Company registration number 1043742

Charity registration number 263960

ALLCHURCHES TRUST LIMITED

2013 ANNUAL REPORT

Allchurches Trust Limited

2013 Annual Report

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Allchurches Trust Limited

Directors

Board of directors	Sir Philip Mawer DLitt, LLD *Chairman* M. A. Chamberlain OBE, Hon. LLD, FCA The Venerable A. J. Cooper BA, MA, CQSW H. F. Hart MA C. Smith, Barrister The Rt. Revd. W. N. Stock BA, Dip. Theol. Ms D. P. Wilson BA (Hons), FCII Sir Laurie Magnus Bt Mr D. Christie BA, BSc (Econ), Dip. Ed.
Company Secretary	Mrs R. J. Hall FCIS
Registered and Head Office	Beaufort House, Brunswick Road, Gloucester GL1 1JZ Tel: 0845 777 3322
Company Registration Number	1043742
Charity Registration Number	263960
Auditor	Deloitte LLP, Chartered Accountants & Statutory Auditor, 1 Little New Street, London EC4A 3TR
Bankers	National Westminster Bank plc, 21 Eastgate Street, Gloucester GL1 1NH
Solicitors	Farrer & Co 66 Lincoln's Inn Fields London WC2A 3LH

Allchurches Trust Limited

Chairman's Foreword

2013 was a year of transition both for Allchurches Trust Limited (ATL) and for its primary asset, the Ecclesiastical Insurance Group (EIG).

People

In ATL, my predecessor as Chairman, Nick Sealy, retired at the Annual General Meeting on 4 July. Nick had been a Director of EIG for over 10 years between 1999 and 2009 (for six of them acting as the company's Chairman) and Chairman of ATL for four years. He led both the company and the charity with great skill, markedly increasing the overall level of giving by the company to its owner and therefore by ATL to the Church and its other beneficiaries, and greatly improving the professionalism and general governance of the charity. Nick is, in every sense, a hard act to follow and both ATL and EIG owe him a very great debt.

In Ecclesiastical Insurance Office plc (EIO), changes in the senior executive management team saw Mark Hews succeed Michael Tripp as Group Chief Executive and Jacinta Whyte (the head of the firm's Canadian branch) assume the leadership of the Group's general insurance business. The new leadership team is settling down well and facing up to the challenges of running the business with energy and determination.

Investments

EIG reported a substantial profit of £65 million in 2013. This was largely built on the back of outstanding performance by the Group's award-winning investment team. Whilst property insurance delivered generally strong returns, the frequency and severity of liability claims continued to impact underwriting profitability as a whole. The new management team is strongly focussed on restoring overall underwriting profitability, in the UK and the company's branches overseas.

For 2013, EIO provided a total grant to ATL of £12.5 million. £4 million of this was paid during the year, the balance being paid in March 2014 after EIO's audited accounts were available.

ATL's Capital Endowment Fund also benefited from above average investment returns. The size of the Fund rose from £28.5 million to £33.4 million, an increase of 17.1%.

Grants and Donations

Overall ATL made donations totalling £9.5 million in 2013. As we received only £4 million from EIO during 2013 itself, we were not able to increase our block grants to dioceses and cathedrals in the year but, thanks to prudent reserving, we were able to maintain them at a similar level to 2012. In total, we made block grants of £6.2 million to dioceses and £1.2 million to cathedrals.

In addition we donated over £2 million in response to individual applications received from parish churches, cathedrals, charities and schools, slightly more than the equivalent figure for 2012. We shall be reviewing the level of our block grants to dioceses and cathedrals in 2014, in the light of the increased grant received from EIO in March this year. If we can prudently increase these grants, and then sustain them at the increased level, we will.

Moving Forward

I mentioned earlier that 2013 was a year of transition for ATL and EIG. 2014 will see us build on the firm foundations previously laid down.

The Board of Ecclesiastical has committed itself to a clear and demanding three year strategy. The Board's vision is to become the most trusted and ethical specialist financial services Group, giving £50 million to charity over the period 2014-16.

In ATL, we plan to focus in the year ahead on:

- Introducing in April 2014 a facility to apply for grants online, which will also improve the information available to the Board to help manage the grants distribution process
- Gathering views and information from stakeholders in preparation for a major review of our Grants policy in 2015
- Strengthening relationships with key stakeholders in the churches and elsewhere, and improving communication about our activities and purpose.

Allchurches Trust Limited

Chairman's Foreword

Thanks

Finally, I wish to record my sincere thanks to my fellow Trustees and the staff of ATL, and to our professional advisers, for the support they have given me as I have taken on my new role and for their unstinting efforts over the past year. It is an honour to chair ATL and my predecessor has left it in good shape. We face an exciting as well as challenging future as we seek to build the very significant contribution that ATL makes to the Church and to the service of the community. There can be few greater privileges.

Sir Philip Mawer

Trustees' Report - Strategic Report

The directors present their strategic report, annual report and review together with the audited financial statements for the year ended 31 December 2013. The directors are responsible for the general control and management of the administration of the charity. They are therefore the charity trustees. In this report they are referred to as 'the Board'.

Constitution

Allchurches Trust Limited ('ATL') was incorporated in 1972 in England and Wales. It is a company limited by guarantee not having a share capital and is a registered charity.

The governing documents are the Memorandum and Articles of Association.

Strategic Report

Objects and future activities

The objects of ATL are to promote the Christian Religion, to contribute to the funds of any charitable institutions, associations, funds or objects and to carry out any charitable purpose.

The Board confirms that it has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing ATL's aims and objectives and in planning future activities and setting the grant-making policy for the year.

ATL has adopted the following priorities in meeting its objectives for the year ahead:

- support for the mission of the Dioceses and Cathedrals of the Church of England by way of annual grants;
- support for requests from churches of other Christian denominations and communities;
- a Special Projects Fund for requests having a broad impact on the UK Christian community with an emphasis on training and development of lay and ordained people, evangelism and church growth;
- an overseas project fund to support the Christian church and communities in accordance with its grant-making policy;
- a bias to requests from churches in areas of deprivation, which promote growth in the church and which have a community focus; and
- evidence of sustainability and feedback on impact and progress for larger projects.

Review of the company's business

Overview

ATL had a successful year and was able to maintain its financial support to the Church and other charitable institutions with distributions of £9.5 million (2012: £9.5 million). At the year-end date, total charity funds were £411.6 million (2012: £376.5 million) and total group assets were £1,521.2 million (2012: £1,516.5 million).

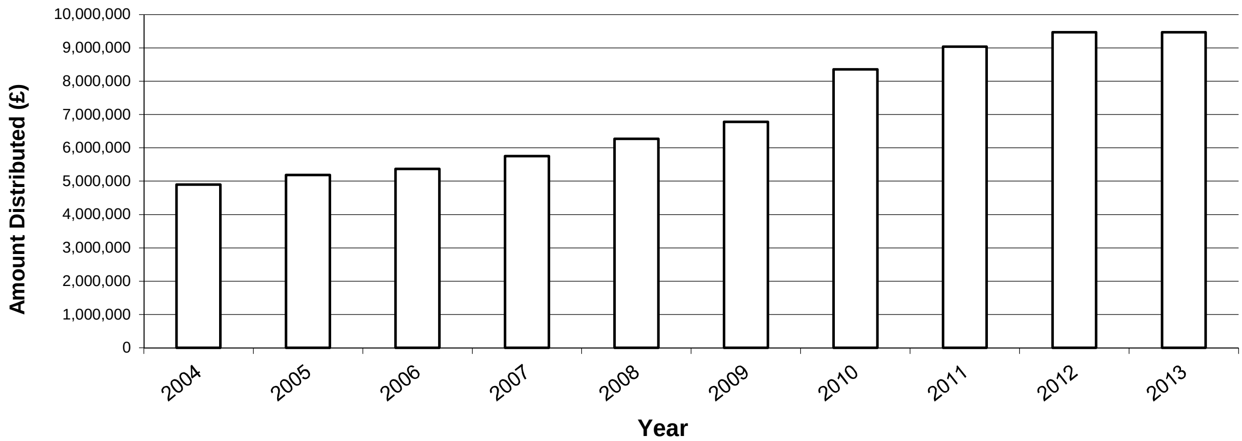
The charitable distributions of ATL are shown in its statement of financial activities on page 17.

No significant change in activities occurred in the year or to the date of this report. The company uses the facilities and services provided by Ecclesiastical Insurance Office plc for administrative support. The company continues to have adequate available resources to continue its charitable activities.

Achievements and performance

Distributions

ATL has steadily increased distributions to dioceses, cathedrals, parishes and other charitable organisations since 1972, distributing £70.6 million over the last 10 years.



During 2013, ATL allocated charitable distributions amounting to £9,467,000. A breakdown of these grants is as follows:

	2013		2012	
	£000	**No.**	£000	No.
Dioceses	**6,256**	**123**	6,216	120
Cathedrals	**1,427**	**164**	1,433	160
Parishes and other charities	**1,784**	**933**	1,816	1,047
	9,467	**1,220**	9,465	1,327

Dioceses and cathedrals

The majority of ATL's donations are used to support the dioceses and cathedrals of the Church of England. During the year, ATL allocated donations of £7.7 million (2012: £7.6 million) to those beneficiaries.

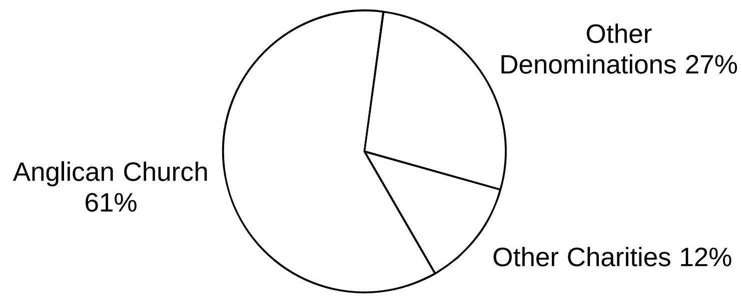
Grants were largely used as follows:

- supporting deployment of clergy in parishes, particularly within areas of greatest need;
- funding specific mission and outreach initiatives;
- training of lay and ordained people;
- resourcing and developing music in cathedrals; and
- repairs and maintenance of the fabric of cathedrals.

Anglican churches, churches of other denominations and the Christian community

ATL responds to requests for financial assistance from Anglican churches, churches of other denominations, the Christian community and other charitable organisations in accordance with its grant-making policy. In general, ATL supports appeals from churches for building and restoration projects, the repair of church fabric and church community initiatives, and from religious charities and charities preserving the UK heritage.

During 2013, ATL made charitable distributions from its general fund in response to appeals for financial assistance as follows:



Special project fund

This fund was established in 1999. Its purpose is to support a small number of projects on a larger basis. During the year, ATL provided funds to support church growth initiatives such as 'Back to Church Sunday' and 'Leading your Church into Growth', work at the Arthur Rank Centre in respect of the rural church, and the training of senior church leaders.

