an individual property is below its original cost, any revaluation movement arising during the year is recognised within net investment return in the statement of profit or loss. Valuations are conducted at least every three years by external qualified surveyors. All other items classed as property, plant and equipment within the statement of financial position are carried at historical cost less accumulated depreciation and impairment.

Land is not depreciated. No depreciation is provided on owner-occupied properties since such depreciation would be immaterial. Depreciation is calculated to write down the cost of other assets to their residual values over their estimated useful lives as follows:

Computer equipment	3 - 5 years straight line
Motor vehicles	4 years straight line or 25% reducing balance
Fixtures, fittings and office equipment	3 - 10 years or length of lease straight line
Right-of-use assets	Over the term of the lease

Where the carrying amount of an item carried at historical cost less accumulated depreciation is greater than the estimated recoverable amount, it is written down to its recoverable amount by way of an impairment charge in profit or loss.

Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Investment property
Investment property comprises land and buildings which are held for long-term rental yields. It is carried at fair value with changes in fair value recognised in the statement of profit or loss within net investment return. Investment property is valued annually by external qualified surveyors at open market value. Investment properties are derecognised when they have been disposed of. Where the Group disposes of a property, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in profit or loss within net investment return.

Notes to the financial statements

1 Accounting policies (continued)

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 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. Assets and liabilities held at fair value are disclosed according to a hierarchy that reflects the significance of observable market inputs in calculating those fair values. The three levels of the fair value hierarchy are included within note 4. Financial instruments are initially measured at fair value. Their subsequent measurement depends on their classification:

- Financial instruments designated as fair value through profit or loss, those held for trading, and hedge accounted derivatives under IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*, are subsequently carried at fair value. To the extent to which they are effective, changes to the fair value of hedging instruments are recognised in other comprehensive income, with all other fair value changes recognised through profit or loss in the period in which they arise.

- All other financial assets and liabilities are measured at amortised cost, using the effective interest method (except for short-term receivables and payables when the recognition of interest would be immaterial).

The Parent applies IFRS 9, *Financial Instruments*. Equity investments are designated as fair value through profit and loss and changes to the fair value of equity instruments are recognised in profit or loss 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 receivables and payables when the recognition of interest would be immaterial).

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.

Financial investments

The Group accounts for financial assets under IAS 39 and classifies its financial investments as either financial assets at fair value through profit or loss (designated as such or held for trading), as financial assets at fair value through other comprehensive income or as loans and receivables.

(a) Financial assets at fair value through profit or loss

Financial investments are classified into this category if they are managed, and their performance evaluated, on a fair value basis. Purchases and sales of these investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the assets, at their fair value adjusted for transaction costs. Financial investments within this category are classified as held for trading if they are derivatives that are not accounted for as a net investment hedge or are acquired principally for the purpose of selling in the near term.

The fair values of investments are based on quoted bid prices. Where there is no active market, fair value is established using a valuation technique based on observable market data where available.

Derivative financial instruments and hedging

Derivative financial instruments include foreign exchange contracts and other financial instruments that derive their value from underlying equity instruments.

All derivatives are initially recognised in the statement of financial position at their fair value, which usually represents their cost, including any premium paid. They are subsequently remeasured at their fair value, with the method for recognising changes in the fair value depending on whether they are designated as hedges of net investments in foreign operations. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities in the statement of financial position as they do not represent the fair value of these transactions. Collateral pledged by way of cash margins on futures contracts is recognised as an asset in the statement of financial position within cash and cash equivalents.

Certain Group derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting under the specific IFRS rules and are therefore treated as derivatives held for trading. Their fair value gains and losses are recognised immediately in net investment return. The fair value gains and losses for derivatives which are hedge accounted in line with IFRIC 16 are recognised in other comprehensive income.

(b) Financial assets at fair value through other comprehensive income

Derivative instruments for hedging of net investments in foreign operations

On the date a foreign exchange contract is entered into, the Group designates certain contracts as a hedge of a net investment in a foreign operation (net investment hedge) and hedges the forward foreign currency rate.

Notes to the financial statements
1 Accounting policies (continued)

Hedge accounting is used for derivatives designated in this way, provided certain criteria are met. At the inception of the transaction the Group documents the relationship between the hedging instrument and the hedged item as well as the risk management objective and the strategy for undertaking the hedge transaction. The Group also documents its assessment of whether the hedge is expected to be, and has been, highly effective in offsetting the risk in the hedged item, both at inception and on an ongoing basis.

Gains and losses on the hedging instrument relating to the effective portion of the net investment hedge are recognised in other comprehensive income and accumulated in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in net *investment return*.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on disposal of the related investment.

(c) Loans and receivables

Loans and receivables, comprising loans and cash held on deposit for more than three months, are carried at amortised cost using the effective interest method. Loans are recognised when cash is advanced to borrowers. To the extent that a loan or receivable is uncollectable, it is written off as impaired. Subsequent recoveries are credited to profit or loss.

Applying IFRS 9 the Parent classifies some *financial assets as amortised cost*. Amortised cost assets, comprising loans and cash held on deposit for more than three months, are carried at amortised cost using the effective interest method. Loans are recognised when cash is advanced to borrowers. Where applicable, appropriate loss allowances are measured at an amount equal to 12-month ECL or lifetime ECLs. Loss allowances are deducted from the gross carrying amount of the trade and other receivables and are recognised in the statement of profit or loss.

Subordinated liabilities

Subordinated liabilities are recognised initially at fair value, being the issue proceeds net of premiums, discounts and transaction costs incurred. All borrowings are subsequently measured at amortised cost using the effective interest rate method. The amortisation is recognised as an interest expense using the effective interest rate method.

Deferred acquisition costs

General insurance business

For general insurance business, a proportion of commission and other acquisition costs relating to unearned premiums is carried forward as deferred acquisition costs or, with regard to reinsurance outwards, as deferred income. Deferred acquisition costs are amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset.

Life insurance business

For life insurance contracts, acquisition costs comprise direct costs such as initial commission and the indirect costs of obtaining and processing new business. Acquisition costs which are incurred during a financial year can be deferred and amortised over the period during which the costs are expected to be recoverable. No acquisition costs have been deferred in the Group's existing long-term business.

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.

Insurance broking debtors and creditors

Where the Group acts as an agent in placing the insurable risks of clients with insurers, debtors arising from such transactions are not included in the Group's assets. When the Group receives cash in respect of relevant premiums or claims, a corresponding liability is established in other creditors in favour of the insurer or client. When the Group [illegible] in other debtors with the amount [illegible] for onward [illegible].

Leases

Group as a lessee

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. Each lease payment is deducted from the lease liability. Finance costs are charged to the profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liabilities are determined using the net present value of the payments over the lease term with the rate used to discount payments reflecting the rate implicit in the lease or, if not readily determinable, the Group's incremental borrowing rate, and include:

- Fixed payments less any lease incentives receivable;
- Variable lease payments that are based on an index or rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of an option if the lessee is reasonably certain to exercise that option; and
- Payments and penalties from terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets are initially measured at cost and subsequently measured at cost less accumulated depreciation and comprises:

- The amount of the initial measurement of lease liability;
- Any lease payment made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are presented within property, plant and equipment in the statement of financial position.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Group as a lessor
The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group also sublets property no longer occupied by the Group.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Provisions and contingent liabilities
Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, and 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 Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when it is virtually certain that the reimbursement will be received.

The Group 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 there is a possible future obligation as a result of a past event, or if there is a present obligation but either an outflow of resources is not probable or the amount cannot be reliably estimated.

Employee benefits
Pension obligations
The Group operates defined benefit and defined contribution pension plans, the assets of which are held in separate trustee-administered funds.

For defined benefit plans, the pension costs are assessed using the projected unit credit method. Under this method the cost of providing pensions is charged to profit or loss so as to spread the regular cost over the service lives of employees. 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. The resulting pension plan surplus or deficit appears as an asset or obligation in the statement of financial position. Any asset resulting from this calculation is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future employer contributions to the plan. Independent actuarial valuations are carried out at the end of each reporting period.

Notes to the financial statements

1 Accounting policies (continued)

In accordance with IAS 19, *Employee Benefits*, 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.

Contributions in respect of defined contribution plans are recognised as a charge to profit or loss as incurred.

Other post-employment obligations

Some Group companies provide post employment medical benefits to their retirees. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Interest expense (calculated by applying a discount rate to the net obligation) is recognised through profit or loss. Actuarial gains and losses are recognised immediately in other comprehensive income. Independent actuarial valuations are carried out at the end of each reporting period.

Other benefits

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the year end date.

Taxation

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 the statement of comprehensive income.

Current tax is the expected tax payable on the taxable result for the period, after any adjustment in respect of prior 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 laws which have been enacted or substantively enacted at the year-end date.

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.

Appropriations

Dividends

Dividends on Ordinary shares are recognised in equity in the period in which they are declared and, for the final dividend, approved by shareholders. Dividends on Non-Cumulative Irredeemable Preference shares are recognised in the period in which they are declared and appropriately approved.

Charitable grant to ultimate parent undertaking

Payments are made via Gift Aid to the ultimate parent company, Benefact Trust Limited, a registered charity. The Group does not regard these payments as being expenses of the business and, as such, recognises these net of tax in equity in the period in which they are approved.

Use of Alternative Performance Measures (APM)

The Group uses certain key performance indicators which, although not defined under IFRS, provide useful information and aim to enhance the understanding of the Group's performance. The key performance indicators should be considered complementary to, rather than a substitute for, financial measures defined under IFRS. Note 41 provides details of how these key performance indicators reconcile to the results reported under IFRS.

Notes to the financial statements

2 Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and judgements that affect the reported amounts of assets and liabilities. 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. Management have considered the current economic environment in their estimates and judgements.

(a) Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations which are dealt with separately below, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Pension and other post-employment benefits

The Group's pension and other post-employment benefit obligations are discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds includes the nature and quality of the corporate bonds and the identification of outliers which are excluded. Further details are disclosed in note 27.

The Group also applies judgement in determining the extent to which a surplus in the defined benefit plan can be recognised in the statement of financial position. In accordance with IAS 19 Employee benefits, the recognisable surplus is limited to the lower of the surplus in the plan and the asset ceiling. The asset ceiling is the present value of future economic benefits available in the form of a refund or as a reduction in future contributions. The Group applies judgement in determining the asset ceiling in accordance with IFRS Interpretations Committee Interpretation 14 (IFRIC 14).

Unlisted equity securities

The value of unlisted equity securities, where there is no active market and therefore no observable market price, are classified as level 3 financial assets. This requires the Group to make judgements in respect of the most appropriate valuation technique to apply. Further details, including the amounts recognised within the financial statements which are impacted by these judgements are shown in note 4(b).

Goodwill impairment

Goodwill is allocated to a cash-generating unit (CGU) and assessed annually for impairment. The CGU is defined in accordance with IAS 36. Judgement is required when assessing which assets and liabilities form part of the CGU, particularly in assessing the level of excess cash held above the working capital requirements of the CGU.

Significant insurance risk

Whole-of-life policies issued by the Group where significant insurance risk has been accepted from a policyholder are accounted for as insurance contracts. Whole-of-life policies where the Group has not accepted significant insurance risk from a policyholder are accounted for as financial instruments. Contracts can have features of, or appear to have features of, an insurance contract and therefore judgement is required on whether there is insurance risk and then whether that insurance risk is significant. Policies are considered to be insurance contracts where future benefits are linked to inflation as there is uncertainty over the timing and amount of a resulting claim. Policies that provide a policyholder with a guarantee to return the original premium have not transferred insurance risk and are considered financial instruments.

(b) Key sources of estimation uncertainty

In applying the Group's accounting policies various transactions and balances are valued using estimates or assumptions. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions.

The following items are considered key estimates and assumptions which, if actual results differ from those predicted, may have significant impact on the following year's financial statements.

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. There is uncertainty as to the total number of claims made on each business class, the amounts that such claims will be settled for and the timing of any such payments. There are various sources of estimation uncertainty as to how much the Group will ultimately pay with respect to such contracts. 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, including the discount rate applied in assessing lump sums which may apply retrospectively.

Notes to the financial statements

2 Critical accounting estimates and judgements in applying accounting policies (continued)

The uncertainties surrounding the estimates of claims payments for the various classes of business are discussed further in note 5 and where discount rates have been applied these are disclosed in note 3. General business insurance liabilities include a margin for risk and uncertainty in addition to the best estimates for future claims. The sensitivity of profit or loss to changes in the ultimate settlement cost of claims reserves is presented in note 3(a).

Future benefit payments arising from life insurance contracts

The determination of the liabilities under life insurance contracts is dependent on estimates made by the Group.

Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and national mortality tables, adjusted to reflect recent historical mortality experience of the Group's portfolio, with allowance also being made for expected future mortality improvements where prudent. The estimated mortality rates are used to determine forecast benefit payments net of forecast premium receipts.

Estimates are also made as to future investment returns arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

In addition to the best estimates of future deaths, inflation, investment returns and administration expenses, margins for risk and uncertainty are added to these assumptions in calculating the liabilities of life insurance contracts. The sensitivity of profit or loss to changes in the assumptions is presented in note 5(b)(i).

Pension and other post-employment benefits

The cost of these benefits and the present value of the pension and other post-employment benefit liabilities depend on factors that are determined on an actuarial basis using a number of assumptions. Any change in these assumptions may affect planned funding of the pension plans.

The discount rate assumption is a component in determining the charge to profit or loss. The effect of movements in the actuarial assumptions during the year, including discount rate, mortality, inflation, salary and medical expense inflation assumptions, on the pension and other post-employment liabilities are recognised in other comprehensive income. An explanation of the actuarial gains recognised in the current year is included in note 21.

The Group 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 and other post-employment benefit obligations.

The expected rate of medical expense inflation is determined by comparing the historical relationship of medical expense increases over a portfolio of UK-based post-retirement medical plans with the rate of inflation, making an allowance for the size of the plan and actual medical expense experience.

Other key assumptions for the pension and post-employment benefit costs and credits are based in part on current market conditions. Additional information including the sensitivity of pension and post-employment medical benefit scheme liabilities to changes in the key assumptions is disclosed in note 20.

Unlisted equity securities

The valuation of unlisted equity securities requires estimates to be made for the illiquidity discount and credit rating discount. Further details, including the sensitivity of the valuation to these inputs, are shown in note 4(b).

Carrying value of goodwill

Goodwill is tested annually for impairment as detailed in the Group's accounting policies. In order to calculate the value in use under this policy, the Group is required to make an estimation of the future cash flows expected to arise from the business unit, an appropriate long-term growth rate to apply to the cash flows and a suitable discount rate to calculate the present value. Further details on these estimates and sensitivities of the carrying value of goodwill to these estimates are provided in note 19.

Notes to the financial statements

3 Insurance risk

Through its general and life insurance operations the Group is exposed to a number of risks, as summarised in the Risk Management Report of the Strategic Report in the accounts of Ecclesiastical Insurance Office plc. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount and timing of the resulting claim. Factors such as the business and product mix, the external environment including market competition and reinsurance capacity all may vary from year to year, along with the actual frequency, severity and ultimate cost of claims and benefits. This subjects the Group to underwriting and pricing risk (the risk of failing to ensure disciplined risk selection and obtain the appropriate premium), claims reserving risk (the risk of actual claims payments exceeding the amount we are holding in reserves) and reinsurance risk (the risk of failing to access and manage reinsurance capacity at a reasonable price).

(a) Risk mitigation

Statistics demonstrate that the larger and more diversified the portfolio of insurance contracts, the smaller the relative variability in the expected outcome will be. The Group's underwriting strategy is designed to ensure that the underwritten risks are well diversified in terms of type and amount of risk and geographical spread. In all operations pricing controls are in place, underpinned by sound statistical analysis, market expertise and appropriate external consultant advice. Gross and net underwriting exposure is protected through the use of a comprehensive programme of reinsurance using both proportional and non-proportional reinsurance, supported by proactive claims handling. The overall reinsurance structure is regularly reviewed and modelled to ensure that it remains optimum to the Group's needs. The optimum reinsurance structure provides the Group with sustainable, long-term capacity to support its specialist business strategy, with effective balance sheet and profit and loss protection at a reasonable cost.

Catastrophe protection is purchased following an extensive annual modelling exercise of gross and net (of proportional reinsurance) exposures. In conjunction with reinsurance brokers the Group utilises the full range of proprietary catastrophe models and continues to develop bespoke modelling options that better reflect the specialist nature of the portfolio. Reinsurance is purchased in line with the Group's risk appetite.

(b) Concentrations of risk

The core business of the Group is general insurance, with the principal classes of business written being property and liability. The miscellaneous financial loss class of business covers personal accident, fidelity guarantee and loss of money, income and licence. The other class of business includes cover of legal expenses and also a small portfolio of motor policies, but this has been in run-off in the United Kingdom since November 2012. The Group's whole-of-life insurance policies support funeral planning products.

Below is a table summarising written premiums for the financial year, before and after reinsurance, by territory and by class of business.