Overseas projects fund

This fund was established in 2005. During the prior year ATL allocated funds amounting to £121,000 to support Christian causes overseas. In the current year, subsidiary companies operating in Australia and Canada donated £229,000 (2012: £357,000) to charitable causes in those countries.

Delivering public benefit

Some examples of recent grants are listed below, which highlight some of the charity's achievements and performance. The charity's beneficiaries provided much positive feedback on the value and impact of ATL's contributions.

St Mary's Church - Abergavenny, Monmouthshire

Financial assistance was given towards the refurbishment of a chapel within the church to enable it to be used for services and other activities, and to preserve the church's Jesse Tree.

St Michael and All Angels Church - Alphington, Devon

A donation was made towards an extension to the church to accommodate kitchen, servery and toilet facilities, and within the church for a gallery to be installed with meeting rooms.

Bingham Methodist Church - Nottingham

A grant was given towards the demolition of the existing church building to enable a Christian Community Centre to be built, to include a multi-functional worship space.

Guildford Cathedral - Surrey

A donation was made towards major refurbishment of the cathedral, in particular to the removal of asbestos in all the ceiling vaults.

First Comber Presbyterian Church - County Down, Northern Ireland

Financial assistance was given towards the extension of the church to link the church building with the church halls' complex, thereby creating a new hub for families and the wider community.

St Elizabeth's Church of Ireland - Dundonald, Belfast

A donation was given to create an extension to the church to provide a welcome area, a coffee bar, a new entrance to the church and new toilet facilities.

St Mary's Church - Ferndown, Dorset
A grant was given to extend the church to accommodate a new hall foyer, to create a youth room and office area, and to install a new boiler plant.

St Andrew's Kirk - Helensburgh, Argyll and Bute
Financial assistance was given towards the demolition of two halls and to replace them with a new hall providing community rooms, studies for ministers, and kitchen and toilet facilities.

St Paul's Church of Ireland - Glenageary, County Dublin
A grant was given to assist with repairs to the church's fabric, including external re-pointing and improvements to the electrics and heating.

St Colman's Roman Catholic Church - Massforth, County Down
Financial assistance was given to repair the roof, including lead repairs, the replacement of rainwater goods and the insulation of the roof.

Bishop Hannington Memorial Church - Hove, East Sussex
A donation was given towards the redevelopment of the church centre adjacent to the church. The work included a new entrance area, new toilet facilities and ramped access.

Holy Trinity Church - Nailsea, Bristol
A grant was made towards the refurbishment of the church hall, kitchen and meeting rooms, and the creation of a new cafeteria area.

Lincoln Cathedral
A grant was given to enable the cathedral to sponsor a stonemason for a year.

North Bolton Methodist Mission - Lancashire
Financial assistance was given towards the building of a new church on the site of an existing one. The new building will have facilities to benefit both the church and the community.

Totland Methodist Church - Isle of Wight
A donation was given towards the construction of a new church which will be a flexible, multi-use building for use by both church and community.

The Collegiate Church of St Mary - Warwick
A grant was given towards major restoration work to the Beauchamp Chapel within the church. The work includes repairs to masonry and to the roof.

Talitha Koum Community - Ipswich, Suffolk
Financial assistance was given to build residential accommodation to help women recover from addiction and to inspire them to be free to realise their potential.

Painswick and Stroud Area Local Ministries - Gloucestershire
A donation was given to develop a sustained sports-based Christian ministry among disadvantaged youth in Stroud, Gloucestershire.

Beachy Head Chaplaincy Team - East Sussex
A grant was made towards the refurbishment of a building that will be used in the organisation's work with suicide intervention and search and rescue.

St Luke's Hospice - Sheffield
Financial assistance was given to extend and refurbish the hospice, including the development of a new chapel and installation of a bed-lift allowing patients to access the gardens.

Better Together Trust - West Malling, Kent
A donation was given to support a project to explore how different Christian traditions and other faith communities can better work together towards social justice.

The Deeper Network - Romford, Essex
A grant was given to refurbish a shop to enable it to become a place where young people may find pastoral support and share the Gospel.

Ottery St Mary United Reformed Church - Devon
Financial assistance was given to make repairs to the church and the adjacent hall. The work included re-slating roofs and the strengthening of a wall.

St Andrew's Episcopal Church - Ardrossan, Ayrshire
A donation was made towards the restoration of both the church and church hall, including roof repairs, the re-pointing of stonework and the repair of windows.

East Cheshire Area Quaker Meeting - Stockport
A grant was made to rebuild the meeting house in Stockport, as the existing building was beyond economic repair.

Waen Congregational Chapel - Denbighshire
Financial assistance was given to extend the chapel's meeting room, to provide a quiet room and to provide parking spaces for the disabled.

St Mary the Virgin Church - Trelystan, Powys
A donation was made towards major repairs to the timber frame of the church, the renewal of the church's rainwater goods and the construction of a French drain.

Financial review

Incoming resources

The Trust received a grant of £4.0 million (2012: £4.0 million) from the Ecclesiastical group during the year. In accordance with its reserves policy, the Trust retained in unrestricted funds, at the start of the year, cash reserves sufficient to meet 2013 distributions to its regular beneficiaries at a similar level to the prior year, together with additional grants already committed. The Trust has since received additional grants from Ecclesiastical of £8.5 million in respect of the Group results for 2013. Over the year, funds available for future distributions have fallen by £5.7 million.

Other income of ATL comprises interest received from cash on deposit, and dividend and interest income on its endowment fund investment portfolio.

The income of ATL is shown in its statement of financial activities on page 17.

Investment performance

In 2013 improving economic fundamentals in the developed world led to strong equity market returns in the US, UK and Europe though weak commodity prices and slower growth in China held back some of the emerging markets. The gilt market generated negative returns as rising yields led to capital losses, but the corporate bond market fared better as credit spreads continued to decline. ATL’s Capital Endowment Fund made a total return of 17.4% (2012: 14.9%), compared with a 15.5% (2012: 11.8%) return of the WM Charity Monitor, an independent external benchmark. The value of the Fund increased from £28.5m to £33.4m over the year.

Trading subsidiaries

The principal activities of the trading subsidiaries throughout and at the end of the year remain the provision of general insurance and a range of financial services in the United Kingdom and overseas. A list of these undertakings is given in note 30.

The company's trading subsidiaries reported a profit of £54.7m (2012: profit of £17.5m) as shown in the consolidated statement of financial activities on page 18. Investment performance continued to be strong, but was once again offset by general business underwriting losses arising from liability business particularly in the UK and Ireland, and uneconomically high reinsurance costs in Australia. Actions have been taken by the trading subsidiaries to address the performance of its general business operations, including withdrawal from the motor insurance market and the non-charitable care sector in the UK, as well as entering into a 100% quota share arrangement for property business in Australia, as reported in the consolidated accounts of Ecclesiastical Insurance Office plc. The group increased its stake in Lycetts Holdings Limited, an insurance broking group, during the year to 75%. It is envisaged that this stake will increase further during the forthcoming year. Trading conditions in the year remained challenging for Lycetts, particularly for the commercial and bloodstock divisions, with profit before tax falling compared to the prior year.

Copies of the Ecclesiastical Insurance Office plc accounts are available from the registered office, as shown on page 2, and are provided to members of ATL.

Principal risks and uncertainties facing the company

The major risks to which the company is exposed are reviewed by the Board with the aid of external advisers. Systems have been established to mitigate these risks.

Details of the financial risk management objectives and policies of ATL and its exposures are disclosed in note 1 to the financial statements. ATL is exposed to financial risk through its investments in subsidiary undertakings, its cash on deposit and its endowment portfolio of investments held. In respect of its investments in subsidiaries, ATL 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 trading subsidiaries can be found in the Risk Management section of the Strategic Report in the accounts of Ecclesiastical Insurance Office plc. In respect of its cash deposits and its endowment portfolio investments, ATL is exposed to interest rate risk, credit risk, currency risk and equity price risk.

Trustees' Report - Governance and Decision Making

Governing body

The body responsible for the management, actions and decisions of the company is the Board of directors. The Board meets five times a year. The Board has established an Investment Committee and a Nominations Committee.

Board proceedings

The Board seeks to ensure that all activities comply with UK law and regulatory guidance, and come within agreed charitable objectives. Its work includes setting the strategic direction of the charity, developing the objectives, reviewing the performance of trading subsidiaries and delivering the outcomes for which the charity was established.

Board procedures have been established setting out a framework for the conduct of directors, with clear guidelines as to the standard of behaviour, responsibilities, and best practice expected of directors in fulfilling their obligations to ATL.

Directors are able, where appropriate, to take independent professional advice at no personal expense so that they are able to fulfil their role.

Appointments to the Board

The Board aims to have a diverse group of directors, with a balance of necessary skills and experience and which is broadly representative of the community it serves. Dialogue with representatives from the Church and wider community it serves takes place in identifying potential candidates for the Board. All appointments to the Board are made on merit and to fulfil a specific function or need. The Board will engage external search consultants if appropriate.

Board of directors

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

Mr W. M. Samuel resigned as a director on 24 January 2013 and Mr N. J. E. Sealy resigned as chairman and director on 4 July 2013. Sir Philip Mawer was appointed as chairman on 4 July 2013 and Mr D. Christie and Sir Laurie Magnus were appointed as directors on 20 June 2013.

The directors are covered by qualifying third party indemnity provisions which were in place throughout the year and remain in force at the date of this report.

Election of directors

In accordance with the Articles of Association, the Board may at any time appoint any person to be a director either to fill a casual vacancy or in addition to the existing directors. Any such director appointed shall retire at the following annual general meeting and be eligible for re-election by the members. In certain circumstances the Articles of Association permit a member to propose for election a director in general meetings.

The Rt. Revd. W. N. Stock, The Venerable A. J. Cooper and Ms D. P. Wilson retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Induction and training

New directors are supported through an induction process which includes a formal presentation covering all aspects of the role. In addition, directors participate in a continuing professional development programme.

Members

In accordance with the Memorandum and Articles of Association, the company in general meeting may admit any person to membership provided the total number of members does not exceed 50. In the event of the company being wound up, the liability of each of the members is limited to £1.

Trustees' Report - Governance and Decision Making

Charitable and political contributions

During the course of the year the company and its subsidiary undertakings distributed from their resources £10.0 million (2012: £10.1 million) for charitable purposes. A summary of these distributions is set out in note 12. Details of grants have been submitted to the Charity Commission.

As a charity, ATL is not able to make political donations. It is the policy of ATL's main trading subsidiaries not to make political donations.

Reserves policy

ATL's main income is derived from a cyclical industry. The directors believe that it is desirable, so far as possible, to maintain stability of charitable distributions to its regular beneficiaries. In order to provide this stability it is their policy to retain, in reserve, cash funds at a level at least equivalent to the amount allocated for distribution to those beneficiaries in the previous financial year. In addition, reserves are held where ATL has committed to longer-term funding for specific projects and for grants which have been deferred subject to the satisfaction of agreed conditions.

Reserves at the end of the financial year amounted to £1.9 million (2012: £7.6 million), which excludes the additional grant of £8.5m paid by Ecclesiastical after the year end.

Investment policy

Full details of the company's investments in subsidiary and associate undertakings are disclosed in note 30. The principal investment objective in relation to ATL's Capital Endowment Fund is to maximise long-term investment returns through a diversified portfolio with an acceptable risk profile. Invested funds are normally expected to fall within the following ranges:

Equities	60% - 80%
Fixed interest securities	10% - 30%
Property	0% - 10%
Cash	0% - 20%
Unquoted investments	0% - 5%

The Board regularly reviews the appropriateness of the investment strategy. The Board's principal obligation is to promote and protect the financial interests of ATL and of its beneficiaries. The endowment fund's performance will normally be reviewed on an annual basis against an agreed benchmark provided by a suitable external performance service.

The directors have adopted as part of the investment policy an ‘absence of harm’ approach, and seek to avoid investing in companies whose activities may be inconsistent with the values of the Trust’s beneficiaries or supporters. These have been determined as companies ‘wholly or mainly’ involved in the manufacture or production of tobacco, strategic arms and weaponry and pornographic media. The directors believe this provides an appropriate balance between ethical considerations and fiduciary responsibility.

Grant-making policy

The Board reviews the grant-making policy annually to ensure it remains appropriate to the strategic direction of the charity and its objects, and thereby advances public benefit. A copy of the grant-making policy is available from the company secretary at the registered office shown on page 2.

Trustees' Report - Governance and Decision Making

Directors' Responsibilities Statement

The directors are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of ATL and its trading subsidiaries for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor and the disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that 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 Deloitte LLP be re-appointed as auditor of the company will be put to the annual general meeting.

Related parties

Related parties of ATL include its subsidiary undertakings, and in the prior year Beaufort House Trust Limited.

Going concern

A review of the business activities of ATL and its trading subsidiaries is provided in the Strategic Report within this Trustees' Report. In addition, notes 1 and 23(a) to the financial statements disclose the principal risks and uncertainties they face, including exposures to financial risk and objectives for managing capital. ATL, together with its trading subsidiaries, has considerable financial resources and, as a consequence, the directors believe it is well-placed to manage its business risks successfully and continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Trustees' Report - Governance and Decision Making

Equalities and diversity
ATL and its trading subsidiaries are committed to the principle and practice of equal opportunity in employment for all employees of group undertakings, applicants for employment and Board membership.

The group recognises the importance of employee communication and aims to keep employees informed about its affairs through the use of briefing groups, group newsletters and the annual publication of financial reports. Regular meetings are held between management and employees and discussion is encouraged. It is the group's policy to give full consideration to applications for employment by disabled persons. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who become disabled, to promote their career development within the organisation.

ATL itself has no direct employees.

The strategic report and trustees' report of Allchurches Trust Limited was approved by the Board and signed on its behalf by

Mrs R. J. Hall
Secretary

Independent Auditor's Report

Independent auditor's report to the members and directors of Allchurches Trust Limited

We have audited the financial statements of Allchurches Trust Limited for the year ended 31 December 2013 which comprise the consolidated and parent charitable company statements of financial activities, the consolidated profit and loss account, the consolidated and parent charitable company balance sheets, the consolidated cash flow statement, the accounting policies and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Equalisation reserves

Our evaluation of the presentation of information in the financial statements has had regard to the statutory requirement for insurance companies to maintain equalisation reserves. The nature of equalisation reserves, the amounts set aside at 31 December 2013, and the effect of the movement in those reserves during the year on the balance on the general business technical account and profit or loss on ordinary activities before taxation, are disclosed in note 23.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 December 2013 and of the parent charitable company's incoming resources and application of resources, including its consolidated income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent Auditor's Report

Matters on which we are required to report by exception

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

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

Mark McQueen ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
28 April 2014

Allchurches Trust Limited

Company Statement of Financial Activities

for the year ended 31 December 2013

	Notes	2013 Unrestricted funds £000	2013 Endowment funds £000	2013 Total funds £000	2012 Total funds £000
INCOMING RESOURCES					
Incoming resources from generated funds:					
Investment income					
Gift aid from subsidiary undertaking		**4,000**	**-**	**4,000**	4,000
Dividend and interest income		**15**	**1,301**	**1,316**	1,252
Voluntary income					
Donations		**1**	**-**	**1**	-
Donated services and facilities		**89**	**-**	**89**	82
Total incoming resources		**4,105**	**1,301**	**5,406**	5,334
RESOURCES EXPENDED					
Charitable activities					
Charitable distributions	12	**9,467**	**-**	**9,467**	9,465
Costs of generating funds					
Costs of generating voluntary income					
Donated services and facilities		**89**	**-**	**89**	82
Investment management costs		**-**	**92**	**92**	71
Governance costs	6	**245**	**-**	**245**	185
Total resources expended		**9,801**	**92**	**9,893**	9,803
Net incoming resources before other recognised gains and losses		**(5,696)**	**1,209**	**(4,487)**	(4,469)
OTHER RECOGNISED GAINS AND LOSSES					
Gains and losses on investment assets					
Movement in revaluation reserve	15	**35,975**	**-**	**35,975**	6,851
Other investment gains		**-**	**3,659**	**3,659**	2,446
Total recognised gains and losses and net movement in funds		**30,279**	**4,868**	**35,147**	4,828
Total funds brought forward		**347,993**	**28,497**	**376,490**	371,662
Total funds carried forward	20	**378,272**	**33,365**	**411,637**	376,490

Voluntary income consists of an amount of £89,000 (2012: £82,000) estimated by the directors as the fair value of management and administration costs incurred by subsidiary undertakings on behalf of the company but not recharged. An equal amount is shown within resources expended during the year.

The net incoming resources before other recognised gains and losses shown above represents the net income for the year for the purposes of the Companies Act 2006.

Allchurches Trust Limited

Consolidated Statement of Financial Activities

for the year ended 31 December 2013

	Notes	2013 Unrestricted funds £000	2013 Endowment funds £000	2013 Total funds £000	2012 Total funds £000
INCOMING RESOURCES					
Incoming resources from generated funds:					
Investment income					
Dividend and interest income		**15**	**1,301**	**1,316**	1,252
Voluntary income					
Donations		**1**	**-**	**1**	-
Activities for generating funds					
Trading subsidiaries profit		**54,736**	**-**	**54,736**	17,519
Total incoming resources		**54,752**	**1,301**	**56,053**	18,771
RESOURCES EXPENDED					
Charitable activities					
Charitable distributions	12	**9,955**	**-**	**9,955**	10,130
Costs of generating funds					
Investment management costs		**-**	**92**	**92**	71
Governance costs of the charity		**245**	**-**	**245**	185
Total resources expended		**10,200**	**92**	**10,292**	10,386
Net incoming resources before other recognised gains and losses		**44,552**	**1,209**	**45,761**	8,385
OTHER RECOGNISED GAINS AND LOSSES					
Currency translation differences		**(10,071)**	**-**	**(10,071)**	(3,784)
Gains on other financial investments of the charity		**-**	**3,659**	**3,659**	2,446
Actuarial losses on retirement benefits		**(4,202)**	**-**	**(4,202)**	(2,219)
Total recognised gains and losses and net movement in funds		**30,279**	**4,868**	**35,147**	4,828
Total funds brought forward		**347,993**	**28,497**	**376,490**	371,662
Total funds carried forward	20	**378,272**	**33,365**	**411,637**	376,490

Total funds carried forward represents the reserves as held by the group at the year end as presented in the consolidated balance sheet.

The net incoming resources before other recognised gains and losses shown above represents the net income for the year for the purposes of the Companies Act 2006.

Allchurches Trust Limited

Consolidated Profit and Loss Account

for the year ended 31 December 2013

TECHNICAL ACCOUNT - GENERAL BUSINESS		Notes	2013 £000	2012 £000
Gross premiums written		3(a)	**392,592**	461,126
Outward reinsurance premiums			**(131,274)**	(157,843)
Net premiums written		3(a)	**261,318**	303,283
Change in the gross provision for unearned premiums			**(27,206)**	404
Change in the provision for unearned premiums, reinsurers' share			**2,613**	12,441
Change in the net provision for unearned premiums			**(24,593)**	12,845
Earned premiums, net of reinsurance			**285,911**	290,438
Claims paid	- gross amount		**206,963**	311,819
	- reinsurers' share		**(38,888)**	(140,988)
			168,075	170,831
Change in the provision for claims	- gross amount		**20,526**	(32,708)
	- reinsurers' share		**2,343**	58,790
			22,869	26,082
Claims incurred, net of reinsurance			**190,944**	196,913
Net operating expenses		6(a)	**103,773**	119,430
Total technical charges			**294,717**	316,343
Balance on the technical account before equalisation provision			**(8,806)**	(25,905)
Change in the equalisation provision		23	**(247)**	(2,871)
Balance on the technical account for general business			**(9,053)**	(28,776)

Allchurches Trust Limited

Consolidated Profit and Loss Account

for the year ended 31 December 2013

TECHNICAL ACCOUNT - LONG-TERM BUSINESS		Notes	2013 £000	2012 £000
Gross premiums written		3(b)	**6,753**	20,208
Outward reinsurance premiums			**-**	-
Earned premiums, net of reinsurance			**6,753**	20,208
Investment income		4	**2,966**	4,780
Unrealised gains on investments			**-**	1,115
Total technical income			**9,719**	26,103
Claims paid	- gross and net amount		**7,854**	6,930
Change in the provision for claims	- gross and net amount		**(44)**	-
Claims incurred, gross and net of reinsurance			**7,810**	6,930
Change in technical provision for linked business			**(510)**	11,242
Net operating expenses		6(a)	**804**	1,878
Investment expenses and charges		4	**116**	105
Unrealised losses on investments			**1,134**	-
Tax attributable to long-term business		11	**(311)**	804
			1,743	2,787
Total technical charges			**9,043**	20,959
Balance on the technical account for long-term business			**676**	5,144

Allchurches Trust Limited

Consolidated Profit and Loss Account

for the year ended 31 December 2013

NON-TECHNICAL ACCOUNT		Notes	2013 £000	2012 £000
Balance on the general business technical account			**(9,053)**	(28,776)
Balance on the long-term business technical account			**676**	5,144
			(8,377)	(23,632)
Investment income		4	**48,734**	39,329
Unrealised gains on investments			**31,726**	33,683
Investment expenses and charges		4	**(2,527)**	(13,660)
Other finance income		19	**3,997**	2,665
Other operations			**6,566**	5,572
Other charges		6(b)	**(5,854)**	(5,209)
Charitable grants		12	**(9,955)**	(10,130)
			72,687	52,250
Operating profit	- share of profit of associate		**14**	109
	- other continuing operations		**64,543**	32,214
	- discontinued operations	5	**-**	(834)
Change in equalisation provision		23	**(247)**	(2,871)
			64,310	28,618
Loss on disposal of discontinued operations		5	**-**	(4,903)
Profit on ordinary activities before tax		3(c)	**64,310**	23,715
Tax charge on profit on ordinary activities		11	**(5,670)**	(3,545)
Profit on ordinary activities after tax			**58,640**	20,170
Minority interests		22	**(9,219)**	(9,339)
Retained profit for the financial year		20	**49,421**	10,831