Group		General insurance				Life insurance	
				Miscellaneous financial			
		Property	Liability	loss	Other	Whole-of-life	Total
Territory		£000	£000	£000	£000	£000	£000
2022							
United Kingdom and Ireland	Gross	**255,418**	**71,575**	**20,006**	**3,086**	**65**	**350,150**
	Net	**119,847**	**68,128**	**10,259**	**100**	**65**	**198,399**
Australia	Gross	**55,266**	**42,978**	**918**	**536**		**99,698**
	Net	**5,886**	**36,037**	**868**	**101**		**42,892**
Canada	Gross	**73,779**	**34,982**	**-**	**-**		**108,761**
	Net	**47,335**	**31,914**	**-**	**-**		**79,249**
Total	Gross	**384,463**	**149,535**	**20,924**	**3,622**	**65**	**558,609**
	Net	**173,068**	**136,079**	**11,127**	**201**	**65**	**320,540**
2021							
United Kingdom and Ireland	Gross	217,961	62,949	16,941	3,394	(2)	301,243
	Net	109,212	60,060	8,883	372	(2)	178,559
Australia	Gross	54,229	37,106	1,290	740		93,365
	Net	5,891	31,733	258	140		39,002
Canada	Gross	64,086	27,524	-		-	91,610
	Net	44,750	25,306				70,056
Total	Gross	336,276	127,579	18,231	4,134	(2)	486,218
	Net	159,883	117,099	10,121	516	(2)	287,617

Notes to the financial statements
3 Insurance risk (continued)

(c) General insurance risks

Property classes

Property cover mainly compensates the policyholder for damage suffered to their property or for the value of property lost. Property insurance may also include cover for pecuniary loss through the inability to use damaged insured commercial properties (business interruption).

For property insurance contracts there can be variability in the nature, number and size of claims made in each period.

The nature of claims may include fire, business interruption, weather damage, escape of water, explosion (after fire), riot and malicious damage, subsidence, accidental damage, theft and earthquake. Subsidence claims are particularly difficult to predict because the damage is often not apparent for some time. The ultimate settlements can be small or large with a risk of a settled claim being reopened at a later date.

The number of claims made can be affected in particular by weather events, changes in climate, economic environment, and crime rates. Climate change may give rise to more frequent and extreme weather events, such as river flooding, hurricanes and drought, and their consequences, for example subsidence claims. If a weather event happens near the end of the financial year, 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.

Individual claims can vary in amount since the risks insured are diverse in both size and nature. The cost of repairing property varies according to the extent of damage, cost of materials and labour charges.

Contracts are underwritten on a reinstatement basis or repair and restoration basis as appropriate. Costs of rebuilding properties, of replacement or indemnity for contents and time taken to bring business operations back to pre-loss levels for business interruption are the key factors that influence the cost 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 earthquake, weather or major spreading fire events.

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 and business interruption claims taking much longer depending on the length of the indemnity period involved.

Liability classes

The main exposures are in respect of liability insurance contracts which protect policyholders from the liability to compensate injured employees (employers' liability) and third parties (public liability).

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

The frequency and severity of claims arising on liability insurance contracts can be affected by several factors. Most significant are the increasing level of awards for damages suffered, legal costs and the potential for periodic payment awards.

The severity of bodily injury claims can be influenced particularly by the value of loss of earnings and the future cost of care. The settlement value of claims arising under public and employers' liability is particularly difficult to predict. There is often uncertainty as to the extent and type of injury, whether any payments will be made and, if they are, the amount and timing of the payments, including the discount rate applied for assessing lump sums. 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, which has a consequent impact on the uncertainty as to the length of the claims settlement process and the ultimate settlement amounts.

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

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, during which time there can be particular uncertainty about the number of future potential claims and their cost. The Group has reflected this uncertainty and believes that it holds adequate reserves for latent claims that may result from exposure periods up to the reporting date.

Note [illegible] 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.

Notes to the financial statements
3 Insurance risk (continued)

(d) Life insurance risks

The Group provides whole-of-life insurance policies to support funeral planning products, for most of which the future benefits are linked to inflation and backed by index-linked assets. None of the risks arising from this business are amongst the Group's principal risks and no new policies with insurance risk have been written in the life fund since 2015.

The primary risk on these contracts is the level of future investment returns on the assets backing the liabilities over the life of the policyholders is insufficient to meet future claims payments, particularly if the timing of claims is different from that assumed. The interest rate and inflation risk within this has been largely mitigated by holding index linked assets of a similar term to the expected liabilities profile. The main residual risk is the spread risk attached to corporate bonds held to match the liabilities.

Uncertainty in the estimation of the timing of future claims arises from the unpredictability of long term changes in overall levels of mortality. The Group bases these estimates on standard industry and national mortality tables and its own experience. The most significant factors that could alter the expected mortality rates profile are epidemics, widespread changes in lifestyle and continued improvement in medical science and social conditions. This small mortality risk is retained by the Group. The Group holds a reserve to meet the costs of future expenses in running the life business and administration of the policies. There is a risk that this is insufficient to meet the expenses incurred in future periods.

4 Financial risk and capital management

The Group 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, currency risk and equity price risk.

There has been no change from the prior period in the nature of the financial risks to which the Group is exposed. The continued conflict in Ukraine and the cost of living crisis means there is continued uncertainty in relation to the economic risks to which the Group is exposed. This includes equity price volatility, movements in exchange rates and long term UK growth prospects. The Group's management and measurement of financial risks is informed by either stochastic modelling or stress testing techniques.

(a) Categories of financial instruments
(i) Categories applying IAS 39

	Financial assets				Financial liabilities					
Group	Designated at fair value £000	Held for trading £000	Loans and receivables £000	Hedge accounted derivatives £000	Designated at fair value £000	Held for trading £000	Financial liabilities* £000	Hedge accounted derivatives £000	Other assets and liabilities £000	Total £000
At 31 December 2022										
Financial investments	**1,369,563**	**100**	**79,423**	**655**	**-**	**-**	**-**	**-**	**-**	**1,449,741**
Other assets	**-**	**-**	**191,938**	**-**	**-**	**-**	**-**	**-**	**10,089**	**202,027**
Cash and cash equivalents	**-**	**-**	**145,871**	**-**	**-**	**-**	**-**	**-**	**-**	**145,871**
Borrowings	**-**	**-**	**-**	**-**	**-**	**-**	**(20,912)**	**-**	**-**	**(20,912)**
Subordinated liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**(25,818)**	**-**	**-**	**(25,818)**
Insurance contract liabilities	**-**	**-**	**-**	**-**	**(596,270)**	**-**	**-**	**-**	**-**	**(596,270)**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**(2,475)**	**(111,853)**	**(759)**	**(14,186)**	**(129,273)**
Net other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(386,722)**	**(386,722)**
Total	**1,369,563**	**100**	**417,232**	**655**	**(596,270)**	**(2,475)**	**(158,583)**	**(759)**	**(390,819)**	**638,644**
At 31 December 2021 (restated)**										
Financial investments	1,093,256	336	25,321	414	-	-	-			1,119,327
Other assets			168,377						9,512	177,889
Cash and cash equivalents		-	144,012		-	-		-	-	144,012
Borrowings		-	-	-		-	(24,995)	-		(24,995)
Subordinated liabilities	-	-	-	-	-	-	(24,433)	-	-	(24,433)
Insurance contract liabilities		-		-	(256,706)	-	-	-		(256,706)
Other liabilities						(331)	(98,876)		(12,352)	(111,559)
Net other		-	-	-					(357,922)	(357,922)
Total	1,093,256	336	337,710	414	(256,706)	(331)	(148,304)		(360,982)	665,213

* Financial liabilities are held at amortised cost.
** The comparative financial statements have been restated, details are in note 43.

[illegible]

Notes to the financial statements

4 Financial risk and capital management (continued)

(ii) Categories applying IFRS 9

Parent	Financial assets FVTPL £000	Financial assets FVOCI £000	Financial assets Amortised cost £000	Financial liabilities FVTPL £000	Financial liabilities Amortised cost £000	Other assets and liabilities £000	Total £000
At 31 December 2022							
Financial investments	**14,470**	-	**78,310**	-	-	**11,291**	**104,071**
Other assets	-	-	**2,707**	-	-	-	**2,707**
Cash and cash equivalents	-	-	**1,199**	-	-	-	**1,199**
Borrowings	-	-	-	-	**(121,008)**	-	**(121,008)**
Other liabilities	-	-	-	-	**(6,057)**	-	**(6,057)**
Net other	-	-	-	-	-	**58,623**	**58,623**
Total	**14,470**	-	**82,216**	-	**(127,065)**	**69,914**	**39,535**
At 31 December 2021							
Financial investments	11,524	-	24,651	-	-	46,960	83,135
Other assets		-	2,588		-	-	2,588
Cash and cash equivalents	-	-	1,437	-		-	1,437
Borrowings	-	-		-	(66,108)		(66,108)
Other liabilities					(599)		(599)
Net other						8,974	8,974
Total	11,524	-	28,676	-	(66,707)	55,934	29,427

As disclosed in note 1, the Group has chosen to defer application of IFRS 9 and classifies and measures financial instruments using IAS 39. To facilitate comparison with entities applying IFRS 9, the table below sets out the Group's financial assets at the balance sheet date, split between those which have contractual cash flows that are solely payments of principal and interest on the principal outstanding (SPPI), other than those which are held for trading or whose performance is evaluated on a fair value basis, and all other financial assets.

	2022 SPPI financial assets £000	2022 Other financial assets £000	2022 Total financial assets £000	2021 SPPI financial assets £000	2021 Other financial assets £000	2021 Total financial assets £000
Financial investments	**79,423**	**1,370,318**	**1,449,741**	25,321	1,093,806	1,119,127
Cash and cash equivalents	**145,871**	-	**145,871**	144,012	-	144,012
Other financial assets	**191,938**	-	**191,938**	168,377	-	168,377
Total fair value	**417,232**	**1,370,318**	**1,787,550**	337,710	1,093,806	1,431,516

There has been a £79,522,000 increase (2021: £50,284,000 increase) in the fair value of SPPI financial assets of the Group and a £276,512,000 increase (2021: £[illegible] increase) in the fair value of other financial assets of the Group during the reporting period.

Notes to the financial statements

4 Financial risk and capital management (continued)

(b) Fair value hierarchy

The fair value measurement basis used to value those 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 bid 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 debt and equities, including investments in venture capital and suspended securities. Where a look-through valuation approach is applied, underlying net asset values are sourced from the investee, translated into the Group's functional currency and adjusted to reflect illiquidity where appropriate, with the fair values disclosed being directly sensitive to this input.

There have been no transfers between investment categories in the current year.

Analysis of fair value measurement bases	Fair value measurement at the end of the reporting period based on			
Group	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
At 31 December 2022				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	268,296	-	100,196	368,492
Debt securities	458,421	1,299	-	459,720
Structured notes	-	56,138	-	56,138
Funeral plan investments	-	485,213	-	485,213
Derivatives	-	100	-	100
	726,717	542,750	100,196	1,369,663
Financial assets at fair value through other comprehensive income				
Financial investments				
Derivatives	-	655	-	655
Total financial assets at fair value	726,717	543,405	100,196	1,370,318
At 31 December 2021				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	281,169	186	80,470	361,825
Debt securities	515,955	1,412	34	517,401
Structured notes		14,649		14,649
Funeral plan investments		199,181	-	199,181
Derivatives		336	-	336
	797,124	215,764	80,504	1,093,392
Financial assets at fair value through other comprehensive income				
Financial investments				
Derivatives		414		414
Total financial assets at fair value	797,124	216,178	80,504	1,093,806
Parent				
At 31 December 2022				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	-	-	14,470	14,470
Total financial assets at fair value	-	-	14,470	14,470
At 31 December 2021				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	-		11,524	11,524
Total financial assets at fair value		-	11,524	11,524

In the current year the derivative liabilities of the Group were measured at fair value through profit or loss and in the prior year were measured at fair value through other comprehensive income. Derivative liabilities are categorised as Level 2 (see note 15).

Notes to the financial statements

4 Financial risk and capital management (continued)

Fair value measurements based on level 3

Fair value measurements in level 3 for both the Group and Parent consist of financial assets, analysed as follows

	Financial assets at fair value through profit and loss		
Group	**Equity securities £000**	**Debt securities £000**	**Total £000**
At 31 December 2022			
Opening balance	**80,471**	**33**	**80,504**
Total gains/(losses) recognised in profit or loss	**19,526**	**(28)**	**19,498**
Purchases	**200**		**200**
Disposal proceed	**-**	**(6)**	**(6)**
Closing balance	**100,197**	**(1)**	**100,196**
Total gains/(losses) for the period included in profit or loss for assets held at the end of the reporting period	**19,525**	**(28)**	**19,497**
At 31 December 2021			
Opening balance	69,685	551	70,236
Total gains/(losses) recognised in profit or loss	10,786	(518)	10,268
Closing balance	80,471	33	80,504
Total gains/(losses) for the period included in profit or loss for assets held at the end of the reporting period	10,786	(518)	10,268
Parent			
At 31 December 2022			
Opening balance	**11,524**	**-**	**11,524**
Total gains recognised in profit or loss	**2,746**	**-**	**2,746**
Purchases	**200**	**-**	**200**
Closing balance	**14,470**	**-**	**14,470**
Total gains for the period included in profit or loss for assets held at the end of the reporting period	**1,233**	**-**	**1,233**
At 31 December 2021			
Opening balance	9,997	-	9,997
Total gains recognised in profit or loss	1,527	-	1,527
Closing balance	11,524		11,524
Total gains for the period included in profit or loss for assets held at the end of the reporting period	1,527	-	1,527

All the above gains or losses included in profit or loss for the period for both the Group and Parent are presented in net investment return within the statement of profit or loss.

The valuation techniques used for instruments categorised in levels 2 and 3 are described below.

Listed debt and equity securities not in active market (level 2)

These financial assets are valued using third party pricing information that is regularly reviewed and internally calibrated based on management's knowledge of the markets.

Non-exchange-traded derivative contracts (level 2)

The Group's derivative contracts are not traded in active markets. Foreign currency forward contracts are valued using observable forward exchange rates corresponding to the maturity of the contract and the contract forward rate. Over-the-counter equity or index options and futures are valued by reference to observable index prices.

Notes to the financial statements

4 Financial risk and capital management (continued)

Structured notes (level 2)

These financial assets are valued using observable net asset data, adjusted for unobservable inputs including comparable price-to-book ratios based on similar listed companies, and management's consideration of constituents as to what exit price might be obtainable.

Funeral plan investments (level 2)

The Group holds investments in respect of funeral plan policies which are predominantly invested in individual whole of life insurance policies. These are valued using valuations provided by the insurance policy provider.

Unlisted equity securities (level 3)

These financial assets are valued using observable net asset data, adjusted for unobservable inputs including comparable price-to-book ratios based on similar listed companies, and management's consideration of constituents as to what exit price might be obtainable.

The valuation is sensitive to the level of underlying net assets, the Euro exchange rate, the price to book ratio chosen, an illiquidity discount and a credit rating discount applied to the valuation to account for the risks associated with holding the asset. If the illiquidity discount and credit rating discount applied changes by +/-10%, the value of unlisted equity securities could move by +/-£1[illegible]m (2021: +/-£9m).

Unlisted debt (level 3)

Unlisted debt is valued using an adjusted net asset method whereby management uses a look through approach to the underlying assets supporting the loan, discounted using observable market interest rates of similar loans with similar risk, and allowing for unobservable future transaction costs.

The valuation is most sensitive to the level of underlying net assets, but it is also sensitive to the interest rate used for discounting and the projected date of disposal of the asset, with the exit costs sensitive to an expected return on capital of any purchaser and estimated transaction costs. Reasonably likely changes in unobservable inputs used in the valuation would not have a significant impact on shareholders' equity or the net result.

(c) Interest rate risk

The Group's exposure to interest rate risk arises primarily from movements in financial investments that are measured at fair value and have fixed interest rates, which represent a significant proportion of the Group's assets, subordinated debt which has a fixed interest until 2030, and from insurance liabilities discounted at a market interest rate. The Group's investment strategy is set in order to control the impact of interest rate risk on anticipated cash flows and asset and liability values. The fair value of the Group's investment portfolio of fixed income securities reduces as market interest rates rise as does the present value of discounted insurance liabilities, and vice versa.

Interest rate risk concentration is reduced by adopting asset liability duration matching principles where appropriate. Excluding assets held to back the long term business, the average duration of the Group's fixed income portfolio is three years (2021: three years), reflecting the relatively short-term average duration of its general insurance liabilities. The mean term of discounted general insurance liabilities is disclosed in note 5(a)(iv).

For the Group's life insurance business, consisting of policies to support funeral planning products, benefits payable to policyholders are independent of the returns generated by interest bearing assets. Therefore, the interest rate risk on the invested assets supporting these liabilities is borne by the Group. This risk is mitigated by purchasing fixed interest investments with durations that match the profile of the liabilities. For funeral plan policies, benefits are linked to the Retail Prices Index (RPI). Assets backing these liabilities are also linked to the RPI and include index linked gilts and corporate bonds. For practical purposes it is not possible to exactly match the durations due to the uncertain profile of liabilities (e.g. mortality risk) and the availability of suitable assets, therefore some interest rate risk will persist. The Group monitors its exposure by comparing projected cash flows for these assets and liabilities and making appropriate adjustments to its investment portfolio.

Where the Group [illegible] the policy [illegible] the Group has no direct exposure to interest rate risk.

Notes to the financial statements

4 Financial risk and capital management (continued)

The table below summarises the maturities of life business assets and liabilities that are exposed to interest rate risk

Group life insurance business	Maturity Within 1 year £000	Between 1 & 5 years £000	After 5 years £000	Total £000
At 31 December 2022				
Assets				
Debt securities	**6,491**	**22,815**	**45,678**	**74,984**
Cash and cash equivalents	**18,072**	**-**	**-**	**18,072**
	24,563	**22,815**	**45,678**	**93,056**
Liabilities (discounted)				
Life business provision	**45**	**146**	**310**	**501**
At 31 December 2021				
Assets				
Debt securities	6,120	26,768	63,819	96,707
Cash and cash equivalents	10,766	-	-	10,766
	16,886	26,768	63,819	107,473
Liabilities (discounted)				
Life business provision	1,259	4,387	13,788	19,434

Group financial investments with variable interest rates, including cash and cash equivalents, and insurance instalment receivables are subject to cash flow interest rate risk. This risk is not significant to the Group.

(d) Credit risk

The Group has exposure to credit risk, which is the risk of non-payment of their obligations by counterparties and financial markets borrowers. Areas where the Group is exposed to credit risk are:

- counterparty default on loans and debt securities;
- deposits held with banks;
- reinsurers' share of general 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; and
- the carrying value of whole-of-life assurance policies, purchased by the Group from independent third party life insurance companies, to meet the Group's obligations in respect of funeral plans sold.

The Group is exposed to minimal credit risk in relation to all other financial assets.

The carrying amount of financial and reinsurance assets represents the Group's maximum exposure to credit risk. The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty. Limits on the level of credit risk are regularly reviewed. The Group also manages its exposure to credit risk in relation to credit risk ratings. Investment grade financial assets are classified within the range of AAA to BBB ratings, where AAA is the highest possible rating. Financial assets which fall outside this range are classified as sub investment grade. 'Not rated' assets capture assets not rated by external agencies.

Notes to the financial statements

4 Financial risk and capital management (continued)

The following table provides information regarding the credit risk exposure based on for financial assets with external credit ratings from Standard & Poor's or an equivalent rating from a similar agency. This includes financial assets that meet the definition of solely payments of principal and interest (SPPI) as detailed in note 4 a.(i)

Group	Cash and cash equivalents* £000	Reinsurance debtors £000	Other financial assets £000	Total SPPI £000	Non- SPPI Debt securities £000
	SPPI				Non- SPPI
At 31 December 2022					
AAA	-	-	-	-	182,349
AA	42,616	3,608	-	46,224	121,065
A	18,903	10,655	-	29,558	91,355
BBB	84,146	-	-	84,146	51,951
Below BBB	-	-	-	-	4,857
Not rated	206	1,009	256,089	257,304	8,143
	145,871	15,272	256,089	417,232	459,720
At 31 December 2021					
AAA	-	-	-		[illegible]
AA	[illegible]	[illegible]	-	[illegible]	122,895
A	[illegible]	9,424	-	30,775	29,795
BBB	[illegible]	[illegible]	-	79,957	[illegible]
Below BBB	-	-		-	[illegible]
Not rated	8	505	[illegible]	181,628	12,659
	[illegible]	12,583	[illegible]	[illegible]	[illegible]
Parent					
At 31 December 2022					
A	660			660	-
BBB	539			539	-
Not rated			81,017	81,017	-
	1,199	-	81,017	82,216	-
At 31 December 2021					
A	640	-		640	-
BBB	797	-		797	-
Not rated	-	-	27,239	27,239	-
	[illegible]	-	[illegible]	[illegible]	

*Also includes amounts held on deposit classified within financial investments [illegible] note 24. Cash balances which are not rated include cash amounts in hand.

[illegible]

[illegible]

[illegible]

Notes to the financial statements

4 Financial risk and capital management (continued)

The Group's exposure to counterparty default on debt securities is spread across a variety of geographical and economic territories, as follows

Group	2022 £000	2021 £000
UK	**176,750**	265,508
Australia	**125,225**	104,530
Canada	**131,232**	119,622
Europe	**26,513**	27,741
Total	**459,720**	517,401

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on a regular basis through the year by reviewing their financial strength. The Group Reinsurance Security Committee assesses, monitors and approves the creditworthiness of all reinsurers, reviewing relevant credit ratings provided by the recognised credit rating agencies, as well as other publicly available data and market information. The Group Reinsurance Committee also monitors the balances outstanding from general business reinsurers and maintains an approved list of reinsurers.

The Group'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 by geographical region and counterparty, of aged or outstanding balances. Any such balances are likely to be major international brokers that are in turn monitored via credit reference agencies and considered to pose minimal risk of default. The Group has no material concentration of credit risk in respect of amounts due from insurance intermediaries and policyholders.

Purchase of a whole-of-life assurance policy does not discharge the Group's liability to provide a funeral. If a third party life insurance company fails to pay a claim on notification of death of the insured life, for any reason, the trading subsidiaries remain liable for the funeral fee payable to the funeral director. The trading subsidiaries purchase life assurance policies from reputable, authorised life insurance companies, which are regulated by the PRA and FCA and considers the risk of non-payment to be remote.

(e) Equity price risk

The Group is exposed to equity price risk because of financial investments held by the Group which are stated at fair value through profit or loss. The Group mitigates this risk by holding a diversified portfolio across geographical regions and market sectors, and through the use of derivative contracts from time to time which would limit losses in the event of a fall in equity markets.

The concentration of equity price risk by geographical listing, before the mitigating effect of derivatives, to which the Group and Parent are exposed is as follows

	2022 Group £000	2022 Parent £000		2021 Group £000	2021 Parent £000
UK	**269,117**	**495**	-	281,791	295
Europe	**99,375**	**13,975**	-	79,848	11,229
Hong Kong	**-**	**-**	-	86	-
Total	**368,492**	**14,470**	Total	361,825	11,524

(f) Currency risk

The Group operates internationally and its main exposures to foreign exchange risk are noted below. The Group's foreign operations generally invest in assets and purchase reinsurance denominated in the same currencies as their insurance liabilities, which mitigates the foreign currency exchange rate risk for these operations. As a result, foreign exchange risk arises from recognised assets and liabilities denominated in other currencies and net investments in foreign operations. The Group mitigates this risk through the use of derivatives when considered necessary.

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

Notes to the financial statements
4 Financial risk and capital management (continued)

The Group's foreign operations create two sources of foreign currency risk:

- the operating results of the Group's foreign branches and subsidiaries in the Group financial statements are translated at the average exchange rates prevailing during the period; and

- the equity investment in foreign branches and subsidiaries is translated into sterling using the exchange rate at the year-end date.

The forward foreign currency risk arising on translation of these foreign operations is hedged by the derivatives which are detailed in note 25. The Group has designated certain derivatives as a hedge of its net investments in Canada and Australia, which have Canadian and Australian dollars respectively as the functional currency.

The largest currency exposures, before the mitigating effect of derivatives, with reference to net assets/liabilities are shown below, representing effective diversification of resources:

	2022			2021 (restated)	
	Group	**Parent**		Group	Parent
	£000	**£000**		£000	£000
Aus $	**71,584**	**-**	Aus $	64,07[illegible]	-
Euro	**41,246**	**13,975**	Euro	27,5[illegible]0	1229
Can $	**74,188**	**-**	Can $	46,[illegible]	
USD $	**2,399**	**-**	USD $	2,001	-
HKD $	**15**	**-**	HKD $	172	-

The figures in the table above for the current and prior years do not include currency risk that the Group is exposed to on a 'look through' basis in respect of collective investment schemes denominated in Sterling. The Group enters into derivatives to hedge currency exposure, including exposures on a look through basis. The open derivatives held by the Group at the year end to hedge currency exposure are detailed in note 25.

(g) Liquidity risk

Liquidity risk is the risk that funds may not be available to pay obligations when due. The Group is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. An estimate of the timing of the net cash outflows resulting from insurance contracts is provided in note 31. The Group has robust processes in place to manage liquidity risk and has available cash balances, other readily marketable assets and access to funding in case of exceptional need. This is not considered to be a significant risk to the Group.

Non-derivative financial liabilities consist of leases, for which a maturity analysis is included in note 37, other liabilities for which a maturity analysis is included in note 34, and subordinated debt for which a maturity analysis is included in 3[illegible].

4 Financial risk and capital management (continued)

(h) Market risk sensitivity analysis

The sensitivity of profit and other equity reserves to movements on market risk variables (comprising interest rate, currency and equity price risk), each considered in isolation and before the mitigating effect of derivatives, is shown in the table below. This table does not include the impact of variables on retirement benefit schemes. Financial risk sensitivities for retirement benefit schemes are disclosed separately in note 21.

Group		**Potential increase/ (decrease) in profit**		**Potential increase/ (decrease) in other equity reserves**	
Variable	**Change in variable**	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Interest rate risk	+100 basis points	**(4,618)**	(6,797)	**(8)**	54
	-100 basis points	**5,648**	5,088	**7**	(48)
Currency risk	-10%	**3,466**	5,192	**13,123**	10,845
	+10%	**(2,836)**	(4,248)	**(10,737)**	(8,873)
Equity price risk	+/-10%	**29,848**	29,308	**-**	-

Parent		**Potential increase/ (decrease) in profit**		**Potential increase/ (decrease) in other equity reserves**	
Variable	**Change in variable**	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Currency risk	-10%	**1,258**	1,011	**-**	
	+10%	**(1,029)**	(827)	**-**	-
Equity price risk	+/-10%	**1,172**	933	**-**	-

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 and all territories experience the same interest rate movement;
- currency gains and losses will arise from a change in the value of sterling against all other currencies moving in parallel;
- equity prices will move by the same percentage across all territories; and
- change in profit is stated net of tax at the standard rate applicable in each of the Group's territories.

Notes to the financial statements

4 Financial risk and capital management (continued)

(i) Capital management

The Group's primary objectives when managing capital are to:

- comply with the regulators' capital requirements of the markets in which the Group operates; and
- safeguard the Group's ability to continue to meet stakeholders' expectations in accordance with its corporate mission, vision and values.

The Group is subject to insurance solvency regulations in all the territories in which it issues insurance and investment contracts, and capital is managed and evaluated on the basis of both regulatory capital and economic capital.

In the UK, the Group and its UK regulated entities are required to comply with rules issued by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA).

Capital is assessed at both individual regulated entity and group level. The PRA expects a firm, at all times, to hold Solvency II Own Funds in excess of its calculated Solvency Capital Requirement (SCR). Quarterly returns are submitted to the PRA in addition to an annual narrative report, the Solvency and Financial Condition Report (SFCR) which is also published on the company website. A further report, the Regular Supervisory Report (RSR) is periodically submitted to the PRA.

The Group's Solvency II Own Funds will be subject to a separate independent audit, as part of the Group's process for Solvency II reporting to the PRA. The Group expects to meet the PRA's deadline for submission to the PRA of [illegible] May 2023, and its SFCR will be made available on the Group's website shortly after.

	2022 £000	2021 £000
Solvency II Own Funds (unaudited)	**594,024**	605,71[illegible]

Economic capital is the Group's own internal view of the level of capital required, and this measure is an integral part of the Own Risk and Solvency Assessment Report (ORSA) which is a private, internal, forward-looking assessment of own risk, as required as part of the Solvency II regime. Risk appetite is set such that the target level of economic capital is always higher than the regulatory SCR.

Notes to the financial statements

5 Segment information

(a) Operating segments

The Group segments its business activities on the basis of differences in the products and services offered and, for general insurance, the underwriting territory. Expenses relating to Group management activities are included within 'Corporate costs'. This reflects the management and internal Group reporting structure.

The activities of each operating segment are described below.

- General business

United Kingdom and Ireland

The Group's principal general insurance business operation is in the UK, where it operates under the Ecclesiastical and Ansvar brands. The Group also operates an Ecclesiastical branch in the Republic of Ireland underwriting general business across the whole of Ireland.

Australia

The Group has a wholly owned subsidiary in Australia underwriting general insurance business under the Ansvar brand.

Canada

The Group operates a general insurance Ecclesiastical branch in Canada.

Other insurance operations

This includes the Group's internal reinsurance function, adverse development cover sold to ACS (NZ) Limited and operations that are in run off or not reportable due to their immateriality.

- Investment management

The Group provides investment management services both internally and to third parties through EdenTree Investment Management Limited and EdenTree Asset Management Limited.

- Broking and Advisory

The Group provides insurance broking through SEB Insurance Brokers Limited and an interest in the Lloyd & Whyte Group Limited, along with our financial advisory services through Ecclesiastical Financial Advisory Services Limited, prepaid funeral plan distribution and administration through Ecclesiastical Planning Services Limited, and risk advisory services through Lycetts Risk Management Services Limited, a subsidiary of Lycetts Holdings Limited. As part of the structural changes, this also includes profit on disposal of SEB Insurance Brokers Limited and profits of this broker business up to the date of disposal.

- Life insurance business

Ecclesiastical Life Limited provides policies to support certain funeral planning products written by the Group and third parties. The business reopened in the year but remains closed to new insurance business.

- Corporate costs

This includes costs associated with Group management activities.

- Other activities

This includes the return on Parent company investment holdings and costs relating to acquisition of businesses.

Inter-segment and inter-territory transfers or transactions are entered into under normal commercial terms and conditions that would also be available to unrelated third parties.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 1, with the exception of the investment management and broking and advisory segments. These segments do not qualify for the temporary exemption from IFRS 9 available to insurers and as a result have adopted IFRS 9. Consequently, their accounting policies for financial instruments may differ, but all other accounting policies are the same as the Group.

Notes to the financial statements
5 Segment information (continued)

Segment revenue

The Group uses gross written premiums as the measure for turnover of the general and life insurance business segments. Turnover of the non-insurance segments comprises fees and commissions earned in relation to services provided by the Group to third parties. Segment revenues do not include net investment return or general business fee and commission income, which are reported within revenue in the consolidated statement of profit or loss.

	2022 Gross written premiums £000	2022 Non-insurance services £000	2022 Total £000	2021 Gross written premiums £000	2021 Non-insurance services £000	2021 Total £000
General business						
United Kingdom and Ireland	**344,788**	**-**	**344,788**	297,235		297,235
Australia	**99,698**	**-**	**99,698**	93,365		93,365
Canada	**108,761**	**-**	**108,761**	91,610		91,610
Other insurance operations	**5,297**	**-**	**5,297**	4,010	-	4,010
Total	**558,544**	**-**	**558,544**	486,220	-	486,220
Life business	**65**	**-**	**65**	(2)	-	(2)
Investment management	**-**	**16,628**	**16,628**		15,098	15,098
Broking and Advisory	**-**	**41,000**	**41,000**	-	38,543	38,543
Group revenue	**558,609**	**57,628**	**616,237**	486,218	53,641	539,859

Group revenues are not materially concentrated on any single external customer.

Segment result

General business segment results comprise the insurance underwriting profit or loss, investment activities and other expenses of each underwriting territory. The Group uses the industry standard net combined operating ratio (COR) as a measure of underwriting efficiency. The COR expresses the total of net claims costs, commission and underwriting expenses as a percentage of net earned premiums. Further details on the underwriting profit or loss and COR, which are alternative performance measures that are not defined under IFRS, are detailed in note 41.

The broking and advisory segment includes profit on disposal of subsidiary of £1,293,000 as detailed in note 18.

The life business segment result comprises the profit or loss on insurance contracts (including return on assets backing liabilities in the long-term fund), shareholder investment return and other expenses.

All other segment results consist of the profit or loss before tax measured in accordance with IFRS.