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2013

		2013 £000	2012 £000
Retained profit for the financial year		**49,421**	10,831
Currency translation differences		**(10,071)**	(3,784)
Actuarial losses relating to pension asset		**(7,888)**	(1,183)
Movement on deferred tax relating to pension asset		**1,186**	259
Actuarial gains/(losses) relating to other retirement benefits		**3,654**	(1,532)
Movement on deferred tax relating to other retirement benefits		**(948)**	237
Derecognition of net pension asset		**(207)**	-
Total recognised gains and losses for the financial year	21	**35,147**	4,828

Allchurches Trust Limited

Parent Company Balance Sheet

at 31 December 2013

	Notes	2013 Unrestricted funds £000	2013 Endowment funds £000	2013 Total funds £000	2012 Total funds £000
Fixed assets					
Investments	15	**376,310**	**32,537**	**408,847**	368,687
Current assets					
Prepayments and accrued income		**-**	**143**	**143**	4,116
Cash at bank and in hand		**6,343**	**685**	**7,028**	7,966
		6,343	**828**	**7,171**	12,082
Liabilities					
Creditors: amounts falling due within one year	26	**4,289**	**-**	**4,289**	4,220
Net current assets		**2,054**	**828**	**2,882**	7,862
Total assets less current liabilities		**378,364**	**33,365**	**411,729**	376,549
Creditors: amounts falling due after more than one year	26	**92**	**-**	**92**	59
Net assets		**378,272**	**33,365**	**411,637**	376,490
The funds of the charity					
Unrestricted funds					
Unrestricted income funds	20	**2,012**	**-**	**2,012**	7,708
Revaluation reserve	20	**376,260**	**-**	**376,260**	340,285
		378,272	**-**	**378,272**	347,993
Endowment funds	20	**-**	**33,365**	**33,365**	28,497
Total charity funds		**378,272**	**33,365**	**411,637**	376,490

The financial statements of Allchurches Trust Limited, registration number 1043742, on pages 17 to 66 were approved by the Board on 28 April 2014 and signed on its behalf by

Sir Philip Mawer — Chairman

C. Smith — Trustee

Allchurches Trust Limited

Consolidated Balance Sheet

at 31 December 2013

	Notes	2013			2012
		Unrestricted funds	**Endowment funds**	**Total funds**	Total funds
ASSETS		**£000**	**£000**	**£000**	£000
Intangible assets	14	**31,965**	**-**	**31,965**	36,588
Investments					
Land and buildings	15	**48,604**	**-**	**48,604**	31,003
Participating interests	15	**390**	**-**	**390**	501
Other financial investments	15	**951,971**	**32,537**	**984,508**	953,784
		1,000,965	**32,537**	**1,033,502**	985,288
Reinsurers' share of technical provisions					
Provision for unearned premiums	23	**43,121**	**-**	**43,121**	46,109
Claims outstanding	23	**89,472**	**-**	**89,472**	94,902
		132,593	**-**	**132,593**	141,011
Debtors					
Debtors arising out of direct insurance operations	17(a)	**68,761**	**-**	**68,761**	84,460
Debtors arising out of reinsurance operations	17(b)	**8,808**	**-**	**8,808**	13,356
Other debtors		**29,910**	**-**	**29,910**	30,863
		107,479	**-**	**107,479**	128,679
Other assets					
Tangible assets	18	**8,570**	**-**	**8,570**	9,619
Cash at bank and in hand		**133,971**	**685**	**134,656**	141,581
		142,541	**685**	**143,226**	151,200
Prepayments and accrued income					
Accrued interest and rent		**7,991**	**28**	**8,019**	7,353
Deferred acquisition costs		**34,757**	**-**	**34,757**	34,626
Other prepayments and accrued income		**3,671**	**115**	**3,786**	3,792
		46,419	**143**	**46,562**	45,771
Total assets excluding pension assets		**1,461,962**	**33,365**	**1,495,327**	1,488,537
Pension assets	19	**25,830**	**-**	**25,830**	28,005
Total assets	3(e)	**1,487,792**	**33,365**	**1,521,157**	1,516,542

Allchurches Trust Limited

Consolidated Balance Sheet

at 31 December 2013

	Notes	2013			2012
		Unrestricted funds	**Endowment funds**	**Total funds**	Total funds
LIABILITIES		**£000**	**£000**	**£000**	£000
Reserves					
Translation reserve	20	**14,279**	**-**	**14,279**	24,350
Profit and loss account	20	**363,993**	**-**	**363,993**	323,643
Endowment funds	20	**-**	**33,365**	**33,365**	28,497
		378,272	**33,365**	**411,637**	376,490
Minority interests	22	**109,137**	**-**	**109,137**	107,767
Technical provisions					
Provision for unearned premiums	23	**186,642**	**-**	**186,642**	219,798
Claims outstanding	23	**569,179**	**-**	**569,179**	565,937
Equalisation provision	23	**25,837**	**-**	**25,837**	25,590
		781,658	**-**	**781,658**	811,325
Technical provision for linked liabilities	23	**92,446**	**-**	**92,446**	92,956
Provisions for other risks	24	**37,701**	**-**	**37,701**	35,126
Creditors					
Creditors arising out of direct insurance operations		**656**	**-**	**656**	929
Creditors arising out of reinsurance operations	17(b)	**13,579**	**-**	**13,579**	15,999
Other creditors including taxation and social security	26	**31,248**	**-**	**31,248**	32,642
		45,483	**-**	**45,483**	49,570
Accruals and deferred income		**33,700**	**-**	**33,700**	31,904
Total liabilities excluding retirement benefit obligations		**1,478,397**	**33,365**	**1,511,762**	1,505,138
Retirement benefit obligations	19	**9,395**	**-**	**9,395**	11,404
Total liabilities		**1,487,792**	**33,365**	**1,521,157**	1,516,542

Allchurches Trust Limited

Consolidated Cash Flow Statement

for the year ended 31 December 2013 (excluding long-term insurance business)

	Notes	**2013 £000**	2012 £000
Net cash inflow from operating activities	27(a)	**45,185**	43,735
Servicing of finance			
Dividends paid to minority interests by subsidiary		**(216)**	(328)
Preference dividends paid to minority interests		**(9,085)**	(8,783)
Other interest paid		**(124)**	(115)
Taxation (paid)/recovered		**(2,819)**	1,930
Capital expenditure			
Purchase of tangible fixed assets		**(3,340)**	(2,966)
Proceeds from the disposal of fixed assets		**54**	51
Acquisitions and disposals		**1,268**	(15,734)
Financing			
Capital element of lease purchase rental payments		**(405)**	(578)
	27(b)	**30,518**	17,212
Cash flows were invested as follows:			
Decrease in cash holdings		**(6,338)**	(36,890)
Portfolio investment			
Purchases of shares and other variable yield securities		**10,763**	8,910
Purchases of fixed income securities		**239,936**	225,397
Purchases of properties		**17,894**	1,982
Sales of shares and other variable yield securities		**(53,251)**	(11,525)
Sales of fixed income securities		**(177,033)**	(169,702)
Sales of properties		**(1,453)**	(960)
Net investment of cash flows		**30,518**	17,212
Movement arising from cash flows		**30,518**	17,212
Movement in long-term business	27(b)	**(5,685)**	16,565
Changes in market values and exchange rate effects		**16,567**	15,590
Total movement in portfolio investments net of financing		**41,400**	49,367
Portfolio investments net of financing at 1 January		**1,126,368**	1,077,001
Portfolio investments net of financing at 31 December	27(b)	**1,167,768**	1,126,368

Accounting Policies

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, modified for the revaluation of certain investments, in accordance with Section 404 of the Companies Act 2006, and the provision of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ('SI2008/410') relating to insurance groups. The parent company (also referred to as the charity) financial statements have been prepared on a historical cost basis, in accordance with Section 396 of the Companies Act 2006. Both the consolidated and parent financial statements have been prepared in accordance with applicable United Kingdom accounting standards.

The principal activities of the trading subsidiaries of the charity remain the transaction of insurance and the provision of financial services and all funds within the trading subsidiaries support their trade. As such, the consolidated financial statements are required to be prepared in accordance with Schedule 3 of SI2008/410. For consistency with the requirements of Schedule 3, the directors have followed the material recommendations of the 2005 (amended in 2006) Statement of Recommended Practice issued by the Association of British Insurers (ABI SORP) and the Statement of Recommended Practice 'Accounting and Reporting by Charities' (Charities SORP). Where it provides a more appropriate presentation of financial statements, the ABI SORP has been adopted.

A review of the business activities of ATL and its trading subsidiaries is provided within the Trustees' Report. In addition, notes 1 and 23(a) to the financial statements disclose the principal risks and uncertainties they face, including exposures to insurance and financial risk and objectives for managing capital. ATL, together with its trading subsidiaries, has considerable financial resources and, as a consequence, the directors believe it is well-placed to manage its business risks successfully and continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Items included in the financial statements of overseas 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 and presentation currency.

Basis of consolidation

The assets, liabilities and results of subsidiary undertakings are included in the consolidated financial statements using audited accounts made up to 31 December. For businesses acquired or disposed of during the year, the results and cash flows relating to a business are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition or up to the date of disposal.

In the charity balance sheet investments in subsidiary undertakings are accounted for at current value, estimated by reference to their underlying net asset value, in accordance with the Charities SORP. Changes in value are reported under 'gains and losses on investment assets' in the charity statement of financial activities.

Associated undertakings are companies other than subsidiary undertakings in which the group holds 20% or more of the equity share capital for the long term and over which the group exercises significant influence. Associated undertakings are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases.

Joint ventures are entities in which the group holds an interest on a long-term basis which is jointly controlled by the group and one or more other ventures under a contractual arrangement. Joint ventures are accounted for using the equity method from the date that joint control commences until the date that joint control ceases.

Funds structure

Unrestricted funds of the charity consist of funds available to the directors to apply for the general purposes of the charity, in addition to amounts designated for each of the priorities adopted by ATL as set out in the Trustees' Report on page 5. The directors have the power to re-designate such funds within unrestricted funds. Endowment funds are expendable endowments that are retained to strengthen the charity's reserves. The directors have the power to convert endowment funds to expendable income.

Incoming resources

Gift aid and deposit interest of the charity are recognised on an accruals basis. Allocation of income from endowment funds between unrestricted income and capital endowment is at the discretion of the Board.

Resources expended
Resources expended by the charity are recognised on an accruals basis and comprise charitable grants, investment management costs and governance costs. Governance costs comprise audit fees, costs associated with meeting the statutory requirements of the charity and other expenses such as grant administration costs, which are not material to apportion separately as charitable activities.

Foreign exchange
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 shareholders' funds. On disposal of a foreign operation, such exchange differences are transferred out of this reserve and are recognised in the profit and loss account as part of the gain or loss on sale.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. Exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss account.

Premium levies
Provision is made for the potential liability to the Financial Services Compensation Scheme and Motor Insurers' Bureau in respect of premiums recognised in these financial statements to the extent that it is probable that a levy will be raised and a reasonable estimate of its amount can be made. The charge for any such provision is included within administrative expenses.

Product classification
Contracts under which the trading subsidiaries accept 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 trading subsidiaries' long-term business contracts are classified as insurance contracts.

Both insurance and investment 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 trading subsidiaries do not have any such participating contracts (referred to as with-profit contracts). The trading subsidiaries' 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 are accounted for in the period in which the risk commences. Estimates are included for premiums not notified by the year end and provision is made for the anticipated lapse of renewals not yet confirmed. 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. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business.

Long-term business
Insurance contract premiums are recognised as revenue when the liabilities arising from them are created.

Revenue from investment management services
Fees charged for investment management services are recognised as revenue when the services are provided. Initial fees, which exceed the level of recurring fees and relate to the future provision of services, are deferred and amortised over the anticipated period in which the services will be provided. Fees charged for investment management services for institutional and retail fund management are also recognised on this basis.

Claims
Long-term insurance business claims and death claims are accounted for when notified.

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.

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 balance sheet 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 balance sheet date. An estimate is made representing the best estimate plus a risk margin within a range of possible outcomes. Designated insurance liabilities are remeasured to reflect current market interest rates.

(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 provision is computed separately for each insurance contract using the daily pro rata method and adjusted where necessary to take into account the risk profile of the contracts. The change in this provision is taken to the profit and loss account in order that revenue is recognised over the period of risk.

(iii) Unexpired risks
Provision for unexpired risks is made where it is anticipated, on the basis of information available at the balance sheet date, that claims and administrative expenses are expected to exceed unearned premiums, after taking account of future investment income. Unexpired risks are assessed separately for each class of business. Surpluses and deficits are offset where business classes are considered to be managed together.

(iv) Equalisation provision
Provision is made in the consolidated accounts for the equalisation provision required by chapter 1 of the Prudential sourcebook for Insurers, in respect of trading subsidiaries. It is required by SI 2008/410 to be included within technical provisions in the balance sheet even though no actual liability exists at the balance sheet date.

Long-term business provisions

The long-term business provision is determined using methods and assumptions approved by the directors of the trading subsidiaries based on advice from the Actuarial Function Holder. Initially it is calculated to comply with the reporting requirements under the Prudential sourcebook for Insurers. This statutory solvency basis of valuation is then adjusted by eliminating or adjusting certain reserves advised under insurance companies' regulations and general contingency reserves. This adjusted basis is referred to as the modified statutory solvency basis. The consequent long-term business provision is grossed up for the impact of reinsurance where applicable.

Reinsurance
The trading subsidiaries assume and cede 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. The group does not reinsure its existing long-term business.

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 settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

Intangible assets

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings, being the difference between the cost and the fair value of assets and liabilities acquired, is capitalised in the balance sheet and amortised through the profit and loss account over its estimated useful economic life of 10 years, on a straight-line basis. The gain or loss on any subsequent disposal of a subsidiary or associated undertaking will include any attributable unamortised goodwill.

Other intangible assets

Other intangible assets consist of acquired customer and distribution relationships, and are carried at cost at acquisition less accumulated amortisation after acquisition. Amortisation is on a straight-line basis over the weighted average estimated useful life of the intangible assets acquired.

The amortisation charge for goodwill and other intangibles for the period is included in the profit and loss account within other charges.

Financial instruments

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

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

- financial instruments designated as at fair value through profit and loss and those held for trading are subsequently carried at fair value. Changes in fair value are included in the profit and loss account in the period in which they arise
- all other financial assets and liabilities are held at amortised cost, using the effective interest method (except for short-term debtors and creditors when the recognition of interest would be immaterial).

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

Investments

Land and buildings

Land and buildings, including properties occupied by the trading subsidiaries, are stated at open market value as determined by external qualified surveyors.

In accordance with SSAP 19, which requires a departure from the Companies Act 2006, no depreciation is provided in respect of freehold properties. The directors consider that depreciation of these properties would not give a true and fair view. If this departure from the Act had not been made, the profit for the year would have been reduced by that depreciation. However, the amount of depreciation cannot reasonably be quantified, because depreciation is only one of many factors reflected in the periodic valuation and the amount that might otherwise have been shown cannot be separately identified or quantified.

Other financial investments

These investments are classified as either financial assets at fair value through profit and loss (designated as such or held for trading) or loans and receivables.

(i) Financial assets at fair value through profit and loss

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. Investments within this category are classified as held for trading if they are derivatives or 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. There is no current intention to dispose of these investments.

(ii) Loans and receivables

Loans and receivables, comprising mortgages and other loans, are recognised when cash is advanced to borrowers. These are carried at amortised cost using the effective interest method. To the extent that a loan is uncollectable, it is written off as impaired. Subsequent recoveries are credited to the profit and loss account.

Derivative financial instruments

Derivative financial instruments include financial instruments that derive their value from underlying equity instruments or foreign exchange rates. For a variety of reasons, derivative transactions, while providing effective economic hedges under the trading subsidiaries' risk management positions, do not qualify for hedge accounting under the specific FRS 26 rules and are therefore treated as derivatives held for trading. All derivatives are initially recognised in the balance sheet at their fair value, which usually represents their cost, including any premium paid. They are subsequently re-measured at their fair value with changes in the fair value recognised immediately in profit or loss. 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 on the balance sheet 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 on the balance sheet within cash at bank and in hand.

Investment income and expenses

Investment income and expenses includes dividends, interest, rents, amortisation, share of profit of associates and joint ventures, gains and losses on the realisation of investments and related expenses. Dividends are included on the date that shares become quoted ex-dividend. Interest, rents and expenses are accounted for on an accruals basis. Realised gains and losses on investments represent net sales proceeds less cost or amortised cost as applicable.

Unrealised gains and losses on investments are calculated as the difference between market value and original cost, and the movement during the year is recognised in the profit and loss account. 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. Unrealised gains and losses on investments held by the parent company are included as other recognised gains and losses in the statement of financial activities.

Investment return on investments attributable to the long-term business funds is reported in the technical account for long-term business. The return on the associated shareholders' and general business funds are reported in the non-technical account.

Offset of financial assets and financial liabilities

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

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.

Long-term business

For 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 are deferred and amortised over the period during which the costs are expected to be recoverable. No acquisition costs have been deferred on the trading subsidiaries' existing long-term business.

Taxation

The company is a registered charity and as such is exempt from tax on income and gains falling within section 505 of the Taxes Act 1988 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects. No tax charges have arisen in the charity in either the current or prior year.

The trading subsidiaries are subject to corporation tax which is recognised in the consolidated profit and loss account, being the expected tax payable on the taxable results for the period and any adjustment to the tax payable in respect of previous periods.

Taxation (continued)
Provision for deferred tax includes timing differences relating to the recalculation of gains and losses on investments, at rates at which it is expected that the tax will arise. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Insurance broking debtors and creditors
Where trading subsidiaries act as agent in placing the insurable risks of clients with insurers, debtors arising from such transactions are not recognised on the consolidated balance sheet. When cash is received in respect of resultant premiums or claims, a corresponding liability is established in other creditors in favour of the insurer or client. Where trading subsidiaries provide premium finance facilities to clients, amounts due are included within other debtors, with the amount owing for onward transmission included in other creditors.

Tangible assets
Tangible assets are capitalised and depreciated on a straight-line basis over their estimated useful lives. The periods used are as follows:

Computer equipment	3 - 5 years
Motor vehicles	27% reducing balance or length of lease
Fixtures, fittings and office equipment	3 - 15 years

Employee benefits
Pension obligations
The trading subsidiaries operate a number of defined benefit and defined contribution 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 the profit and loss account so as to spread the regular cost over the service lives of employees, in accordance with the advice of qualified actuaries. The pension obligation is measured as the present value of the estimated future cash outflows using a discount rate based on market yields for high quality corporate bonds. The resulting pension scheme surplus, where recoverable, or deficit appears as an asset or obligation in the consolidated balance sheet. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Contributions in respect of defined contribution schemes are recognised as an expense in the profit and loss account as incurred.

Other post-employment obligations
Some trading subsidiaries provide post-employment healthcare 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. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses. Independent qualified actuaries value these obligations annually.

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 balance sheet date.

Leasing commitments
Assets obtained under lease purchase contracts are capitalised as tangible fixed assets and are depreciated over the period of the lease. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The interest element of the lease payments is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

1 Financial risk and capital management

ATL and its trading subsidiaries are exposed to financial risk through their financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular the key financial risk is 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.

There has been no change from the prior period in the nature of financial risks that the Group is exposed to. Financial risk exposure fell in 2013 due to the sale of around £50m overseas equities by the trading subsidiaries which have been reinvested in UK fixed income debt securities. The Group's management and measurement of financial risks is informed by either stochastic modelling or stress testing techniques.

(a) Categories of financial instruments

	Financial assets			Financial liabilities			
Group	Designated at fair value	Held for trading	Loans and receivables*	Held for trading	At amortised cost	Other assets and liabilities	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 31 December 2013							
Other financial investments	**974,734**	**158**	**9,616**	`	**-**	**-**	**984,508**
Debtors	**-**	**-**	**104,028**	**-**	**-**	**3,451**	**107,479**
Cash at bank and in hand	**-**	**-**	**134,656**	**-**	**-**	**-**	**134,656**
Prepayments and accrued income	**-**	**-**	**8,234**	**-**	**-**	**38,328**	**46,562**
Creditors	**-**	**-**	**-**	**-**	**(35,828)**	**(9,655)**	**(45,483)**
Accruals and deferred income	**-**	**-**	**-**	**-**	**(19,418)**	**(14,282)**	**(33,700)**
Net other	**-**	**-**	**-**	**-**	**-**	**(782,385)**	**(782,385)**
Total	**974,734**	**158**	**256,534**	**-**	**(55,246)**	**(764,543)**	**411,637**

	Financial assets			Financial liabilities			
Group	Designated at fair value	Held for trading	Loans and receivables*	Held for trading	At amortised cost	Other assets and liabilities	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 31 December 2012							
Other financial investments	942,460	1,846	9,478	-	-	-	953,784
Debtors	-	-	125,081	-	-	3,598	128,679
Cash at bank and in hand	-	-	141,581	-	-	-	141,581
Prepayments and accrued income	-	-	11,145	-	-	34,626	45,771
Creditors	-	-	-	-	(46,836)	(2,734)	(49,570)
Accruals and deferred income	-	-	-	-	(17,069)	(14,835)	(31,904)
Net other	-	-	-	-	-	(811,851)	(811,851)
Total	942,460	1,846	287,285	-	(63,905)	(791,196)	376,490

** Cash at bank and in hand is presented within loans and receivables.*

1 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 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 and adjusted to reflect liquidity where appropriate, with the fair values disclosed being directly sensitive to this input.