2022	*Combined operating ratio*	Insurance *£000*	Investments *£000*	Other *£000*	Total *£000*
General business					
United Kingdom and Ireland	**86.7%**	**24,239**	**(7,726)**	**(2,075)**	**14,438**
Australia	**107.3%**	**(2,864)**	**3,667**	**(235)**	**568**
Canada	**90.6%**	**7,025**	**3,570**	**(146)**	**10,449**
Other insurance operations		**(981)**	**135**	**-**	**(846)**
	91.0%	**27,419**	**(354)**	**(2,456)**	**24,609**
Life business		**(8,091)**	**(7,191)**	**-**	**(15,282)**
Investment management		**-**	**-**	**(3,525)**	**(3,525)**
Broking and Advisory		**-**	**-**	**20,335**	**20,335**
Corporate costs		**-**	**-**	**(25,743)**	**(25,743)**
Other activities		**-**	**3,529**	**-**	**3,529**
Profit/(loss) before tax		**19,328**	**(4,016)**	**(11,389)**	**3,923**

Notes to the financial statements

5 Segment information (continued)

2021 (restated*)	*Combined operating ratio*	Insurance £000	Investments £000	Other £000	Total £000
General business					
United Kingdom and Ireland	85.3%	24,952	88,953	(2,098)	111,807
Australia	156.9%	(13,306)	924	(34)	(11,416)
Canada	88.[illegible]%	7,065	999	(156)	7,908
Other insurance operations		(9,952)	(133)	-	(10,085)
	96.8%	8,759	91,743	(2,288)	98,214
Life business		(8)	3,981	-	3,973
Investment management		-		(2,607)	(2,607)
Broking and Advisory		-		6,021	6,021
Corporate costs		-		(24,134)	(24,134)
Other activities			2,988		2,988
Profit/(loss) before tax		8,751	98,712	(23,008)	84,455

* The comparative financial statements have been restated as detailed in note 45

(b) Geographical information

Gross written premiums from external customers and non-current assets, as attributed to individual countries in which the Group operates, are as follows

	2022		2021	
	Gross written premiums £000	**Non-current assets £000**	Gross written premiums £000	Non-current assets £000
United Kingdom and Ireland	**350,150**	**227,027**	301,243	271,220
Australia	**99,698**	**500**	93,365	2,925
Canada	**108,761**	**5,530**	91,610	6,227
	558,609	**233,057**	486,218	280,372

Gross written premiums are allocated based on the country in which the insurance contracts are issued. Non-current assets exclude rights arising under insurance contracts, deferred tax assets, pension assets and financial instruments and are allocated based on where the assets are located

Notes to the financial statements

6 Net insurance premium revenue

	General business £000	Life business £000	Total £000
For the year ended 31 December 2022			
Gross written premiums	**558,544**	**65**	**558,609**
Outward reinsurance premiums	**(238,069)**	**-**	**(238,069)**
Net written premiums	**320,475**	**65**	**320,540**
Change in the gross provision for unearned premiums	**(30,619)**	**-**	**(30,619)**
Change in the provision for unearned premiums, reinsurers' share	**14,114**	**-**	**14,114**
Change in the net provision for unearned premiums	**(16,505)**	**-**	**(16,505)**
Earned premiums, net of reinsurance	**303,970**	**65**	**304,035**
For the year ended 31 December 2021			
Gross written premiums	486,220	(2)	486,218
Outward reinsurance premiums	(198,601)		(198,601)
Net written premiums	287,619	(2)	287,617
Change in the gross provision for unearned premiums	(24,504)		(24,504)
Change in the provision for unearned premiums, reinsurers' share	9,884		9,884
Change in the net provision for unearned premiums	(14,620)	-	(14,620)
Earned premiums, net of reinsurance	272,999	(2)	272,997

7 Fee and commission income

During the year, the Group recognised £63,297,000 (2021: £59,520,000) fee and commission income in accordance with IFRS 4 *Insurance Contracts* and £57,864,000 (2021: £49,841,000) in accordance with *IFRS 15 Revenue from contracts with customers*. Fee and commission income from contracts with customers was recognised as follows:

	Recognised at a point in time £000	Recognised over time £000	Total £000
For the year ended 31 December 2022			
General business	**236**	**-**	**236**
Investment management	**55**	**18,402**	**18,457**
Broking and advisory	**39,105**	**66**	**39,171**
	39,396	**18,468**	**57,864**
For the year ended 31 December 2021			
General business	598		598
Investment management	7	15,085	15,092
Broking and advisory	32,313	1,838	34,151
	32,918	16,923	49,841

Notes to the financial statements

8 Net investment return

	2022	Restated* 2021
	£000	£000
Income from financial assets at fair value through profit or loss		
- equity income	**6,902**	7,763
- debt income	**11,075**	10,123
- structured note income	**346**	30
Income from financial assets calculated using the effective interest rate method		
- cash and cash equivalents income	**3,534**	(23)
- other income received	**3,761**	5,277
Other income		
- rental income	**8,900**	8,945
- exchange movements	**(1,368)**	593
Investment income	**33,150**	32,708
Fair value movements on financial instruments at fair value through profit or loss	**(76,924)**	57,213
Fair value movements on investment property	**(21,209)**	20,238
Fair value movements on property, plant and equipment	**-**	-
Impact of discount rate change on insurance contract liabilities	**47,597**	14,464
Net investment return	**(17,386)**	104,623

*The comparative financial statements have been restated as detailed in note 43

Included within fair value movements on financial instruments at fair value through profit or loss are gains of £3,733,000 (2021 restated: £3,504,000 gains) in respect of derivative instruments

9 Claims and change in insurance liabilities and reinsurance recoveries

	General business £000	Life business £000	Total £000
For the year ended 31 December 2022			
Gross claims paid	214,032	2	214,034
Gross change in the provision for claims	67,316	-	67,316
Gross change in life business provision	-	(9,989)	(9,989)
Claims and change in insurance liabilities	281,348	(9,987)	271,361
Reinsurers' share of claims paid	(93,073)	-	(93,073)
Reinsurers' share of change in the provision for claims	(43,434)	-	(43,434)
Reinsurance recoveries	(136,507)	-	(136,507)
Claims and change in insurance liabilities, net of reinsurance	144,841	(9,987)	134,854
For the year ended 31 December 2021			
Gross claims paid	191,685	1,206	192,891
Gross change in the provision for claims	75,605	-	75,605
Gross change in life business provision	-	(147)	(147)
Claims and change in insurance liabilities	267,290	1,059	268,349
Reinsurers' share of claims paid	(83,235)		(83,235)
Reinsurers' share of change in the provision for claims	(40,587)	-	(40,587)
Reinsurance recoveries	(123,822)	-	(123,822)
Claims and change in insurance liabilities, net of reinsurance	143,468	1,059	144,527

10 Fees, commissions and other acquisition costs

	2022 £000	2021 £000
Fees paid	1,608	1,361
Commission paid	83,888	72,149
Change in deferred acquisition costs	(5,349)	[illegible]
Other acquisition costs	28,426	[illegible]
Fees, commissions and other acquisition costs	108,573	96,939

11 Profit for the year

	2022 £000	2021 £000
Profit for the year has been arrived at after charging/(crediting):		
Net foreign exchange losses/(gains)	1,368	[illegible]
Depreciation of property, plant and equipment	6,974	6,852
(Profit)/loss on disposal of property, plant and equipment	(20)	13
Amortisation of intangible assets	4,813	2,107
Impairment of goodwill	-	[illegible]
[illegible] fair value of investment property	21,209	[illegible]
Employee benefits expense [illegible]	127,518	[illegible]

12 Auditor's remuneration

	2022 £000	2021 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	70	62
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries	1,242	1,125
Total audit fees	1,312	1,187
- Audit related assurance services	332	294
- Other assurance services	87	-
Total non audit fees	419	294
Total auditors remuneration	1,731	1,481

Amounts disclosed are net of services taxes, where applicable. Audit-related assurance services include Prudential Regulatory Authority (PRA) and other regulatory audit work.

13 Employee information

The average monthly number of full time equivalent employees of the Group, including executive directors, during the year by geographical location was:

Group	2022			2021		
	General business No.	Life business No.	Other No.	General business No.	Life business No.	Other No.
United Kingdom and Ireland	901	1	509	860	1	497
Australia	137	-	-	110	-	-
Canada	79	-	-	78	-	-
	1,117	1	509	1,048	1	497

Average numbers of full time equivalent employees have been quoted rather than average numbers of employees to give a better reflection of the split between business areas, as some employees' work is divided between more than one business area.

The number of persons employed by the Parent during the year was nil (2021: nil).

Group	2022 £000	2021 £000
Wages and salaries	108,495	97,848
Social security costs	10,625	9,433
Pension costs - defined contribution plans	8,358	7,452
Pension costs - defined benefit plans	872	1,982
Other post employment benefits	132	83
	128,482	116,798
Staff costs recharged to related undertakings of the Group	(740)	(490)
Capitalised staff costs	(502)	(1,446)
	127,240	114,862

The above figures do not include termination benefits of £278,000 (2021: £310,000).

14 Tax (credit)/expense

(a) Tax (credited)/charged to the statement of profit or loss

Group		2022 £000	*Restated** 2021 £000
Current tax	- current year	**7,254**	13,634
	- prior years	**(300)**	[illegible]
Deferred tax	- temporary differences	**(11,098)**	(4,168)
	- prior years	**2,890**	(687)
	- impact of change in deferred tax rate	**-**	3,203
Total tax (credit)/expense		**(1,254)**	19,250

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

Group	2022 £000	*Restated** 2021 £000
Profit before tax	**3,923**	84,455
Tax calculated at the UK blended standard rate of tax of 19% (2021: 19%)	**745**	16,046
Factors affecting (credit)/charge for the year		
Expenses not deductible for tax purposes	**1,067**	(782)
Non-taxable income	**(4,717)**	(2,370)
Long-term insurance and other tax paid at non-standard rates	**13**	[illegible]
Impact of differential between current and deferred tax rate	**(952)**	822
Tax losses utilised for which no deferred tax asset was recognised	**-**	(458)
Deferred tax asset for tax losses not previously recognised	**-**	(2,565)
Impact of change in deferred tax rate	**-**	[illegible]
Adjustments to tax (credit)/expense in respect of prior periods	**2,590**	581
Total tax (credit)/expense	**(1,254)**	19,250

A change in the UK standard rate of corporation tax from 19% to 25% will become effective from 1 April 2023. Deferred tax has been provided at an average rate of 24% (2021: 24%).

* The comparative financial statements have been restated as detailed in note 43

(b) Tax (credited)/charged to other comprehensive income

Group	2022 £000	2021 £000
Current tax charged on		
Fair value movements on hedge derivatives	**(339)**	[illegible]
Deferred tax charged/(credited) on		
Fair value movements on property	**-**	[illegible]
Actuarial movements on retirement benefit plans	**(2,822)**	[illegible]
Fair value movements on hedge derivatives	**(485)**	[illegible]
Total tax (credited)/charged to other comprehensive income	**(3,646)**	[illegible]

Tax relief on charitable grants of £3,800,000 (2021: £3,990,000) has been taken directly to equity

15 Appropriations

Group	2022 £000	2021 £000
Charitable grants		
Gross charitable grants to the ultimate parent company Benefact Trust Limited	**20,000**	21,000
Tax relief	**(3,800)**	(3,990)
Net appropriation for the year	**16,200**	17,010

16 Associate undertaking

The Parent holds 40% of the issued ordinary share capital of Lloyd & Whyte Group Limited. Lloyd & Whyte is an unlisted company incorporated in the United Kingdom, and the holding company of a group whose primary activity is insurance brokerage services. It is accounted for using the equity method in these consolidated financial statements as set out in the Group's accounting policies. A reconciliation of the movement in the Group's investment in associate is as follows:

Group	£000 Share of net assets	£000 Goodwill	£000 Total
At 1 January 2021	623	5,073	5,696
Acquired in the year	729	4,528	5,257
Share of profit after tax for the year	2,274	-	2,274
Dividends received	(1,079)	-	(1,079)
At 31 December 2021	2,547	9,601	12,148
Share of profit after tax for the year	**1,463**	**-**	**1,463**
Dividends received	**(1,000)**	**-**	**(1,000)**
At 31 December 2022	**3,010**	**9,601**	**12,611**

At the year end date the Group's interest in Lloyd & Whyte Group Limited is as follows:

Group's 40% (2021: 40%) share of:	2022 £000	2021 £000
Revenue	**11,602**	10,049
Assets	**48,311**	24,815
Liabilities	**(45,301)**	(22,268)
Share of net assets	**3,010**	2,547

Included in the Parent statement of financial position is £10,3[illegible]1,000 (2021: £10,370,000) in respect of the investment in Lloyd & Whyte Group Limited at cost.

17 Acquisition of subsidiaries

On 14 April 2022 Lycett, Browne-Swinburne & Douglass Limited acquired the entire issued ordinary share capital of of G.D. Anderson & Co Limited in order to expand its broker business.

The amounts recognised in respect of the identifiable assets are set out in the table below.

	2022 £000
Assets and liabilities acquired	
Tangible assets	3
Financial assets	432
Financial liabilities	(301)
Total identifiable assets	134
Goodwill	2,120
Total consideration	2,254
Satisfied by:	
Cash	1,618
Deferred consideration arrangement	636
	2,254
Cash flow analysis	
Cash consideration	1618
Less: cash balances acquired	(201)
	1417

The deferred consideration arrangement requires a cash payment to be made on 14 April 2023 as shown in note 34.

18 Disposal of subsidiaries

On 30 December 2022 the Group disposed of South Essex Insurance Holdings Limited and its wholly owned subsidiary SEIB Insurance Brokers Limited, to a related party. The related party is an associate of Benefact Group plc.

Disposal of subsidiaries

	2022 £000	2021 £000
Consideration received or receivable	45,197	-
Carrying amount of net assets sold	(30,904)	
Gain on disposal before and after tax	14,293	

The gain on disposal has been presented within the consolidated statement of profit or loss.

The carrying amounts of assets and liabilities as at the date of disposal were:

	2022 £000	2021 £000
Goodwill and other intangible assets	22,707	
Property, plant and equipment	1,666	
Other assets	7,466	
Cash and cash equivalents	8,842	
Total assets	40,681	-
Lease obligations	(1,215)	-
Provisions for other liabilities	(263)	-
Current tax liabilities	(1,010)	-
Deferred income	(512)	-
Other liabilities	(6,777)	-
Total liabilities	(9,777)	
Net assets	30,904	

Notes to the financial statements

19 Goodwill and other intangible assets

Group	Goodwill £000	Computer software £000	Other intangible assets £000	Total £000
Cost				
At 1 January 2022	**62,481**	**46,137**	**19,850**	**128,468**
Additions	**2,120**	**4,177**	**-**	**6,297**
Disposals	**(22,600)**	**-**	**(5,789)**	**(28,389)**
Exchange differences	**-**	**255**	**10**	**265**
At 31 December 2022	**42,001**	**50,569**	**14,071**	**106,641**
Accumulated impairment losses and amortisation				
At 1 January 2022	**18,600**	**18,673**	**16,934**	**54,207**
Amortisation charge for the year	**-**	**3,353**	**1,460**	**4,813**
Impairment losses for the year	**-**	**-**	**-**	**-**
Disposals	**(406)**	**-**	**(5,276)**	**(5,682)**
Exchange differences	**-**	**150**	**7**	**157**
At 31 December 2022	**18,194**	**22,176**	**13,125**	**53,495**
Net book value at 31 December 2022	**23,807**	**28,393**	**946**	**53,146**
Cost				
At 1 January 2021	62,481	48,909	19,862	131,252
Additions	-	3,942		3,942
Disposals		(6,641)	-	(6,641)
Exchange differences		(73)	(12)	(85)
At 31 December 2021	62,481	46,137	19,850	128,468
Accumulated impairment losses and amortisation				
At 1 January 2021	18,573	19,866	15,461	53,900
Amortisation charge for the year		5,630	1,477	7,107
Impairment losses for the year	27	-	-	27
Disposals		(6,876)		(6,876)
Exchange differences	-	53	(4)	49
At 31 December 2021	18,600	18,673	16,934	54,207
Net book value at 31 December 2021	43,881	27,464	2,916	74,261

£18,060,000 of the goodwill balance in the current and prior year relates to the acquisition of Lycetts Holdings Limited during 2017. Goodwill of £1,498,000 relating to the acquisition of the assets of Funeral Planning Services Limited by Ecclesiastical Planning Services Limited during 2017 was fully impaired in 2020.

During the year the Group disposed of its interest in South Essex Insurance Holdings Limited resulting in the disposal of goodwill of £22,195,000 and intangible assets of £513,000. See note 18 for further information.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. The calculations for all recoverable amounts use cash flow projections [illegible] estimates of future cash flows exclude [illegible] inflows or outflows that are expected to arise from improving or enhancing the assets' performance. Cash flows beyond the period are extrapolated using the UK long-term average growth rate usually sourced from the Office for Budget Responsibility (OBR). Where the value in use is less than the current carrying value of the CGU in the statement of financial position, the goodwill is impaired in order to ensure that the CGU carrying value is not greater than its future value to the Group.

The Group has applied a UK long-term growth rate of [illegible] (2021: [illegible]) [illegible] published in the OBR's November report. The pre-tax discount rate of [illegible] (2021: [illegible]) reflects the way that the market would assess the specific risks associated with the estimated cash flows.

The aggregation of assets for identifying the cash-generating unit (CGU) are those assets which directly impact the cash flow projections.

Notes to the financial statements

19 Goodwill and other intangible assets (continued)

The carrying amount of the investment in Lycetts Holdings Limited is £26,[illegible]11,000 which includes £18,[illegible]60,000 of goodwill. The calculated value in use was £39,339,000 indicating no impairment. This was calculated using projected cash flows to perpetuity, a discount rate of 12.6% and a growth rate beyond initial cash flow projections of 2.2%. If the cumulative growth rate between 2022 and 2025 was 9.7% lower than assumed in management-approved business plans, or the discount rate increased by 4.9%, then the recoverable amount would equal the carrying amount. Lycetts Holdings Limited is included within the Group's Broking and Advisory segment.

Assumptions used are consistent with historical experience within the business acquired and external sources of information.

Other intangible assets consist of acquired brand, customer and distribution relationships. £nil (2021: £985,000) of the intangible assets balance relates to the acquisition of Lycetts Holdings Limited. £893,000 (2021: £1,116,000) of the intangible assets relates to the acquisition of the assets of Funeral Planning Services Limited and has a remaining useful life of four years.

20 Deferred acquisition costs

Group	2022	2021
	£000	£000
At 1 January	**46,027**	41,989
Increase in the period	**52,539**	46,123
Release in the period	**(47,190)**	(41,746)
Exchange differences	**1,150**	(338)
At 31 December	**52,526**	46,027

All balances are current.

21 Retirement benefit schemes

Defined contribution pension plans

The Group operates a number of defined contribution pension plans for which contributions by the Group are disclosed in note 5.

Defined benefit pension plans

The Group's main defined benefit plan is operated by Ecclesiastical Insurance Office plc (EIO) for UK employees. The plan closed to new entrants on 5 April 2006. The terms of the plan for future service changed in August 2011 from a non-contributory final salary scheme to a contributory scheme in which benefits are based on career average revalued earnings. The scheme closed to future accrual on 30 June 2019. Active members in employment at this date retained certain enhanced benefits after the plan closed to future accrual, including benefits in relation to death in service and ill health retirement. They also retain the link to final salary whilst they remain employed by EIO. From 1 July 2019, active members in employment joined one of the Group's defined contribution plans. The scheme previously had two discrete sections: the EIO Section and the Ansvar Section. With effect from 1 January 2021, the two discrete sections of the scheme have been combined.

The assets of the main defined benefit plan are held separately from those of the Group by the Trustee of the Ecclesiastical Insurance Office plc Staff Retirement Benefit Fund (the Fund). The Fund is subject to the Statutory Funding Objective under the Pensions Act 2004. An independent qualified actuary, appointed by the Trustee, is responsible for undertaking the valuations to determine whether the Statutory Funding Objective is met. Pension costs for the plan are determined by the Trustee, having considered the advice of the actuary and having consulted with the employer. The most recent triennial valuation was at 31 December 2019. No contribution is expected to be paid by the Group in 2023.