There have been no transfers between the different levels of investments in the current year.

Analysis of fair value measurement bases
Group

	Fair value measurement at the end of the reporting period based on			
	Level 1	Level 2	Level 3	Total
At 31 December 2013	£000	£000	£000	£000
Financial assets at fair value through profit and loss:				
Other financial investments:				
Equity securities	**303,675**	**270**	**23,204**	**327,149**
Debt securities	**641,805**	**5,463**	**317**	**647,585**
Currency options	**-**	**158**		**158**
	945,480	**5,891**	**23,521**	**974,892**
At 31 December 2012				
Financial assets at fair value through profit and loss:				
Other financial investments:				
Equity securities	287,366	50	21,880	309,296
Debt securities	624,335	2,653	6,176	633,164
Currency options	-	1,846	-	1,846
	911,701	4,549	28,056	944,306

1 Financial risk and capital management (continued)
(b) Fair value hierarchy (continued)
Fair value measurements based on level 3

Fair value measurements in level 3 consist of financial assets, analysed as follows:	**Financial assets at fair value through profit and loss**		
Group	Equity securities	Debt securities	Total
At 31 December 2013	£000	£000	£000
Opening balance	**21,880**	**6,176**	**28,056**
Total gains/(losses) recognised in profit or loss	**1,324**	**(5,782)**	**(4,458)**
Disposal proceeds	**-**	**(77)**	**(77)**
Closing balance	**23,204**	**317**	**23,521**
Total gains/(losses) for the period included in profit or loss for assets held at the end of the reporting period	**1,324**	**(5,782)**	**(4,458)**
At 31 December 2012			
Opening balance	20,273	226	20,499
Total gains/(losses) recognised in profit or loss	1,607	(5,179)	(3,572)
Purchases	-	11,129	11,129
Closing balance	21,880	6,176	28,056
Total gains/(losses) for the period included in profit or loss for assets held at the end of the reporting period	1,607	(5,179)	(3,572)

All the above gains or losses included in profit or loss for the period are presented within realised and unrealised gains in the profit and loss account.

1 Financial risk and capital management (continued)

(c) Interest rate risk

The group's exposure to interest rate risk arises primarily from movements on financial investments that are measured at fair value and have fixed interest rates, which represent a significant proportion of the group's assets, and from those insurance liabilities for which discounting is applied at a market interest rate. Investment strategy is set in order to control the impact of interest rate risk on anticipated group 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 two years (2012: 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 23 (a) part (iv).

For the group's long-term insurance funeral plan business, 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 can be mitigated by purchasing fixed interest investments with durations that precisely match the profile of the liabilities. For funeral plan policies, benefits are linked to the Retail Price 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.

The table below summarises the maturities of long-term business assets and liabilities that are exposed to interest rate risk.

	Maturing:			
	Within 1 year	**Between 1 & 5 years**	**After 5 years**	**Total**
Group long-term business	**£000**	**£000**	**£000**	**£000**
At 31 December 2013				
Assets:				
Debt securities	**1,104**	**27,024**	**73,075**	**101,203**
Cash and cash equivalents	**2,214**	**-**	**-**	**2,214**
	3,318	**27,024**	**73,075**	**103,417**
Liabilities:				
Technical provision for linked liabilities	**6,125**	**22,200**	**64,121**	**92,446**
	6,125	**22,200**	**64,121**	**92,446**
At 31 December 2012				
Assets:				
Debt securities	8,498	19,218	74,584	102,300
Cash at bank and in hand	441	-	-	441
	8,939	19,218	74,584	102,741
Liabilities:				
Technical provision for linked liabilities	5,951	21,985	65,020	92,956
	5,951	21,985	65,020	92,956

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

1 Financial risk and capital management (continued)

(d) Credit risk

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

- reinsurers' share of insurance liabilities (excluding provision for unearned premiums) and amounts due from reinsurers in respect of claims already paid;
- deposits held with banks;
- amounts due from insurance intermediaries and policyholders; and
- counterparty default on loans and debt securities.

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.

Reinsurance is used to manage insurance risk. This does not, however, discharge the trading subsidiaries' liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the trading subsidiaries remain 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 committee also monitors the balances outstanding from reinsurers and maintains an approved list of reinsurers.

There has been no significant change in the recoverability of the trading subsidiaries' reinsurance balances during the year with all reinsurers on the 2013 reinsurance programme having a minimum rating of 'A-' from Standard & Poor's or an equivalent agency at the time of purchase, with the exception of MAPFRE RE, whose rating was adversely impacted by the sovereign rating of Spain. However, MAPFRE RE was upgraded by Standard & Poor's to 'A-' with a stable outlook in February 2014.

Group cash balances are regularly reviewed to identify the quality of the counterparty bank and to monitor and limit concentrations of risk.

The trading subsidiaries' credit risk policies detail prescriptive methods for the collection of premiums and control of intermediary and policyholder debtor balances. The level and age of debtor balances are regularly assessed via monthly credit management reports. These reports are scrutinised to assess exposure in more than one region in respect of aged or outstanding balances. Any such balances are likely to be major international brokers who 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 due to the well-diversified spread of such debtors.

Collateral is held over loans secured by mortgages. The debt securities portfolio consists of a range of mainly fixed interest instruments including government securities, local authority issues, corporate loans and bonds, overseas bonds, preference shares and other interest-bearing securities. Limits are imposed on the credit ratings of the corporate bond portfolio and exposures regularly monitored. Group investments in unlisted securities represent less than 1% of this category in the current and prior year.

(e) Liquidity risk

The trading subsidiaries are exposed to daily calls on their available cash resources mainly from claims arising from insurance contracts. Liquidity risk is the risk that funds may not be available to pay obligations when due. The trading subsidiaries have robust processes in place to manage liquidity risk and have 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.

A maturity analysis for those non-derivative financial liabilities that are exposed to interest rate risk is included in part (c) of this note.

1 Financial risk and capital management (continued)

(f) Currency risk

The trading subsidiaries operate internationally and their main exposures to foreign exchange risk are noted below. 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 from time to time.

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

The foreign operations create two sources of foreign currency risk:

- the operating results of the foreign branches and subsidiaries in the consolidated 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 financial statement year end date.

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

Group	**2013 £000**		2012 £000
Aus $	**43,053**	Aus $	54,459
Can $	**33,044**	Can $	36,651
Euro	**18,883**	Euro	31,410
Hong Kong $	**1,658**	Hong Kong $	8,180
Japanese Yen	**1,130**	Singapore $	7,207

(g) Equity price risk

The group is exposed to equity price risk because of financial investments held by the group and stated at fair value through profit and loss. The group mitigates this risk by holding a diversified portfolio across geographical regions and market sectors, and through the use of options and futures 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 is exposed is as follows:

Group	**2013 £000**		2012 £000
UK	**295,428**	UK	255,740
Europe	**25,061**	Europe	25,518
US	**2,241**	Hong Kong	9,215
Canada	**1,909**	Singapore	6,783
Other	**2,510**	Other	12,040
Total	**327,149**	**Total**	309,296

1 Financial risk and capital management (continued)

(h) Market risk sensitivity analysis

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

Variable	Change in variable	Potential increase/ (decrease) in profit		Potential changes in other reserves	
		2013	2012	**2013**	2012
		£000	£000	**£000**	£000
Group					
Interest rate risk	-100 basis points	**71**	2,115	**(121)**	(24)
	+100 basis points	**(5,044)**	(4,534)	**131**	17
Currency risk	-5%	**1,192**	2,529	**3,513**	4,419
	+5%	**(1,133)**	(2,402)	**(3,337)**	(4,198)
Equity price risk	+/-5%	**12,554**	11,963	**-**	-

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 in each of the group's territories.

(i) Capital management

The group's primary objectives when managing capital include:

- to comply with the regulators' capital requirements of the markets in which the trading subsidiaries operate; and
- to safeguard the group's ability to continue to meet stakeholders' expectations, in accordance with the charitable objectives of ATL.

The trading subsidiaries are subject to insurance solvency regulations in all the territories in which they issue insurance and investment contracts, and capital is managed and evaluated on the basis of regulatory capital.

The UK regulated subsidiaries are required to comply with rules issued by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA), and submit PRA returns detailing levels of regulatory capital held. Regulatory capital should be in excess of the higher of two amounts. The first is an amount which is calculated by applying fixed percentages to premiums and claims (general insurance business) or by applying fixed percentages to insurance liabilities and applying stress testing (long-term business). The second is an economic capital assessment by the regulated entity, which the PRA reviews and may amend by issuing Individual Capital Guidance (ICG). Internal capital standards are set above the PRA's minimum requirement. For overseas business the relevant capital requirement is the minimum requirement under the local regulatory regime. All regulated entities within the group have complied with all externally imposed capital requirements throughout the current and prior year.

Regulated subsidiaries are restricted in the amount of cash dividends they transfer to the parent entity, in order for them to meet their individual minimum capital requirements.

The group's available capital resource is disclosed in note 23(b) part (iv).

2 Exchange rates

The principal rates of exchange used for translation are:	2013 Average	2013 Closing	2012 Average	2012 Closing
Canada	**C$ 1.62**	**C$ 1.76**	C$ 1.59	C$ 1.62
Republic of Ireland	**€ 1.18**	**€ 1.20**	€ 1.23	€ 1.23
Australia	**A$ 1.64**	**A$ 1.85**	A$ 1.53	A$ 1.57

3 Group segmental analysis

(a) General business premiums

	2013 Gross £000	2013 Net £000	2012 Gross £000	2012 Net £000
Direct:				
Accident	**17,854**	**16,965**	21,115	19,926
Motor	**3,258**	**2,974**	31,810	27,938
Property	**236,109**	**122,966**	256,019	121,082
Liability	**92,698**	**83,466**	100,637	89,806
	349,919	**226,371**	409,581	258,752
Reinsurance accepted and London market	**42,673**	**34,947**	51,545	44,531
Total	**392,592**	**261,318**	461,126	303,283
Geographical analysis - on the basis of location of office				
United Kingdom	**296,515**	**197,488**	349,584	241,325
Australia	**45,669**	**26,577**	65,126	27,439
Canada	**41,172**	**30,606**	36,995	27,669
Ireland	**9,236**	**6,647**	9,421	6,850
Total	**392,592**	**261,318**	461,126	303,283

There is no material difference between the geographical location from where the general business premiums were generated and the geographical location of the insured.