Actuarial valuations were reviewed and updated by an actuary at 31 December 2022 for IAS 19 purposes. As EIO does not have an unconditional right to a refund of the surplus attributable to the former EIO Section of the scheme, it has been assessed against the economic benefit available to EIO as a reduction in future contributions in accordance with IFRIC 14. This has resulted in the recognisable surplus being restricted by £57m. EIO has an unconditional right to a refund of the surplus attributable to the former Ansvar Section of the Fund, which has been recognised in full in accordance with IFRIC 14.

In addition to the Group's main plan, Lycetts Broking (Swinburne & Douglass Limited) (LBSD) also operates a defined benefit plan. The plan was closed to new members subsequent to the 1 January 2011 renewal and was closed to future accrual on 30 September 2021. From 1 October 2021, active members in employment joined one of the Group's defined contribution plans. The most recent triennial valuation was at 1 January 2021. The contribution expected to be paid by the Group into the plan during the next financial year is £0.1m (2021: £0.1m).

The actuarial valuation for the LBSD plan was reviewed and updated by an actuary at 31 December 2022 for IAS 19 purposes. As LBSD does not have an unconditional right to a refund of the surplus in the scheme, and due to a minimum funding plan being in place, the recognisable surplus in the plan has been restricted by £5.0m in accordance with IFRIC 14.

Notes to the financial statements

21 Retirement benefit schemes (continued)

In the current year, actuarial gains arising from changes in financial assumptions of £159.[illegible]m (2021: actuarial gains of £21.5m) have been recognised in the statement of other comprehensive income. This has mainly resulted from the 2.8[illegible]% increase in the discount rate. In the prior year, these gains resulted from a 0.6% increase in the discount rate assumption partially offset by inflation linked pension increases.

Experience losses of £12.0m have been recognised in the current year (2021: £1.0m). This is mainly due to actual inflation exceeding the inflation assumptions for the Group's main defined benefit plan. A review and update to certain demographic assumptions resulted in an actuarial gain of £3.0m (2021: £5.9m actuarial gain) being recognised in the current year.

The plans typically expose the Group to risks such as:

- Investment risk: The plans hold some of their investments in asset classes, such as equities, which have volatile market values and, while these assets are expected to provide the best returns over the long term, any short-term volatility could cause funding to be required if a deficit emerges. The Group's main defined benefit plan uses derivative contracts from time to time, which would limit losses in the event of a fall in equity markets.
- Interest rate risk: Scheme liabilities are assessed using market rates of interest to discount the liabilities and are therefore subject to any volatility in the movement of the market rate of interest. The net interest income or expense recognised in profit or loss is also calculated using the market rate of interest. The Group's main defined benefit plan holds Liability Driven Investments (LDIs) to hedge part of the exposure of the scheme's liabilities to movements in interest rates.
- *Inflation risk: A significant proportion of scheme benefits are linked to inflation.* Although scheme assets are expected to provide a good hedge against inflation over the long term, movements over the short term could lead to a deficit emerging. The Group's main defined benefit plan holds LDIs to hedge part of the exposure of the scheme's liabilities to movements in inflation expectations.
- Mortality risk: In the event that members live longer than assumed the liabilities may be understated originally and a deficit may emerge if funding has not adequately provided for the increased life expectancy; and
- Currency risk: The plans hold some of their investments in foreign denominated assets. As scheme liabilities are denominated in sterling, short term fluctuations in exchange rates could cause funding to be required if a deficit emerges. Currency derivative contracts are used from time to time, which would limit losses in the event of adverse movements in exchange rates.

The Trustees of the Group's main defined benefit plan set the investment objectives and strategy for the Fund based on independent advice and in consultation with the employer. Key factors addressed in setting strategy include the Fund's liability profile, funding level and strength of employer covenant. The key objectives are to ensure the Fund can meet members' guaranteed benefits as they fall due, reduce the risk of assets failing to meet its liabilities over the long term and manage the volatility of returns and overall funding level.

A blend of diversified growth assets (equities and property) and protection assets (bonds, gilts and cash) are deployed to balance the level of risk to that required to provide, with confidence, a sufficient return and liquidity to continue to meet members' obligations as they fall due. The Trustees have identified the key risks faced by the Fund in meeting this objective to be equity price risk, falls in bond yields and rising inflation.

During 2022 the Trustees of the Group's main defined benefit plan have implemented a number of changes to reduce the Fund's exposure to market volatility and better protect the funding position. The Fund's relative exposure to equity investments has been reduced and a specific allocation to infrastructure investments included to further diversify the Fund's investments, and overall liquidity levels have increased.

An LDI allocation is maintained as a risk management tool in order to preserve some future protection for the Fund against falling yields and rising inflation, designed to hedge 65% of the interest rate and 75% of the inflation rate risk of the guaranteed benefits of the Fund. Exposure of the Fund's assets to interest rates and inflation counter balances exposure of the Fund's liabilities to these factors and has [illegible] in the funding position.

The Trustees monitor investment performance and strategy over time to ensure the structure adopted continues to meet their objectives and to highlight opportunities to reduce investment risk and volatility where practical and affordable. Their aim is to establish a Long Term Funding Target in line with guidance from the Pensions Regulator. The Trustees intend that this long term target will be reached through investment performance only and without requiring further contributions from the employer.

The Trustees adopted a Responsible and Sustainable Investment [illegible] Fund's equities. This [illegible] over time.

Notes to the financial statements

21 Retirement benefit schemes (continued)

Group	2022 £000	2021 £000
The amounts recognised in the statement of financial position are determined as follows:		
Present value of funded obligations	**(238,191)**	(393,689)
Fair value of plan assets	**311,236**	435,736
	73,045	42,047
Restrictions on asset recognised	**(62,119)**	(17,468)
Net asset in the statement of financial position	**10,926**	24,579
Movements in the net defined benefit pension scheme asset/(liability) recognised in the statement of financial position are as follows:		
At 1 January	**24,579**	(16,173)
Expense charged to profit or loss	**(872)**	(1,982)
Amounts recognised in other comprehensive income	**(13,388)**	41,903
Contributions paid	**607**	831
At 31 December	**10,926**	24,579
The amounts recognised through profit or loss are as follows:		
Current service cost	**573**	853
Administration cost	**768**	918
Interest expense on liabilities	**7,349**	6,413
Interest income on plan assets	**(8,150)**	(6,202)
Effect of interest on asset ceiling	**332**	
Total included in employee benefits expense	**872**	1,982
The amounts recognised in the statement of other comprehensive income are as follows:		
Return on plan assets, excluding interest income	**(119,180)**	35,136
Experience losses on liabilities	**(12,025)**	(1,021)
Gains from changes in demographic assumptions	**2,993**	3,913
Gains from changes in financial assumptions	**159,143**	21,343
Change in asset ceiling	**(44,319)**	(17,468)
Total included in other comprehensive income	**(13,388)**	41,903

The following is the analysis of the defined benefit pension balances for financial reporting purposes

	2022 £000	2021 £000
Pension assets	**15,338**	28,304
Pension liabilities	**(4,412)**	(3,725)
	10,926	24,579

Notes to the financial statements

21 Retirement benefit schemes (continued)

The principal actuarial assumptions (expressed as weighted averages) were as follows

	2022	2021
	%	%
Discount rate	**4.77**	1.90
Inflation (RPI)	**3.30**	[illegible]
Inflation (CPI)	**2.79**	[illegible]
Future salary increases	**4.09**	[illegible]
Future increase in pensions in deferment	**3.37**	[illegible]
Future average pension increases (linked to RPI)	**3.05**	3.19
Future average pension increases (linked to CPI)	**2.10**	2.20

Mortality rate	2022	2021
The average life expectancy in years of a pensioner retiring at age 65, at the year end date is as follows:		
Male	**22.8**	[illegible]
Female	**24.1**	24.0
The average life expectancy in years of a pensioner retiring at age 65, 20 years after the year end date is as follows:		
Male	**23.5**	[illegible]
Female	**25.3**	[illegible]

Plan assets are as follows	2022	2021
	£000	£000
Cash and other*	**37,268**	[illegible]
Equity instruments		
UK quoted	**47,651**	[illegible]
UK unquoted	**-**	[illegible]
Overseas quoted	**45,773**	95,361
	93,424	[illegible]
Liability driven investments - unquoted	**46,988**	[illegible]
Debt instruments		
UK public sector quoted - fixed interest	**-**	227
UK non public sector quoted - fixed interest	**69,651**	[illegible]
UK quoted - index linked	**21,241**	24,806
	90,892	105,815
Derivative financial instruments - unquoted	**(588)**	851
Property	**41,984**	47,665
Other	**1,268**	[illegible]
	311,236	[illegible]

* Includes accrued income, prepayments and other debtors and creditors

The actual return on plan assets was a loss of £[illegible] (2021: gain of £[illegible]).

[illegible]

The fair value of unquoted securities is measured using inputs for the asset that are not based on observable market data. The fair value is estimated and approved [illegible] using standard industry methodology to determine a fair market value. All other investments [illegible] quoted prices in active markets or are valued using inputs [illegible] observable market data.

Notes to the financial statements

21 Retirement benefit schemes (continued)

	2022 £000	2021 £000
Plan assets		
At 1 January	**435,736**	406,605
Interest income	**8,150**	5,202
Return on plan assets, excluding interest income	**(119,180)**	35,136
Pension benefits paid and payable	**(13,966)**	(11,977)
Contributions paid	**607**	831
Employee contributions	**3**	29
Administration cost	**(114)**	(90)
At 31 December	**311,236**	435,736
Defined benefit obligation		
At 1 January	**393,689**	422,778
Current service cost	**573**	853
Administration cost	**654**	828
Interest cost	**7,349**	5,415
Pension benefits paid and payable	**(13,966)**	(11,977)
Employee contributions	**3**	29
Experience losses on liabilities	**12,025**	1,021
Gains from changes in demographic assumptions	**(2,993)**	(3,913)
Gains from changes in financial assumptions	**(159,143)**	(21,343)
At 31 December	**238,191**	393,689
Asset ceiling		
At 1 January	**17,468**	-
Effect of interest on the asset ceiling	**332**	-
Change in asset ceiling	**44,319**	17,468
At 31 December	**62,119**	17,468

History of plan assets and liabilities	2022 £000	2021 £000	2020 £000	2019 £000	2018 £000
Present value of defined benefit obligations	**(238,191)**	(393,689)	(422,778)	(388,115)	(340,281)
Fair value of plan assets	**311,236**	435,736	406,605	391,642	352,415
	73,045	42,047	(16,173)	3,527	12,134
Restrictions on asset recognised	**(62,119)**	(17,468)		-	-
Surplus/(deficit)	**10,926**	24,579	(16,173)	3,527	12,134

The weighted average duration of the defined benefit obligation at the end of the reporting period is 16 years (2021: 21 years).

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

Assumption	**Change in assumption**	**(Decrease)/increase in plan liabilities** 2022 £000	2021 £000
Discount rate	Increase by 0.5%	**(16,841)**	(36,668)
	Decrease by 0.5%	**18,884**	42,328
Inflation	Increase by 0.5%	**12,817**	29,797
	Decrease by 0.5%	**(12,366)**	(28,932)
Salary increase	Increase by 0.5%	**2,285**	5,740
	Decrease by 0.5%	**(2,136)**	(5,138)
Life expectancy	Increase by 1 year	**7,480**	17,065
	Decrease by 1 year	**(7,744)**	(16,684)

Notes to the financial statements

21 Retirement benefit schemes (continued)

Post-employment medical benefits

The Group operates a post-employment medical benefit plan for which it chooses to self-insure. The method of accounting, assumptions and the frequency of valuation are similar to those used for the defined benefit pension plans.

The provision of the plan leads to a number of risks as follows:

- Interest rate risk. The reserves are assessed using market rates of interest to discount the liabilities and are therefore subject to volatility in the movement of the market rates of interest. A reduction in the market rate of interest would lead to an increase in the reserves required to be held.

- Medical expense inflation risk. Future medical costs are influenced by a number of factors including economic trends and advances in medical technology and sciences. *An increase in medical expense inflation would lead to an increase in the reserves required to be held.*

- Medical claims experience. Claims experience can be volatile, exposing the Group to the risk of being required to pay over and above the assumed reserve. If future claims experience differs significantly from that experienced in previous years this will increase the risk to the Group.

  Spouse and widows' contributions. The self-insured benefit includes a potential liability for members who pay contributions in respect of their spouse and for widows who pay contributions. There is the possibility that the contributions charged may not be sufficient to cover the medical costs that fall due.

  Mortality risk. If members live longer than expected, the Group is exposed to the expense of medical claims for a longer period with increased likelihood of needing to pay claims.

The amounts recognised in the statement of financial position are determined as follows:

	2022 £000	2021 £000
Present value of unfunded obligations and net obligations in the statement of financial position	4,960	7,058
Movements in the net obligations recognised in the statement of financial position are as follows:		
At 1 January	7,058	6,53[illegible]
Total expense charged to profit or loss	132	85
Net actuarial (gains)/losses during the year recognised in other comprehensive income	(2,100)	6[illegible]3
Benefits paid	(130)	([illegible]98)
At 31 December	4,960	7,058
The amounts recognised through profit or loss are as follows:		
Interest cost	132	85
Total included in employee benefits expense	132	85

The weighted average duration of the net obligations at the end of the reporting period is 10.5 years (2021: 12.8 years).

The main actuarial assumptions for the plan are a long-term increase in medical costs of 7.5% (2021: 7.[illegible]%) and a discount rate of 4.8% (2021: 1.9%). An actuarial gain of £2,012,000 has been recognised in the current year due to the increase in the discount rate. A small actuarial gain has also been recognised due to changes in mortality assumptions. In the prior year, an actuarial loss from experience of £814,000 was recognised following a review of the medical cost scale. This was partially offset by an actuarial gain of £130,000 arising from changes in financial assumptions and a small actuarial gain arising from changes in mortality assumptions. The sensitivity analysis below has been determined based on reasonably possible changes in the assumptions occurring at the end of the accounting period assuming that all other assumptions are held constant.

Assumption	Change in assumption	(Decrease)/increase in plan liabilities 2022 £000	2021 £000
Discount rate	Increase by 0.5%	(239)	[illegible]
	Decrease by 0.5%	260	464
Medical expense inflation	Increase by 1.0%	497	8[illegible]
	Decrease by 1.0%	(433)	(743)
Life expectancy	Increase by 1 year	372	513
	Decrease by 1 year	(340)	(480)

Notes to the financial statements

22 Property, plant and equipment

Group	Land and buildings £000	Motor vehicles £000	Furniture, fittings and equipment £000	Computer equipment £000	Right-of-use asset £000	Total £000
Cost or valuation						
At 1 January 2022	1,465	210	16,782	9,988	33,588	62,033
Additions	-	45	573	3,135	771	4,524
Acquisition	-	-	-	-	-	-
Disposals	-	(157)	(1,212)	(654)	(4,188)	(6,211)
Transfers to investment property	-	-	-	-	-	-
Exchange differences	-	-	150	57	287	494
At 31 December 2022	1,465	98	16,293	12,526	30,458	60,840
Depreciation						
At 1 January 2022	-	173	7,016	7,631	8,744	23,564
Charge for the year	-	19	1,342	1,942	3,671	6,974
Disposals	-	(94)	(1,075)	(473)	(2,712)	(4,354)
Exchange differences	-	-	59	43	119	221
At 31 December 2022	-	98	7,342	9,143	9,822	26,405
Net book value at 31 December 2022	1,465	-	8,951	3,383	20,636	34,435
Cost or valuation						
At 1 January 2021	2,940	273	16,311	12,623	35,056	67,213
Additions	-	34	2,550	1,261	1,161	4,996
Disposals	(500)	(97)	(2,087)	(3,880)	(2,551)	(9,115)
Transfers to investment property	(975)		-	-	-	(975)
Exchange differences	-		8	(16)	(78)	(86)
At 31 December 2021	1,465	210	16,782	9,988	33,588	62,033
Depreciation						
At 1 January 2021	-	235	7,640	9,801	7,106	24,782
Charge for the year		17	1,468	1,723	3,644	6,852
Disposals	-	(79)	(2,087)	(3,880)	(1,952)	(7,998)
Exchange differences		-	(5)	(13)	(54)	(72)
At 31 December 2021	-	173	7,016	7,631	8,744	23,564
Net book value at 31 December 2021	1,465	37	9,766	2,357	24,844	38,469

All properties of the Group and Parent were last revalued at 31 December 2020. Valuations were carried out by Cluttons LLP, an independent professional firm of chartered surveyors who have recent experience in the location and type of properties. Valuations were carried out using standard industry methodology to determine a fair value. All properties are classified as level 3 assets.

Movements in fair values are taken to the revaluation reserve within equity, net of deferred tax. When such properties are sold, the accumulated revaluation surpluses are transferred from this reserve to retained earnings. Where the fair value of an individual property is below original cost, any revaluation movement arising during the year is recognised within net investment return in the statement of profit or loss. There have been no transfers between investment categories in the current year.

The value of land and buildings on a historical cost basis is £1,464,000 (2021: £1,464,000).

Depreciation expense has been charged in other operating and administrative expenses.