(b) Long-term business premiums

Geographical analysis - on the basis of location of office

All long-term business premiums were generated from offices within the United Kingdom and the Republic of Ireland. There is no material difference between the geographical location from where the premiums were generated and the geographical location of the insured.

The analysis of long-term business premiums written before reinsurance is:

	2013 £000	2012 £000
Life insurance - funeral plan business		
- Single premiums	**6,745**	20,193
- Regular premiums	**8**	15
	6,753	20,208

3 Group segmental analysis (continued)
(c) Profit before taxation

	2013	2012
	£000	£000
United Kingdom	**72,342**	21,958
Australia	**(375)**	4,067
Canada	**317**	958
Other overseas	**(7,974)**	(2,434)
Continuing operations	**64,310**	24,549
Discontinued operations	**-**	(834)
Total	**64,310**	23,715

(d) Net assets

	2013	2012
	£000	£000
United Kingdom	**344,898**	292,526
Australia	**40,310**	47,445
Canada	**33,047**	35,544
Other overseas	**(6,618)**	975
Total	**411,637**	376,490

The directors of the trading subsidiaries are of the opinion that no meaningful analysis of profit or loss before taxation and net assets can be prepared by class of business.

(e) Total assets
Of the total assets shown on page 23, £94.1 million (2012: £107.2 million) are attributable to the trading subsidiaries' long-term business fund.

4 Investment return	**2013**		2012	
	General business	**Long-term business**	General business	Long-term business
Group	**£000**	**£000**	£000	£000
Land and buildings	**2,004**	**-**	1,783	-
Income on financial assets not at fair value through profit and loss	**2,887**	**55**	4,602	52
Income on financial assets at fair value through profit and loss	**34,541**	**2,235**	32,835	2,350
Income from associate	**14**	**-**	109	-
Realised investment gains	**9,288**	**676**	-	2,378
Investment income	**48,734**	**2,966**	39,329	4,780
Investment expenses and charges:				
Interest payable on financial liabilities, at amortised cost	**116**	**1**	115	-
Other investment management expenses	**2,411**	**115**	2,673	105
Total investment management expenses, including interest	**2,527**	**116**	2,788	105
Realised investment losses	**-**	**-**	10,872	-
Investment expenses and charges	**2,527**	**116**	13,660	105
Net investment return	**46,207**	**2,850**	25,669	4,675

Included within income on financial assets not at fair value through profit and loss are exchange gains of £840,000 (2012: £1,486,000 gains) for the general business, and exchange gains of £nil (2012: £nil gains) for the long-term business.

5 Disposal of subsidiary and discontinued operations

During the prior year, the group disposed of its wholly-owned subsidiary, ACS (NZ) Limited, transferring its holdings of Ordinary shares in ACS (NZ) Limited to the Canterbury Earthquake Church and Heritage Trust, an independent trust constituted in New Zealand, with objectives similar to those of the group. The loss on disposal includes a contribution made to the Trust of NZ$10.0m.

The disposal was effected in order to reduce the insurance and financial risks associated with the run-off claims in relation to the series of earthquakes in Canterbury, New Zealand.

The operating result in relation to the discontinued business is included within the general business technical account and non-technical account, as follows:

	Period to 15 May 2012 £000
Earned premiums, net of reinsurance	-
Claims incurred, net of reinsurance	(475)
Net operating expenses	(277)
Total technical charges	(752)
Balance on the technical account for general business	(752)
Investment income	6
Unrealised gains on investments	-
Investment expenses and charges	(88)
Charitable grants	-
Loss before tax	(834)
Loss on disposal, net of selling costs	(5,219)
Attributable tax	316
Net loss attributable to discontinued operations	(5,737)

6 Expenses

Group	2013 General business £000	2013 Long-term business £000	2012 General business £000	2012 Long-term business £000
(a) Net operating expenses				
Commission paid on direct business	**61,041**	**187**	71,234	484
Other acquisition costs	**17,887**	**325**	24,449	1,051
Change in deferred acquisition costs	**(1,075)**	**-**	1,034	-
Administrative expenses	**65,442**	**292**	63,236	343
Reinsurance commissions and profit participation	**(39,522)**	**-**	(40,523)	-
	103,773	**804**	119,430	1,878
(b) Other charges				
Amortisation of goodwill and other intangibles	**5,324**	**-**	5,072	-
Other expenses	**530**	**-**	137	-
	5,854	**-**	5,209	-

Parent

Governance costs of the charity amounted to £245,000 (2012: £185,000).

7 Group operating profit or loss

	2013 General business £000	2013 Long-term business £000	Restated 2012 General business £000	Restated 2012 Long-term business £000
Operating profit or loss has been arrived at after (crediting)/charging:				
Net foreign exchange gains	**(840)**	**-**	(1,486)	-
Depreciation - owned assets	**3,808**	**-**	3,384	-
- leased assets	**427**	**-**	457	-
Fair value (gains)/losses on investments designated at fair value through profit and loss	**(47,586)**	**457**	(34,329)	(3,517)
Fair value losses on financial instruments held for trading	**7,813**	**-**	9,919	-
Interest payments under lease purchase contracts	**124**	**-**	113	-

The prior year comparatives have been restated due to an incorrect presentation of 'fair value (gains)/losses on investments designated at fair value through profit and loss' and 'fair value losses on financial instruments held for trading'.

8 Auditor's remuneration

	2013		2012	
	General business £000	**Long-term business £000**	General business £000	Long-term business £000
Fees payable to the company's auditor for the audit of the company's annual accounts	**6**	**-**	6	-
Fees payable to the company's auditor and its associates for other services:				
- The audit of the company's subsidiaries	**332**	**46**	332	49
Total audit fees	**338**	**46**	338	49
- Audit-related assurance services	**86**	**8**	85	7
- Taxation compliance services	**-**	**-**	18	-
- Taxation advisory services	**4**	**5**	8	-
Total non-audit fees	**90**	**13**	111	7
Total auditor's remuneration	**428**	**59**	449	56

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

Fees payable to the company's auditor in respect of the audit of the trading subsidiaries' associated pension schemes amounted to £15,000 (2012: £15,000).

9 Employee information

The company has no direct employees (2012: nil). The average monthly number of employees, including Executive Directors, employed by the trading subsidiaries during the year, by geographical location, was as follows:

	2013		2012	
	General business No.	**Long-term business No.**	General business No.	Long-term business No.
United Kingdom	**1,045**	**9**	1,082	10
Australia	**110**	**-**	132	-
Canada	**60**	**-**	59	-
Republic of Ireland	**22**	**-**	33	-
	1,237	**9**	1,306	10

	2013 £000	2012 £000
Wages and salaries	**64,392**	61,959
Social security costs	**5,225**	4,748
Pension costs - defined contribution plans	**2,698**	2,853
Pension costs - defined benefit plans	**4,065**	3,991
Other post-employment benefits	**116**	122
	76,496	73,673

Where employees of subsidiary undertakings provide services to ATL, it is impracticable to identify the share of all costs involved, and the total of such costs would be immaterial.

10 Directors' emoluments

No director received emoluments from ATL during the current or prior year. Reimbursed expenses met by the charity amounted to £9,000 (2012: £5,000) primarily in respect of travel and telephony expenses of seven directors (2012: seven). Certain directors receive emoluments in their capacity as non-executive directors of subsidiary undertakings, as follows:

	2013	2012
	£000	£000
The aggregate emoluments of the directors in respect of services as non-executive directors of subsidiary undertakings	**88**	143
Highest paid director's fees	**42**	68

No director of ATL was a member of the trading subsidiaries' defined benefit pension schemes during the current or prior year.

11 Taxation

	Long-term business technical account		**Non-technical account**	
	2013	2012	**2013**	2012
Group	**£000**	£000	**£000**	£000
UK corporation tax for the current financial year	**(311)**	524	**3,681**	(680)
Overseas tax	**-**	-	**10**	(11)
	(311)	524	**3,691**	(691)
Deferred tax	**-**	280	**1,979**	4,236
	(311)	804	**5,670**	3,545

The non-technical account current tax charge for the year includes a charge of £5,000 (2012: £22,000) in respect of the group's associated undertakings, and a charge of £nil (2012: £316,000) in respect of the loss on disposal of discontinued operations, which did not give rise to a deferred tax charge in the current or prior year.

UK corporation tax in the long-term business technical account has been calculated at the blended rate of 23.25% (2012: 20%).

A change in the UK standard rate of corporation tax from 24% to 23% became effective from 1 April 2013. Where appropriate, current tax has been provided at the blended rate of 23.25%. Further reductions in the rate of corporation tax to 21% from April 2014, and to 20% from April 2015, were substantively enacted on 2 July 2013. Deferred tax has been provided at the rate of 20%.

The tax assessed for the year in the non-technical account differs from the standard rate of corporation tax for the reasons set out in the following reconciliation:

	Non-technical account	
	2013	2012
	£000	£000
Profit on ordinary activities before tax	**64,310**	23,715
Tax on profit on ordinary activities at standard rate	**14,952**	5,810
Factors affecting charge/(credit) for the year:		
Unrealised investment movements and other timing differences	**(41)**	(5,225)
Non-taxable income	**(8,858)**	(3,997)
Expenses not deductible for tax purposes	**1,440**	3,083
Tax paid at non-standard rates	**(2,139)**	489
Utilisation of tax losses	**(278)**	-
Adjustments to tax charge in respect of prior years	**(1,385)**	(851)
Total actual amount of current tax	**3,691**	(691)

12 Charitable distributions

An analysis of current year charitable distributions by company and group is given below.

	Company		Group	
	£000	**No.**	**£000**	**No.**
Dioceses	**6,256**	**123**	**6,265**	**134**
Cathedrals	**1,427**	**164**	**1,427**	**164**
Parishes and other charities	**1,784**	**933**	**2,263**	**1,127**
	9,467	**1,220**	**9,955**	**1,425**

Due to their extensive nature, further analyses of company distributions are included in a separate publication which has been submitted to the Charity Commission. A list of individual grants to parishes and other charities can be obtained by writing to the company secretary at the address of the registered office shown on page 2. During the last ten years a total of £97.3 million (2012: £96.3 million) has been provided by group companies for church and charitable purposes.

13 Acquisition of additional shares in subsidiary

At 1 January 2013 the group owned 72.6% of Lycetts Holding Limited (hereafter referred to as Lycetts), a holding company of a group whose primary activity is insurance brokerage business. Through the course of 2013 the group acquired a further 2.4% of the shares, increasing the equity interest to 75.0%, for a cash consideration of £1,050,000 paid to minority interest shareholders. An additional £702,000 of goodwill was generated and the carrying value of the additional interest acquired was £884,000. The purpose of the business combination is to diversify the portfolio of the group and benefit from Lycetts' expertise in rural, specialist commercial and bloodstock lines of business.