Notes to the financial statements

23 Investment property

Group	2022 £000	2021 £000
Net book value at 1 January	**163,355**	142,142
Transfers from property, plant and equipment	**-**	975
Disposals	**(1,300)**	
Fair value (losses)/gains recognised in profit or loss	**(21,209)**	20,238
Net book value at 31 December	**140,846**	163,355

The Group's investment properties were last revalued at 31 December 2022 by Cluttons LLP, an independent professional firm of chartered surveyors who have recent experience in the location and type of properties. Valuations were carried out using standard industry methodology to determine a fair value. There has been no change in the valuation technique during the year. All properties are classified as level 3 assets. There have been no transfers between investment categories in the current year.

Investment properties are held for long-term capital appreciation rather than short-term sale. Rental income arising from the investment properties owned by both the Group and Parent amounted to £8,836,000 (2021: £8,648,000) and is included in net investment return.

24 Financial investments

Financial investments summarised by measurement category are as follows:

	2022		2021	
	Group £000	**Parent £000**	Group £000	Parent £000
Financial investments at fair value through profit or loss				
Equity securities				
- listed	**268,622**	**-**	[illegible]	
- unlisted	**99,870**	**14,470**	80,144	[illegible]
Debt securities				
- government bonds	**206,394**	**-**	204,073	
- listed	**253,326**	**-**	313,294	-
- unlisted	**-**	**-**	54	-
Structured notes	**56,138**	**-**	[illegible]	-
Funeral plan investments	**485,213**	**-**	199,181	
Derivative financial instruments				
- options	**100**	**-**	334	
- forwards	**-**	**-**	2	
	1,369,663	**14,470**	1,093,392	11,524
Financial investments at fair value through other comprehensive income				
Derivative financial instruments				
- forwards	**655**	**-**	414	-
Total financial investments at fair value	**1,370,318**	**14,470**	1,093,806	11,524
Loans and receivables				
Other loans	**79,423**	**78,310**	25,321	24,651
Parent investments in subsidiary undertakings				
Shares in subsidiary undertakings				
- listed	**-**	**6,264**	-	6,264
- unlisted*	**-**	**5,027**		40,696
Total financial investments	**1,449,741**	**104,071**	1,119,127	83,135
Current	**794,925**	**21,622**	464,311	686
Non-current	**654,816**	**82,449**	654,816	82,449

25 Derivative financial instruments

The Group utilises derivatives to mitigate equity price risk arising from investments held at fair value, foreign exchange risk arising from investments denominated in foreign currencies, and foreign exchange risk arising from investments denominated in sterling that contain underlying foreign currency exposure. These 'non-hedge' derivatives either do not qualify for hedge accounting or the option to hedge account has not been taken.

The Group has also formally designated certain derivatives as a hedge of its net investments in Australia and Canada. A loss of £4,514,000 (2021: gain of £1,912,000) in respect of these 'hedge' derivatives has been recognised in the hedging reserve within shareholders' equity, as disclosed in note 29. The Group has formally assessed and documented the effectiveness of derivatives that qualify for hedge accounting in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*.

Group	**2022**			2021		
	Contract/ notional amount £000	**Fair value asset £000**	**Fair value liability £000**	Contract/ notional amount[1] £000	Fair value asset £000	Fair value liability £000
Non-hedge derivatives						
Equity/Index contracts						
Options	**100**	**100**	**-**	34,695	331	296
Foreign exchange contracts						
Forwards (Euro)	**93,712**	**-**	**2,475**	99,369	5	55
Hedge derivatives						
Foreign exchange contracts						
Forwards (Australian dollar)	**55,742**	**-**	**759**	40,512	145	-
Forwards (Canadian dollar)	**48,442**	**655**	**-**	37,809	269	-
	197,996	**755**	**3,234**	212,385	750	351

[1] The contract/notional amount in the prior year has been restated to reflect sterling values.

All derivatives in the current and prior period expire within one year.

All contracts designated as hedging instruments were fully effective in the current and prior year.

The notional amounts above reflect the aggregate of individual derivative positions on a gross basis and so give an indication of the overall scale of the derivative transactions. They do not reflect current market values of the open positions.

Derivative fair value assets are recognised within financial investments (note 24) and derivative fair value liabilities are recognised within other liabilities (note 34).

Notes to the financial statements

26 Other assets

	2022		2021	
	Group	Parent	Group	Parent
	£000	£000	£000	£000
Receivables arising from insurance and reinsurance contracts				
- due from contract holders	62,418	-	52,706	-
- *due from agents, brokers and intermediaries*	84,751	-	6[illegible],333	-
- due from reinsurers	15,272	-	12,08[illegible]	
Other receivables				
- accrued interest and rent	4,122	-	3,927	
- other prepayments and accrued income	10,234	200	9,920	359
- amounts owed by related parties	1,902	2,507	143	2,229
- debtors arising from broking activities	3,442	-	10,84[illegible]	-
- net investment in finance leases	-	-	111	-
- other debtors	19,886	-	20,122	-
	202,027	2,707	177,08[illegible]	2,588
Current	197,397	907	[illegible]3,401	788
Non-current	4,630	1,800	4,288	1,800

The Group has recognised a net charge of £280,000 (2021: net charge of £554,000) in other operating and administrative expenses in the statement of profit or loss for the impairment and reversal of impairment of its trade and other receivables during the year.

There has been no significant change in the recoverability of the Group's trade receivables for which no collateral is held. The directors consider that the amounts are recoverable at their carrying values *which are stated net of an allowance for doubtful debts for those debtors that are individually determined* to be impaired.

Included within other receivables of the Group is £1,609,000 (2021: £1,584,000) classified as contract assets and £2,4[illegible],000 (2021: £1,824,000) classified as receivables in accordance with IFRS 15.

Movement in the Group allowance for doubtful debts	2022	2021
	£000	£000
Balance at 1 January	985	723
Movement in the year	128	262
Balance at 31 December	1,113	985

Included within trade receivables of the Group is £4[illegible],083,000 (2021: £1[illegible],736,000) overdue but not impaired, of which £37,596,000 (2021: £1[illegible],808,000) is not more than three months overdue at the reporting date.

27 Cash and cash equivalents

	2022		2021	
	Group	Parent	Group	Parent
	£000	£000	£000	£000
Cash at bank and in hand	97,212	1,199	[illegible]	1,437
Short-term bank deposits	48,659	-	38,05[illegible]	-
	145,871	1,199	14[illegible],[illegible]12	1,437

Included within [illegible] bank deposits of the Group are cash deposits of £8,8[illegible],000 (2021: £2,83[illegible],000) pledged as [illegible] by way of [illegible] margin on open derivative contracts to [illegible]. Included within cash at bank and in hand of the Group are amounts of £866,000 (2021: £820,000) held in accordance with the third country branch requirements of the European Union.

Included within Group cash at bank and in hand are cash deposits of £1[illegible],109,000 (2021: £23,072,000) pledged as collateral by way of cash calls from reinsurers, and £15,580,000 (2021: £16,078,000) of restricted cash held on an agency basis.

28 Called up share capital

	2022	2021
	£000	£000
Issued, allotted and fully paid		
Ordinary share capital		
20,000,000 shares of £1 each (2021: 20,000,000)	**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.

29 Translation and hedging reserve

Group	Translation reserve £000	Hedging reserve £000	Total £000
At 1 January 2022	**13,196**	**4,406**	**17,602**
Gains on currency translation differences	**5,392**	**-**	**5,392**
Losses on net investment hedges	**-**	**(4,514)**	**(4,514)**
Attributable tax	**-**	**824**	**824**
At 31 December 2022	**18,588**	**716**	**19,304**
At 1 January 2021	15,552	2,678	18,230
Losses on currency translation differences	(2,356)	-	(2,356)
Gains on net investment hedges		1,912	1,912
Attributable tax	-	(184)	(184)
At 31 December 2021	13,196	4,406	17,602

The translation reserve arises on consolidation of the group's foreign operations. The hedging reserve represents the cumulative amount of gains and losses on hedging instruments in respect of net investments in foreign operations.

30 Non-controlling interests

Non-controlling interests comprise 95.6% (2021: 95.6%) of the 106,450,000 (2021: 106,450,000) 8.625% Non-Cumulative Irredeemable Preference shares (NCIPs) in Ecclesiastical Insurance Office plc.

Holders of the NCIPs are not entitled to receive notice of, or to attend, or vote at any general meeting of Ecclesiastical Insurance Office plc unless at the time of the notice convening such meeting, the dividend on such shares which is most recently payable on such shares shall not have been paid in full, or where a resolution is proposed varying any of the rights of such shares, or for the winding up of the company.

Notes to the financial statements

31 Insurance liabilities and reinsurance assets

Group	2022 £000	Restated* 2021 £000
Gross		
Claims outstanding	**635,944**	612,002
Unearned premiums	**289,451**	253,158
Life business provision	**501**	19,434
Total gross insurance liabilities	**925,896**	884,594
Recoverable from reinsurers		
Claims outstanding	**203,148**	165,347
Unearned premiums	**103,814**	88,089
Total reinsurers' share of insurance liabilities	**306,962**	253,436
Net		
Claims outstanding	**432,796**	446,655
Unearned premiums	**185,637**	165,069
Life business provision	**501**	19,434
Total net insurance liabilities	**618,934**	631,158
Gross insurance liabilities		
Current	**505,818**	440,803
Non-current	**420,078**	443,791
Reinsurance assets		
Current	**206,339**	167,398
Non-current	**100,623**	86,058

*The comparative financial statements have been restated as detailed in note 43

(a) General business insurance contracts

(i) Reserving methodology

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

Chain ladder methods extrapolate paid amounts, incurred amounts (paid claims plus case estimates) and 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 development. Where this assumption is felt to be unreasonable, adjustments are made or other methods such as Bornhuetter-Ferguson or average cost 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 [illegible] year [illegible] depends upon [illegible] of the most appropriate method. Sometimes a combination of [illegible] is used. The average [illegible] is calculated [illegible] class of business and is based on historical [illegible].

(ii) Calculation of uncertainty margins

To reflect the uncertain nature of the outcome of the ultimate settlement cost of claims, an uncertainty margin is added to the best estimate. The addition to [illegible] is assessed using stochastic methods, including the Mack method and Bootstrapping techniques, based on at least the 75th percentile confidence level. For smaller reserving classes, where these methods cannot be applied, margins are calculated at a level intended to provide an equivalent probability of sufficiency. Where the standard methods cannot allow for changing circumstances, additional uncertainty margins are added and are typically expressed as a percentage of outstanding claims. From time to time management may elect to select an additional margin to reflect short-term uncertainty driven by specific events that are not in data. This approach gives a [illegible] favourable release of provisions in the current financial year [illegible] from the settlement of claims relating to previous financial years [illegible] of this note.

(iii) Calculation of provisions for latent claims

The [illegible] adopts [illegible] used [illegible] including [illegible] and benchmarking.

Notes to the financial statements

31 Insurance liabilities and reinsurance assets (continued)

(iv) Discounting

General insurance outstanding claims provisions have been discounted by applying currency and term specific discount rates and are held in the following territories:

	Discount rate		Mean term of discounted liabilities	
		*Restated**		*Restated**
Geographical territory	**2022**	2021	**2022**	2021
UK and Ireland	**3.6% to 5.4%**	0.5% to 2.1%	**7.5**	8.2
Canada	**4.5% to 5.2%**	1.2% to 2.1%	**4.3**	4.5
Australia	**3.8%**	1.5%	**3.9**	4.7

* The comparative financial statements have been restated as detailed in note 43.

The above rates of interest are based on government bond yields of the relevant currency and term at the reporting date. Adjustments are made, where appropriate, to reflect portfolio assets held. At the year end the undiscounted gross outstanding claims liability was £754,145,000 for the Group (2021: £652,666,000).

The impact of discount rate changes on the outstanding claims liability is presented within net investment return (note 8).

At 31 December 2022, it is estimated that a fall of 1% in the discount rates used would increase the Group's net outstanding claims liabilities by £16,444,000 (2021 restated: £25,056,000). Financial investments backing these liabilities are not hypothecated across general insurance classes of business. The sensitivity of Group profit or loss and other equity reserves to interest rate risk taking into account the mitigating effect on asset values is provided in note 4(h).

(v) Assumptions

The Group follows a process of reviewing its reserves for outstanding claims on a regular basis. This involves an appraisal of each reserving class 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 is subject to an internal peer review and management sign-off process.

The most significant assumptions in determining the undiscounted 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 the terms of the reinsurance treaties, the anticipated time taken to settle a claim and the incidence of large individual and aggregated claims.

(vi) Changes in assumptions

There are no significant changes in approach but we continue to evolve estimates in light of underlying experience.

(vii) Sensitivity of results

The ultimate amount of claims settlement is uncertain and the Group's aim is to reserve to at least the 75th percentile confidence level.

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

		2022		2021	
		Gross	**Net**	Gross	Net
		£000	**£000**	£000	£000
Liability	- UK	**16,200**	**14,500**	18,900	17,200
	- Overseas	**19,900**	**15,200**	18,000	13,700
Property	- UK	**14,500**	**7,300**	12,200	8,200
	- Overseas	**11,500**	**3,300**	9,000	3,100
Motor	- UK	**100**	**100**	100	100

Notes to the financial statements

31 Insurance liabilities and reinsurance assets (continued)

(viii) Claims development tables

The nature of liability classes of business is that claims may take a number of years to settle and before the final liability is known. The tables below show the development of the undiscounted estimate of ultimate gross and net claims cost for these classes across claim years.

Group

Estimate of gross ultimate claims

	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000	2021 £000	2022 £000	Total £000
At end of year	81,725	61,901	46,414	[illegible]	50,736	48,759	47,945	50,154	60,267	51,989	
One year later	80,027	50,571	43,587	46,073	46,885	40,461	42,467	42,044	58,774		
Two years later	69,850	48,327	40,357	41,041	41,683	34,680	39,859	41,655			
Three years later	63,192	45,495	33,804	38,468	38,845	33,382	41,600				
Four years later	60,174	37,064	29,436	37,014	40,177	34,355					
Five years later	58,912	34,606	28,721	34,649	39,801						
Six years later	54,901	[illegible]	31,738	[illegible]							
Seven years later	55,516	36,195	31,322								
Eight years later	55,252	37,091									
Nine years later	56,777										
Current estimate of ultimate claims	56,777	37,091	31,322	[illegible]	39,801	34,355	41,600	41,655	58,774	51,989	423,625
Cumulative payments to date	(48,759)	(29,819)	(21,970)	(23,974)	(21,679)	(15,699)	(14,187)	(9,642)	(4,832)	(1,402)	(191,903)
Outstanding liability	8,018	7,272	9,352	11,547	18,122	18,656	27,413	32,013	53,942	50,587	236,722
Effect of discounting											(37,571)
Present value											199,151
Discounted liability in respect of earlier years											51,714
Total discounted gross liability (for liability classes) included in insurance liabilities in the statement of financial position											350,865

Estimate of net ultimate claims

	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000	2021 £000	2022 £000	Total £000
At end of year	76,729	51,633	42,759	47,402	45,920	44,053	44,250	[illegible]	47,289	[illegible]	
One year later	66,475	47,690	40,537	41,637	41,706	37,456	39,842	37,309	47,102		
Two years later	60,175	47,428	[illegible]	37,746	37,797	32,867	37,243	36,193			
Three years later	[illegible]	41,194	[illegible]	36,537	34,818	31,647	39,164				
Four years later	[illegible]	35,164	28,506	35,217	[illegible]	32,884					
Five years later	49,196	[illegible]	[illegible]	[illegible]	36,550						
Six years later	47,518	33,309	30,544	33,836							
Seven years later	47,443	34,745	30,296								
Eight years later	47,538	[illegible]									
Nine years later	[illegible]										
Current estimate of ultimate claims	48,374	35,233	30,296	33,898	[illegible]	32,884	39,164	36,193	[illegible]	[illegible]	[illegible]
Cumulative payments to date	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	(15,689)	[illegible]	(9,550)	[illegible]	[illegible]	[illegible]
Outstanding liability	7,302	6,785	8,824	[illegible]	14,967	17,195	25,034	26,643	42,298	46,185	[illegible]
Effect of discounting											[illegible]
Present value											[illegible]
Discounted liability in respect of earlier years											[illegible]
Total discounted net liability (for liability classes) included in insurance liabilities in the statement of financial position											298,847

Notes to the financial statements

31 Insurance liabilities and reinsurance assets (continued)

(b) Life insurance contracts

(i) Assumptions

The most significant assumptions in determining life reserves are as follows:

Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract. Where prudent, an allowance is made for future mortality improvements based on trends identified in population data. For both 2022 and 2021 the base tables used were ELF16F and ELT16M with a 1% improvement applied each year.

Investment returns

Projected investment returns for index-linked business are based on actual yields for each asset class less an allowance for credit risk where appropriate. The risk adjusted yields after allowance for investment expenses for the current valuation are as follows:

	2022	2021
UK and overseas government bonds non-linked	**-**	-
UK and overseas government bonds index-linked	**0.19%**	2.71%
Corporate debt instruments index-linked	**1.00%**	2.28%

The investment return assumption is determined by calculating an overall yield on all cash flows projected to occur from the portfolio of financial assets which are assumed to back the relevant class of liabilities. For index-linked assets, the real yield is shown gross of tax.

Funeral plans renewal expense level and inflation

Numbers of policies in force and both projected and actual expenses have been considered when setting the base renewal expense level. The unit renewal expense assumption for this business is £21.58 per annum (2021: £7.60 per annum).

Previously, as a result of the business being in run-off, a separate fixed expense reserve was held. However, as the company has now reopened to new business the need for that separate expense reserve has fallen away and this is why the unit renewal expense assumption has increased significantly from the level used last year end.

Expense inflation is set with reference to the index-linked UK government bond rates of return and published figures for earnings inflation and is assumed to be 4.30% per annum (2021: 4.96%).

Tax

It has been assumed that current tax legislation and rates applicable at 1 January 2023 will continue to apply. All in-force business is classed as protection business and is expected to be taxed on a profits basis.

(ii) Changes in assumptions

Projected investment returns have been revised in line with the changes in the actual yields of the underlying assets. As a result liabilities have increased by £nil (2021: £0.2 million increase).

The assumed future expenses of running the business have been revised based on expenses that are expected to be incurred by the long-term insurance business. The effect on insurance liabilities of the changes to renewal expense assumptions (described above) was a £2.9 million decrease (2021: £0.1 million increase).

(iii) Sensitivity analysis

The sensitivity of profit before tax to changes in the key assumptions used to calculate the long-term insurance liabilities is shown in the following table. No account has been taken of any correlation between the assumptions.

	Change in variable	**Potential increase/ (decrease) in the result**	
		2022	2021
Variable		**£000**	£000
Deterioration in annuitant mortality	+10%	**-**	1,300
Improvement in annuitant mortality	-10%	**-**	(1,500)
Increase in fixed interest/cash yields	+1% pa	**(1,800)**	
Decrease in fixed interest/cash yields	-1% pa	**2,200**	(400)
Worsening of base renewal expense level	+10%	**(300)**	(200)
Improvement in base renewal expense level	-10%	**300**	200
Increase in expense inflation	+1% pa	**(200)**	(600)
Decrease in expense inflation	-1% pa	**200**	500

Notes to the financial statements

31 Insurance liabilities and reinsurance assets (continued)

(c) Movements in insurance liabilities and reinsurance assets

Group	**Gross £000**	**Reinsurance £000**	**Net £000**
Claims outstanding			
At 1 January 2022	**612,002**	**(165,347)**	**446,655**
Cash (paid)/received for claims settled in the year	**(214,032)**	**93,073**	**(120,959)**
Change in liabilities/reinsurance assets			
- arising from current year claims	**284,743**	**(136,612)**	**148,131**
- arising from prior year claims	**(3,395)**	**105**	**(3,290)**
- change in discount rate	**(57,785)**	**10,188**	**(47,597)**
Exchange differences	**14,411**	**(4,555)**	**9,856**
At 31 December 2022	**635,944**	**(203,148)**	**432,796**
Provision for unearned premiums			
At 1 January 2022	**253,158**	**(88,089)**	**165,069**
Increase in the period	**289,404**	**(103,664)**	**185,740**
Release in the period	**(258,785)**	**89,550**	**(169,235)**
Exchange differences	**5,674**	**(1,611)**	**4,063**
At 31 December 2022	**289,451**	**(103,814)**	**185,637**
Long-term business provision			
At 1 January 2022	**19,434**	**-**	**19,434**
Effect of claims during the year	**2,233**	**-**	**2,233**
Changes in assumptions	**(2,886)**	**-**	**(2,886)**
Changes in intercompany provision**	**(8,944)**	**-**	**(8,944)**
Change in discount rate	**-**	**-**	**-**
Other movement	**(9,336)**	**-**	**(9,336)**
At 31 December 2022	**501**	**-**	**501**
Claims outstanding		*Restated**	
At 1 January 2021	560,255	(129,157)	431,098
Cash (paid)/received for claims settled in the year	(191,685)	83,235	(108,450)
Change in liabilities/reinsurance assets			
- arising from current year claims	252,310	(114,378)	137,932
- arising from prior year claims	14,980	(9,444)	5,536
- change in discount rate	(16,520)	1,909	(14,611)
Exchange differences	(7,338)	2,488	(4,850)
At 31 December 2021	612,002	(165,347)	446,655
Provision for unearned premiums			
At 1 January 2021	230,800	(79,394)	151,406
Increase in the period	[illegible]	[illegible]	[illegible]
Release in the period	(229,255)	78,580	(150,675)
Exchange differences	(2,146)	1,189	(957)
At 31 December 2021	253,158	(88,089)	165,069
Long-term business provision			
At 1 January 2021	19,434	-	19,434
Effect of claims during the year	[illegible]	-	[illegible]
Changes in assumptions	[illegible]	-	[illegible]
Change in discount rate	[illegible]		47
Other movement	[illegible]		(1)
At 31 December 2021	19,434	-	19,434

*The comparative financial statements have been restated as detailed in note 43

**Adjustment in the provision to BG Group

32 Provisions for other liabilities and contingent liabilities

Group	Regulatory and legal provisions £000	Other provisions £000	Total £000
At 1 January 2022	2,619	4,699	7,318
Additional provisions	1,783	44	1,827
Used during year	(1,825)	(1)	(1,826)
Not utilised	(157)	(795)	(952)
Disposal of business		(263)	(263)
Exchange differences			7
At 31 December 2022	2,420	3,691	6,111
Current	2,420	1,687	4,107
Non-current	-	2,004	2,004

Regulatory provisions

The Group operates in the financial services industry and is subject to regulatory requirements in the normal course of business, including contributing towards any levies raised on UK general and long-term business. The provisions reflect an assessment by the Group of its share of the total potential levies.

In addition, from time to time the Group receives complaints from customers and, while the majority relate to cases where there has been no customer detriment, the Group recognises that it has provided, and continues to provide, advice and services across a wide spectrum of regulated activities. The Group therefore considers it prudent to hold a provision for the estimated costs of customer complaints relating to services provided. The Group continues to reassess the ultimate level of complaints expected and the appropriateness of the provision, which reflects the expected redress and associated administration costs that would be payable in relation to any complaints that may be upheld.

Other provisions

The provision for other costs relates to costs in respect of dilapidations.

33 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:

Group	Unrealised gains on investments £000	Net retirement benefit assets £000	Equalisation reserve £000	Other differences £000	Total £000
At 1 January 2021 (as restated*)	32,326	(4,308)	789	(578)	28,229
Charged/(credited) to profit or loss	4,403	(259)	(789)	(8,410)	(5,055)
- Impact of change in deferred tax rate	8,827	603		(227)	9,203
Charged/(credited) to other comprehensive income	-	10,315	-	(178)	10,137
- Impact of change in deferred tax rate	-	(1,965)	-	66	(1,899)
Exchange differences	4		-	132	136
At 31 December 2021 (as restated*)	45,560	4,386		(9,195)	40,751
(Credited)/charged to profit or loss	**(8,483)**	**(67)**	**-**	**342**	**(8,208)**
- Impact of change in deferred tax rate	-	-	-		-
Credited to other comprehensive income	-	**(2,822)**	-	**(485)**	**(3,307)**
- Impact of change in deferred tax rate	-	-	-	-	-
Transfer on acquisition/disposal of subsidiary	-	-	-	**61**	**61**
Exchange differences	**(22)**	-	-	**(264)**	**(286)**
At 31 December 2022	**37,055**	**1,497**	**-**	**(9,541)**	**29,011**

Parent

The deferred tax liability, shown below, arises on unrealised gains on investments. The increase of £687,000 (2021: £674,000) is recognised in the statement of profit or loss in the year.

* The comparative financial statements have been restated as detailed in note 45.

The equalisation reserve was previously required by law and maintained in compliance with insurance companies' regulations. Transfers to this reserve were deemed to be tax deductible under legislation that applied prior to 1 January 2016 and gave rise to deferred tax. With effect from the implementation date of Solvency II (1 January 2016) these reserves became taxable over 6 years under the transition rules set out by HM Treasury.

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2022 Group £000	2022 Parent £000	2021 Group £000	2021 Parent £000
Deferred tax liabilities	**38,803**	**2,080**	[illegible]	1,393
Deferred tax assets	**(9,792)**	**-**	(9,607)	-
	29,011	**2,080**	40,751	1,393

The Group has unused tax losses of [illegible] (2021: £1,005,000) arising from the business which are available to offset against future profits and can be carried forward indefinitely.

Notes to the financial statements

34 Other liabilities

	2022		2021	
	Group	**Parent**	Group	Parent
	£000	**£000**	£000	£000
Creditors arising out of direct insurance operations	**3,466**	**-**	3,238	-
Creditors arising out of reinsurance operations	**50,607**	**-**	34,865	
Derivative liabilities	**3,234**	**-**	331	
Creditors arising from broking activities	**-**	**-**	21,270	-
Other creditors	**36,815**	**3**	18,597	-
Amounts owed to related parties	**1**	**5,932**	10	490
Accruals	**35,150**	**122**	33,248	109
	129,273	**6,057**	111,559	599
Current	**128,661**	**6,057**	111,003	599
Non-current	**612**	**-**	556	

Derivative liabilities are in respect of equity futures contracts and are detailed in note 25.

Deferred income of the Group is a current liability in both the current and prior year.

Other creditors includes deferred consideration of £636,000 (2021: £nil) which relates to the acquisition of the entire issued ordinary share capital of G D Anderson & Co Limited by Lycett, Browne-Swinburne & Douglass Limited.

Included within deferred income of the Group is £2,[illegible],000 (2021: £[illegible],339,000) classified as contract liabilities in accordance with IFRS 15.

35 Subordinated liabilities

	2022	2021
	£000	£000
6.3144% EUR 30m subordinated debt	**25,818**	24,433
	25,818	24,433

Subordinated debt consists of a privately-placed issue of 20-year subordinated bonds maturing in February 2041 and callable after February 2031. The Group's subordinated debt ranks below its senior debt and ahead of its preference shares and ordinary share capital.

Subordinated debt is stated at amortised cost.

36 Investment contract liabilities

	2022	2021
	£000	£000
Investment contract liabilities	**596,270**	256,706
	596,270	256,706

Investment contract liabilities represents amounts due to policyholders and, if applicable, the cost of the minimum repayment guarantee. Investment contract liabilities are repayable on demand or at short notice and therefore classified as current. These liabilities are matched with highly liquid investments.

Notes to the financial statements

37 Leases

Group as a lessee

The Group has lease contracts for various items of property, motor vehicles and other equipment used in its operations. Leases of property generally have terms of up to 15 years, while motor vehicles and other equipment generally have lease terms between 2 and 6 years. Lease terms are negotiated on an individual basis and contain different terms and conditions, but do not impose any covenants other than security interests. The Group's obligations under its leases are secured by the lessor's title to the leased assets, and leased assets may not be used as security for borrowing purposes.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period.

Group	Land and buildings £000	Motor vehicles £000	Other equipment £000	Total £000
At 1 January 2022	**23,671**	**1,010**	**163**	**24,844**
Additions	**349**	**330**	**92**	**771**
Disposals	**(1,286)**	**(172)**	**(18)**	**(1,476)**
Depreciation expense	**(3,347)**	**(196)**	**(128)**	**(3,671)**
Exchange differences	**163**	**1**	**4**	**168**
At 31 December 2022	**19,550**	**973**	**113**	**20,636**

Group	Land and buildings £000	Motor vehicles £000	Other equipment £000	Total £000
At 1 January 2021	23,704	1,069	[illegible]	27,96[illegible]
Additions	[illegible]94	4[illegible]8	109	[illegible]
Disposals	(511)	(268)	(20)	[illegible]
Depreciation expense	(3,294)	(236)	(114)	(3,644)
Exchange differences	(22)	(3)	-	(24)
At 31 December 2021	23,671	1,010	163	24,844

Set out below are the carrying amounts of lease obligations.

Group	2022 £000	2021 £000
Current	**2,446**	**3,809**
Non-current	**18,466**	**21,186**
	20,912	**24,995**

Notes to the financial statements
37 Leases (continued)

Group profit for the year has been arrived at after charging the following amounts in respect of lease contracts:

	2022 £000	2021 £000
Depreciation expense of right of use assets	**3,671**	3,644
Interest expense on lease liabilities	**997**	1,101
Expenses relating to short term leases	**16**	23
Expenses relating to low value leases	**82**	-
	4,766	4,768

The Group had total cash outflows for leases, including interest, of £4,768,000 (2021: £5,182,000). The future cash outflows relating to leases that have not yet commenced are disclosed in note 38.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised, as disclosed in note 2.

Group as a lessor

Finance leases

The Group has a finance leasing arrangement as a lessor to sublease a commercial office space no longer occupied by the Group. The remaining term of the finance lease is less than 1 year. The contract does not include an extension or early termination option.

	2022 £000	2021 £000
Year 1	-	11
Year 2	-	-
Undiscounted lease payments	-	11
Less: unearned finance income		-
Net investment in the lease	-	11

Net investment in the lease is recognised in other assets as shown in note 26.

Group profit for the year has been arrived at after crediting the following amounts in respect of finance lease contracts:

Group	2022 £000	2021 £000
Finance income on the net investment in finance leases	1	4
	1	4

Notes to the financial statements

37 Leases (continued)

Operating leases

The Group has entered into operating leases on its investment property portfolio. These leases have terms of up to 50 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The lessee is also required to provide a residual value guarantee on the properties. Rental income on these properties recognised by the Group during the year is disclosed in note 22.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2022	2021
	£000	£000
Year 1	**8,124**	[illegible]
Year 2	**7,749**	7,618
Year 3	**6,547**	7,180
Year 4	**5,253**	6,029
Year 5	**4,748**	4,891
After 5 years	**16,554**	20,217
	48,975	[illegible]

38 Commitments

At the year end the group had capital commitments of £76,064 (2021: £nil) relating to development costs.

The Group has lease contracts for right-of-use assets that had not commenced at 31 December 2022. These leases will commence in 2023. Leases for land and buildings have a term of 10 years with expected cash outflow of £274,674 per annum. Leases for motor vehicles have a term of 4 years with expected cash outflow of £20,580 per annum.

Notes to the financial statements

39 Related undertakings

Ultimate parent company and controlling party

The Company is a wholly-owned subsidiary of Benefact Trust Limited, a company incorporated in England and Wales. Its ultimate parent and controlling company is Benefact Trust Limited, for which copies of the financial statements are available from the registered office as shown on page 2. The parent companies of the smallest and largest groups for which group financial statements are drawn up are Benefact Group plc and Benefact Trust Limited, respectively.

Related undertakings

The Company's interest in related undertakings at 31 December 2022 is as follows:

Company	Company Registration Number	Share Capital	2022 Holding of shares by Company	2022 Holding of shares by Group	2021 Holding of shares by Company	2021 Holding of shares by Group	Activity
Subsidiary undertakings							
Incorporated in the United Kingdom							
Ecclesiastical Insurance Office plc *	24869	Ordinary	100%	-	100%		Insurance
		Preference	4.35%	-	4.35%	-	
Benefact Management Services Limited * ^	1811698	Ordinary	100%		100%	-	Dormant company
Benefact Broking & Advisory Holdings Limited *	14493617	Ordinary	100%				Investment holding company
Ecclesiastical Life Limited *	0243111	Ordinary		100%		100%	Life insurance
Ecclesiastical Financial Advisory Services Limited * ^^	2046087	Ordinary	-	100%		100%	Independent financial advisory
Ecclesiastical Planning Services Limited *	02644860	Ordinary	-	100%	100%	-	Funeral plan administration
Ecclesiastical Underwriting Management Limited *	02368571	Ordinary	100%	-	100%		Insurance management services
EdenTree Holdings Limited *	14496067	Ordinary	100%	-		-	Investment holding company
EdenTree Asset Management Limited *	11923964	Ordinary	-	100%	100%	-	Investment management
EdenTree Investment Management Limited *	2519319	Ordinary	-	100%		100%	Investment management
E.I.O. Trustees Limited * ^	0941199	Ordinary	-	100%		100%	Trustee company
Ecclesiastical Group Healthcare Trustees Limited* ^^	10988127	Ordinary		100%		100%	Trustee company
Farmers & Mercantile Insurance Brokers Limited **	0314271[illegible]	Ordinary		100%		100%	Insurance agents and brokers
Lycett Browne-Swinburne & Douglass Limited **	0[illegible]706047	Ordinary	-	100%		100%	Insurance agents and brokers
Lycetts Financial Services Limited **	02057974	Ordinary	-	100%		100%	Independent financial advisory
Lycetts Risk Management Services Limited ** ^^	10306990	Ordinary		100%	-	100%	Risk management services
Robertson-McIsaac Limited **^^	03544899	Ordinary		100%		100%	Insurance agents and brokers
G.D. Anderson & Co Limited ** ^^	00776446	Ordinary	-	100%	-	-	Insurance agents and brokers
Lycetts Holdings Limited **	05866203	Ordinary		100%	100%		Investment holding company
SEB Insurance Brokers Limited*	06317314	Ordinary	-			100%	Insurance agents and brokers
South Essex Insurance Holdings Limited *	0631[illegible]313	Ordinary				100%	Investment holding company
Incorporated in Australia							
Ansvar Insurance Limited ***	00721650[illegible]	Ordinary		100%		100%	Insurance
Ansvar Risk Management Services Pty Limited ***	623695014	Ordinary		100%		100%	Risk management services
Ansvar Insurance Services Pty Limited *** †	167612286	Ordinary	-	100%		100%	Dormant company
Associated undertakings							
Incorporated in the United Kingdom							
Lloyd & Whyte Group Limited****	01143899	Ordinary	40%	-	40%		Insurance agents and brokers

* Registered office: Benefact House, 2000 Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester, GL3 4AW, United Kingdom

** Registered office: Mitchell House, Dean Street, Newcastle upon Tyne, NE1 1PP, United Kingdom

*** Registered office: Level 5, 1 Southbank Boulevard, Melbourne, VIC 3006, Australia

**** Registered office: Affinity House, Bindon Road, Taunton, Somerset, TA2 6AA

Exempt from audit under s.480 of the Companies Act 2006

Exempt from audit under s479A of the Companies Act 2006

† Exempt from audit

40 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not included in the Group analysis, but are included within the Parent analysis below.

The Parent related party transactions below relate to Benefact Trust Limited, the Group and Parent's immediate and ultimate parent undertaking. Group and Parent other related parties include the Group's pension plans, directors and associated undertakings.

	Parent £000	Subsidiaries £000	Other related parties £000
2022			
Group			
Trading, investment and other income, including recharges, and amounts received	-	-	6,361
Trading, investment and other expenditure, including recharges, and amounts paid	14	-	55,345
Amounts owed by related parties	-	-	81,107
Amounts owed to related parties	-	-	-
Parent			
Trading, investment and other income, including recharges, and amounts received	-	55,417	3,996
Trading, investment and other expenditure, including recharges, and amounts paid	14	9,664	55,345
Amounts owed by related parties	-	2,129	79,310
Amounts owed to related parties	-	126,585	-
2021			
Group			
Trading, investment and other income, including recharges, and amounts received	[illegible]		4,738
Trading, investment and other expenditure, including recharges, and amounts paid			[illegible]
Amounts owed by related parties			[illegible]
Amounts owed to related parties		-	10
Parent			
Trading, investment and other income, including recharges, and amounts received		[illegible]	3,721
Trading, investment and other expenditure, including recharges, and amounts paid		3,422	[illegible]
Amounts owed by related parties	-	2,073	25,010
Amounts owed to related parties	-	66,598	

Transactions and services within the Group are made on commercial terms. Amounts outstanding between Group companies are unsecured, are not subject to guarantees, and will be settled in cash. No provisions have been made in respect of these balances. Loans to directors are non interest-bearing.

On 30 December 2022, Ecclesiastical Insurance Office plc (EIO) disposed of South Essex Insurance Holdings Limited and its wholly owned subsidiary SEIB Insurance Brokers Limited (together, SEIB) to the Lloyd & Whyte Group Limited (Lloyd & Whyte) for £45,197,000, resulting in a gain after tax of £14,293,000. Lloyd & Whyte is an associate of the Group in which we are seeking to increase our share of ownership over time, with full ownership expected to occur in 2026. [illegible]

Trading, investment and other income of the Parent include loan advances from subsidiaries totalling £54,900,000 (2021: [illegible]), of which £44,000,000 relates to the loan from EIO to BGP in relation to the purchase of SEIB by Lloyd & Whyte.

Trading, investment and other expenditure of the Group and Parent consist of loan advances to related parties totalling £55,54[illegible],000 (2021: [illegible]), of which £44,[illegible],000 relates to the purchase of SEIB by Lloyd & Whyte.

Amounts owed by related parties to the Parent and Group [illegible] of £79,[illegible],000 (2021: £24,[illegible]) [illegible] note 24, with £4[illegible] of the increase being due to the purchase of SEIB by Lloyd & Whyte, and amounts classified within other assets of £[illegible] (2021: £[illegible]229,000) disclosed in note 26.

Amounts owed to related parties by the Parent include borrowings of £[illegible] (2021: £66,[illegible]), with £4[illegible] of the increase in the year being due to the purchase of SEIB by Lloyd & Whyte, and amounts classified within other liabilities of £902,[illegible] (2021: £[illegible]), disclosed in note 3[illegible].

Notes to the financial statements

40 Related party transactions (continued)

Key management personnel	2022 £000	2021 £000
Wages and salaries	**5,411**	6,221
Social security costs	**750**	566
Pension costs - defined contribution plans	**308**	303
Fees and benefits for non-executive directors	**625**	602
	7,094	7,692

Charitable grants paid to the Group's parent undertaking are disclosed in note 15. Contributions paid to and amounts received from the Group's defined benefit pension schemes are disclosed in note 21.

The remuneration of the directors (including non-executive directors) is set out in aggregate below:

	2022 £000	2021 £000
Salaries and other short-term employee benefits	**2,835**	2,853
Long-term cash incentive	**494**	712
Post-employment benefits	**164**	67
	3,493	3,632

Directors' remuneration includes amounts paid in Canadian dollars. An average exchange rate of 1.6124 Canadian dollars to 1 GBP has been used in respect of the current and prior year.

Post-employment benefits includes £78,000 (2021: £74,000) in respect of contributions to a defined contribution scheme.

No directors who were employed by Ecclesiastical Insurance Office plc were members of the Group's defined benefit pension scheme during the year (2021: no directors). One director (2021: one) was a member of the Group's defined contribution scheme during the year.

		2022 £000	2021 £000
Highest paid director	- emoluments	**1,196**	1,285
	- money purchase pension contributions	**-**	
Chairman's fees		**150**	145

Notes to the financial statements

41 Reconciliation of Alternative Performance Measures

The Group uses alternative performance measures (APM) in addition to the figures which are prepared in accordance with IFRS. Regulatory capital, combined operating ratio (COR), net expense ratio (NER) and net inflows are APM. These measures are commonly used in the industries we operate in and we believe provide useful information and enhance the understanding of our results.

Users of the accounts should be aware that similarly titled APM reported by other companies may be calculated differently. For that reason, the comparability of APM across companies might be limited.

We provide a reconciliation of the combined operating ratio and net expense ratio to the most directly reconcilable line item in the financial statements. *Regulatory capital and net inflows to funds managed by the Group's subsidiary EdenTree Investment Management Limited, do not have an IFRS equivalent.* Net inflows are the difference between the funds invested (gross inflows) less funds withdrawn (redemptions) made during the year by third parties in a range of funds EdenTree Investment Management Limited offers. Regulatory capital is covered in note 40.

		2022						
		Insurance		Inv'ment return	Inv'ment mngt	Broking and Advisory	Corporate costs	Total
		General	Life					
		£000	£000	£000	£000	£000	£000	£000
Revenue								
Gross written premiums		558,544	65		-		-	558,609
Outward reinsurance premiums		(238,069)		-	-	-		(238,069)
Net change in provision for unearned premiums		(16,505)	-	-	-	-		(16,505)
Net earned premiums	[1]	303,970	65	-			-	304,035
Fee and commission income	[2]	63,533			16,628	41,000	-	121,161
Other operating income		2,020						2,020
Net investment return			(17,499)	(799)	(22)	934		(17,386)
Total revenue		369,523	(17,434)	(799)	16,606	41,934	-	409,830
Expenses								
Claims and change in insurance liabilities		(281,349)	9,988	-	-	-		(271,361)
Reinsurance recoveries		138,507		-	-			138,507
Fees, commissions and other acquisition costs	[3]	(108,581)	(115)	-	(885)	1,010		(108,573)
Other operating and administrative expenses	[4]	(90,681)	(530)	(3,217)	(19,246)	(38,180) [5]	(25,743)	(177,595)
Total operating expenses		(342,104)	9,343	(3,217)	(20,131)	(37,170)	(25,743)	(419,022)
Operating profit	[8]	27,419	(8,091)	(4,016)	(3,525)	4,764	(25,743)	(9,192)
Finance costs		(2,456)		-	-	(185)		(2,641)
Profit on disposal of subsidiary	[10]	-	-		-	14,293		14,293
Share of profit after tax of associate				-	-	1,463		1,463
Profit before tax		24,963	(8,091)	(4,016)	(3,525)	20,335	(25,743)	3,923
Underwriting profit	[6]	27,419						
Combined operating ratio		91.0%						
Net expenses = [2] + [3] + [4] + [5]	[7]	159,472						
Net expense ratio		52%						

The underwriting profit of the Group is defined as the operating profit of the general insurance business.

The Group uses the industry standard net combined operating ratio as a measure of underwriting efficiency. The COR expresses the total of net claims costs, commission and underwriting expenses as a percentage of net earned premiums. It is calculated as [illegible].

The net expense ratio expresses total underwriting and corporate expenses as a proportion of net earned premiums. It is calculated as [illegible].

Notes to the financial statements

41 Reconciliation of Alternative Performance Measures (continued)

		Restated* 2021						
		Insurance		Inv'ment return	Inv'ment mngt	Broking and Advisory	Corporate costs	Total
		General £000	Life £000	£000	£000	£000	£000	£000
Revenue								
Gross written premiums		486,220	(2)	-	-	-	-	486,218
Outward reinsurance premiums		(198,601)	-	-	-	-	-	(198,601)
Net change in provision for unearned premiums		(14,620)		-	-	-	-	(14,620)
Net earned premiums	[1]	272,999	(2)	-	-	-	-	272,997
Fee and commission income	[2]	55,418			15,098	38,543		109,059
Other operating income		1,136	-		-		-	1,136
Net investment return			1,523	102,062	6	1,032	-	104,623
Total revenue		329,553	1,521	102,062	15,104	39,575	-	487,815
Expenses								
Claims and change in insurance liabilities		(267,290)	(1,059)	-				(268,349)
Reinsurance recoveries		123,822						123,822
Fees, commissions and other acquisition costs	[3]	(95,628)	(20)	-	(979)	(312)	-	(96,939)
Other operating and administrative expenses	[4]	(81,698)	(450)	(3,350)	(16,732)	(35,312) [5]	(24,134)	(161,676)
Total operating expenses		(320,794)	(1,529)	(3,350)	(17,711)	(35,624)	(24,134)	(403,142)
Operating profit	[8]	8,759	(8)	98,712	(2,607)	3,951	(24,134)	84,673
Finance costs		(2,288)	-	-		(204)		(2,492)
Share of profit after tax of associate		-	-	-		2,274		2,274
Profit before tax		6,471	(8)	98,712	(2,607)	6,021	(24,134)	84,455
Underwriting profit	[6]	8,759						
Combined operating ratio		96.8%						
Net expenses (= [2] + [3] + [4] + [5])	[7]	(46,042)						
Net expense ratio		53%						

*The comparative financial statements have been restated as detailed in note 43

42 Events after the balance sheet date

On 3 January 2023, the shares of EdenTree Investment Management Limited and Ecclesiastical Financial Advisory Services Limited were distributed from Ecclesiastical Insurance Office Plc to Benefact Group plc.

Subsequently, the shares of EdenTree Investment Management Limited and EdenTree Asset Management Limited were transferred to EdenTree Holdings Limited and Ecclesiastical Financial Advisory Services Limited, Ecclesiastical Planning Services Limited, Lycetts Holdings Limited and Lloyd & Whyte Group Limited were transferred to Benefact Broking & Advisory Holdings Limited.

Notes to the financial statements

43 Prior year restatement

The Group's accounting policy for general insurance outstanding claims provisions has previously been to apply discounting only to certain longer term liabilities. The accounting policy has been changed to include discounting of the general insurance liabilities that have not previously been discounted. This change in accounting policy resulted in a credit of £13.2m recognised in this financial year and a credit of £2.6m in the prior year, both within net investment return.

Under IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, a retrospective restatement of the prior period results is required. The effects of the restatement are detailed in this note, and included throughout the financial statement comparatives, where appropriate. As a result of the restatement as at 1 January 2021 the Group recognised an increase in retained earnings of £0.5m.

The Group considers that this change in accounting policy provides more reliable and relevant information. This change in discounting accounting policy ensures the effects of higher interest rates and high inflation are reflected across both short and longer term insurance liabilities. Furthermore, this change to accounting policy better reflects the impact of the Group's objective of matching assets with insurance liabilities when managing exposure to interest rate risk.

	Group		
	As reported	**Restatement**	**As restated**
	2021		**2021**
	£000	**£000**	**£000**
Revenue			
Gross written premiums	486,218	-	486,218
Outward reinsurance premiums	(198,601)		(198,601)
Net change in provision for unearned premiums	(14,620)	-	(14,620)
Net earned premiums	272,997	-	272,997
			-
Fee and commission income	109,059		109,059
Other operating income	1,156		1,156
Net investment return	102,023	2,600	104,623
Total revenue	485,215	2,600	487,815
Expenses			
Claims and change in insurance liabilities	(268,549)		(268,549)
Reinsurance recoveries	123,822	-	123,822
Fees, commissions and other acquisition costs	(96,939)		(96,939)
Other operating and administrative expenses	(161,676)	-	(161,676)
Total operating expenses	(403,342)	-	(403,342)
Operating profit	82,073	2,600	84,673
Finance costs	(2,492)	-	(2,492)
Share of profit after tax of associate	2,274	-	2,274
Profit before tax	81,855	2,600	84,455
Tax credit	(18,756)	(494)	(19,250)
Profit for the year	63,099	2,106	65,205
Attributable to:			
Equity holders of the Parent	54,317	2,106	56,423
Non-controlling interest	8,782	-	8,782
	63,099	2,106	65,205

43 Prior year restatement (continued)

	Group			
	As reported 31 December 2021 £000	Restatement £000	As restated 31 December 2021 £000	As restated 1 January 2021 £000
Assets				
Goodwill and other intangible assets	74,261	-	74,261	77,352
Deferred acquisition costs	46,027	-	46,027	41,989
Deferred tax assets	9,607	-	9,607	2,502
Pension assets	28,304	-	28,304	1,053
Investment in associate	12,148		12,148	5,696
Property, plant and equipment	38,469		38,469	42,451
Investment property	163,355	-	163,355	142,142
Financial investments	1,119,127	-	1,119,127	1,036,766
Reinsurers' share of insurance contract liabilities	254,449	(1,013)	253,436	208,677
Current tax recoverable	525	-	525	8,843
Other assets	177,689	-	177,689	167,709
Cash and cash equivalents	144,012		144,012	129,596
Total assets	2,067,973	(1,013)	2,066,960	1,864,756
Equity				
Share capital	20,000	-	20,000	20,000
Retained earnings and other reserves	540,798	2,600	543,398	471,721
Equity attributable to equity holders of the Parent	560,798	2,600	563,398	491,721
Non-controlling interests	101,815	-	101,815	101,815
Total equity	662,613	2,600	665,213	593,536
Liabilities				
Insurance contract liabilities	888,817	(4,223)	884,594	810,616
Investment contract liabilities	256,706		256,706	234,840
Borrowings	24,995	-	24,995	28,151
Provisions for other liabilities	7,318		7,318	7,013
Pension liabilities	3,725		3,725	17,226
Retirement benefit obligations	7,058		7,058	6,531
Deferred tax liabilities	49,748	610	50,358	50,131
Current tax liabilities	1,236	-	1,236	1,379
Deferred income	29,765		29,765	26,414
Subordinated liabilities	24,433	-	24,433	-
Other liabilities	111,559		111,559	108,580
Total liabilities	1,405,360	(3,613)	1,401,747	1,271,220
Total equity and liabilities	2,067,973	(1,013)	2,066,960	1,864,756

43 Prior year restatement (continued)

	As reported 31 December 2021	Group Restatement	As restated 31 December 2021
	£000	£000	£000
Profit before tax	81,855	2,6[illegible]	84,[illegible]55
Adjustments for			
Depreciation of property, plant and equipment	6,852	-	6,852
Loss on disposal of property, plant and equipment	13	-	13
Amortisation and impairment of intangible assets	2,134	-	2,134
Loss on disposal of intangible assets	4,765	-	4,765
Share of profit of associate	(2,274)		(2,274)
Net fair value gains on financial instruments and investment property	(57,451)		(57,451)
Dividend and interest income	(23,361)	-	(23,361)
Finance costs	2,492	-	2,492
Adjustment for pension funding	1,151		1,151
Changes in operating assets and liabilities			
Net increase in insurance contract liabilities	86,900	(2,600)	84,300
Net increase in reinsurers' share of contract liabilities	(49,513)		(49,513)
Net increase in investment contract liabilities	13,937	-	13,937
Net increase in deferred acquisition costs	(4,376)	-	(4,376)
Net (increase) in other assets	(11,199)	-	(11,199)
Net increase in operating liabilities	8,748		8,748
Net increase in other liabilities	197		197
Cash generated by operations	60,870	-	60,870
Purchases of financial instruments and investment property	(217,021)	10,500	(206,521)
Sale of financial instruments and investment property	[illegible]	(831)	[illegible]
Dividends received	8,454		8,454
Interest received	15,345		15,345
Tax (paid)	(3,292)		(3,292)
Net cash from operating activities	40,151	9,669	49,8[illegible]
Cash flows from investing activities			
Purchases of property, plant and equipment	(3,845)	-	(3,845)
Proceeds from the sale of property, plant and equipment	869	-	869
Purchases of intangible assets	(3,942)	-	(3,942)
Acquisition of business net of cash acquired	(5,258)	-	(5,258)
Net cash used by investing activities	(12,176)	(9,669)	(21,845)
Cash flows from financing activities			
Interest paid	(2,492)		(2,492)
Payment of lease liabilities	(4,058)		(4,058)
Change in interest in subsidiary			
Transactions with non-controlling interests			
Proceeds from other borrowings	[illegible]		[illegible]
Dividends paid to non-controlling interests of subsidiaries	(8,782)	-	(8,782)
Dividend paid to ultimate parent undertaking	(21,000)		(21,000)
Net cash (used by) financing activities	(11,318)		(11,318)
Net increase in cash and cash equivalents	[illegible]		[illegible]
Cash and cash equivalents at beginning of year	[illegible]	-	129,596
Exchange (losses) in cash and cash equivalents	(2,241)	-	(2,241)
Cash and cash equivalents at end of year	144,012	-	144,012

The effects of the restatement are included in the consolidated statement of changes in equity and throughout the notes to the notes to the financial statements, where appropriate.