14 Intangible assets

Group

	Goodwill	Other intangible assets	Total
	£000	**£000**	**£000**
Cost:			
At 1 January 2013	**40,708**	**15,561**	**56,269**
Acquisition during the year	**702**	**-**	**702**
At 31 December 2013	**41,410**	**15,561**	**56,971**
Amortisation:			
At 1 January 2013	**15,104**	**4,577**	**19,681**
Provided in the year	**3,733**	**1,592**	**5,325**
At 31 December 2013	**18,837**	**6,169**	**25,006**
Net book value:			
At 31 December 2013	**22,573**	**9,392**	**31,965**
At 1 January 2013	25,604	10,984	36,588

Goodwill arose on the acquisition of subsidiary undertakings.

Other intangible assets consist of acquired customer and distribution relationships, which have an overall remaining useful life of six years on a weighted average basis.

None of the intangible assets noted above relate to the parent company, or to the trading subsidiaries' long-term business.

15 Investments

Group	2013 General business £000	2013 Long-term business £000	2013 Total £000	2012 General business £000	2012 Long-term business £000	2012 Total £000
Freehold land and buildings						
- occupied by the group	**3,205**	**300**	**3,505**	3,688	300	3,988
- other	**45,099**	**-**	**45,099**	27,015	-	27,015
	48,304	**300**	**48,604**	30,703	300	31,003
Interest in associate	**390**	**-**	**390**	501	-	501
Other financial investments						
Financial investments at fair value through profit and loss						
Equity securities:						
- listed	**303,946**	**-**	**303,946**	283,583	3,833	287,416
- unlisted	**23,203**	**-**	**23,203**	21,880	-	21,880
Debt securities:						
- government bonds	**175,453**	**50,983**	**226,436**	214,659	52,381	267,040
- listed	**373,044**	**47,900**	**420,944**	310,030	49,918	359,948
- unlisted	**205**	**-**	**205**	6,176	-	6,176
Derivative financial instruments						
- options	**158**	**-**	**158**	1,403	-	1,403
- futures	**-**	**-**	**-**	443	-	443
	876,009	**98,883**	**974,892**	838,174	106,132	944,306
Loans and receivables						
Loans secured by mortgages	**7,892**	**-**	**7,892**	9,455	-	9,455
Other loans	**1,724**	**-**	**1,724**	23	-	23
	9,616	**-**	**9,616**	9,478	-	9,478
Total other financial investments	**885,625**	**98,883**	**984,508**	847,652	106,132	953,784
Current	**420,002**	**1,104**	**421,106**	395,868	12,330	408,198
Non-current	**465,623**	**97,779**	**563,402**	451,784	93,802	545,586

All properties not occupied by the group, and certain properties owned by subsidiaries but occupied by the group, were revalued at 31 December 2013. All other properties occupied by the group were revalued at 31 December 2012. Valuations were carried out by Cluttons, an external firm of Chartered Surveyors, and were made on the basis of open market value.

Lycetts has a 40% stake in Amlin Plus Limited, which has been accounted for as an associate of the group. See note 30 for further details.

Derivative financial instruments are classified as held for trading and their maturity is disclosed in note 16. Equity and debt securities are designated by the group to be measured at fair value through profit and loss. The directors consider that the carrying value of loans and receivables approximates to their fair value. An analysis of other financial investments by FRS 26 measurement category is given in note 1(a).

15 Investments (continued)

Parent

Shares in subsidiary undertakings	**Unrestricted funds 2013 £000**	2012 £000
Cost:		
At 1 January and 31 December	**50**	50
Revaluation:		
At 1 January	**340,285**	333,434
Revaluation of group undertakings	**35,975**	6,851
At 31 December	**376,260**	340,285
Net book value:		
At 31 December	**376,310**	340,335
At 1 January	**340,335**	333,484

The above investments are unlisted, and include £40,310,000 (2012: £47,445,000) relating to subsidiary undertakings outside the UK.

Other financial investments	**Endowment funds 2013 £000**	2012 £000
Cost:		
At 1 January	**26,536**	24,722
Additions	**3,524**	3,684
Disposals	**(2,027)**	(1,870)
At 31 December	**28,033**	26,536
Revaluation:		
At 1 January	**1,816**	(145)
Gains	**2,688**	1,961
At 31 December	**4,504**	1,816
Net book value:		
At 31 December	**32,537**	28,352
At 1 January	**28,352**	24,577

Other financial investments are non-current, and consist of listed equity and debt securities, including £5,237,000 (2012: £3,756,000) relating to investments outside the UK.

16 Group derivative financial instruments

The trading subsidiaries utilise non-hedge derivatives to mitigate equity price risk arising from investments held at fair value and foreign exchange risk arising from claims payable in foreign currency.

	2013			2012		
	Contract/ notional amount £000	**Fair value asset £000**	**Fair value liability £000**	Contract/ notional amount £000	Fair value asset £000	Fair value liability £000
General business						
Equity/Index contracts						
Futures	**-**	**-**	**-**	53,075	443	-
Options	**30,000**	**158**	**-**	30,000	846	-
Foreign exchange contracts						
Options	**-**	**-**	**-**	25,000	557	-
Totals at 31 December	**30,000**	**158**	**-**	108,075	1,846	-

All balances are current.

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 transaction. They do not reflect current market values of the open positions.

Derivative fair value assets are recognised within other financial investments (note 15).

Included within group cash at bank and in hand are cash deposits of £nil (2012: £2,257,000) pledged as collateral by way of cash margins on open derivative contracts and cash to cover derivative liabilities. On closure of these contracts any derivative liability position is settled, and collateral pledged on the margin ceases.

17 Group debtors arising out of insurance operations

(a) Group debtors arising out of direct insurance operations

	2013			2012		
	General business £000	**Long-term business £000**	**Total £000**	General business £000	Long-term business £000	Total £000
Policyholders	**25,456**	**18**	**25,474**	30,793	234	31,027
Intermediaries	**43,287**	**-**	**43,287**	53,433	-	53,433
	68,743	**18**	**68,761**	84,226	234	84,460

(b) Group debtors and creditors arising out of reinsurance operations

Where there are legal rights of set off, reinsurance debtors and creditors within the same party have been netted off to show the net debtor or creditor that will actually be settled.

17 Group debtors arising out of insurance operations (continued)
(c) Impairment of debtors

The trading subsidiaries have recognised a credit of £71,000 (2012: charge of £43,000) in the profit and loss account, reflecting an updated assessment of the level of impairment of insurance and other debtors during the year. Impairments are recognised within administrative expenses with the exception of impairment of investments which are recognised within other charges.

There has been no significant change in the recoverability of the group's debtors, 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.

Movement in the group allowance for doubtful debts:

	2013	2012
	£000	£000
Balance at 1 January	**882**	667
Movement in the year	**(559)**	215
Balance at 31 December	**323**	882

The group allowance for doubtful debts includes a provision of £303,000 (2012: £862,000) in respect of debtors that are individually determined to be impaired based on an assessment of their ageing profile and credit rating at the reporting date.

Included within debtors is £5,379,000 (2012: £7,084,000) overdue but not impaired, of which £4,676,000 (2012: £5,930,000) is not more than three months overdue at the reporting date.

18 Tangible assets *Group*	**Computer equipment £000**	**Motor vehicles £000**	**Office equipment £000**	**Total £000**
Cost:				
At 1 January 2013	**29,793**	**3,219**	**7,426**	**40,438**
Additions	**3,173**	**634**	**63**	**3,870**
Exchange movements	**(870)**	**-**	**(119)**	**(989)**
Disposals	**(1,917)**	**(975)**	**(864)**	**(3,756)**
At 31 December 2013	**30,179**	**2,878**	**6,506**	**39,563**
Depreciation:				
At 1 January 2013	**23,911**	**1,281**	**5,627**	**30,819**
Charge for the year	**3,158**	**514**	**563**	**4,235**
Exchange movements	**(688)**	**-**	**(89)**	**(777)**
Disposals	**(1,845)**	**(639)**	**(800)**	**(3,284)**
At 31 December 2013	**24,536**	**1,156**	**5,301**	**30,993**
Net book value at 31 December 2013				
General business	**5,643**	**1,722**	**1,205**	**8,570**
Net book value at 1 January 2013				
General business	5,882	1,938	1,799	9,619

None of the tangible assets noted above relate to the parent company.

19 Pension asset and retirement benefit obligations

Defined benefit pension plans

The trading subsidiaries' main scheme is a defined benefit scheme for UK employees, which includes two discrete sections, the EIO Section and the Ansvar Section. The assets of the scheme are held separately from those of the group by the Trustee of the Ecclesiastical Insurance Office plc Staff Retirement Benefit 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 triennial valuations to determine whether the Statutory Funding Objective is met. Pension costs for the scheme 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 2010. Pension liabilities for the Ireland branch are dealt with by payment to an Irish life office, and Lycetts Holdings Limited also operates a defined benefit plan. The Irish plan was closed, in agreement with the Trustees, after the year end. The closure will not have a material impact on the group accounts. Actuarial valuations have been reviewed and updated by the actuaries at 31 December 2013 for FRS 17 purposes.

The trading subsidiaries also operate a number of defined contribution pension schemes, for which contributions by the group are disclosed in note 9.

Group	**2013** **£000**	2012 £000
The amounts recognised in the balance sheet are determined as follows:		
Present value of funded obligations	**(270,812)**	(239,268)
Fair value of plan assets	**303,358**	275,637
Surplus	**32,546**	36,369
Restrictions on asset recognised	**(258)**	-
Related deferred tax liability	**(6,458)**	(8,364)
Net asset in the balance sheet	**25,830**	28,005
The amounts recognised in the consolidated profit and loss account are as follows:		
Current service costs	**4,065**	3,991
Past service costs	**-**	-
Total, included in net operating expenses	**4,065**	3,991
Expected return on scheme assets	**15,287**	13,865
Interest cost on scheme liabilities	**(10,623)**	(10,562)
Total, included in other finance income	**4,664**	3,303
The amounts recognised in the consolidated statement of total recognised gains and losses are as follows:		
Actuarial losses	**(7,888)**	(1,183)
Restriction on asset recognised	**(258)**	-
	(8,146)	(1,183)

The actual return on pension plan assets was a gain of £29,784,000 (2012: £31,727,000 gain).

19 Pension asset and retirement benefit obligations (continued)

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

	2013	2012
Discount rate	**4.60%**	4.51%
Inflation (RPI)	**3.49%**	3.00%
Inflation (CPI)	**2.70%**	2.30%
Expected return on plan assets	**5.59%**	5.69%
Future salary increases	**4.86%**	4.43%
Future increase in pensions in deferment	**2.74%**	2.20%
Future pension increases (RPI)	**3.49%**	3.09%
Future pension increases (CPI)	**2.70%**	2.20%

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long term real rates of return experienced in the respective markets.

Mortality rate

The average life expectancy in years of a pensioner retiring at age 65, at the balance sheet date, is as follows:

	2013	2012
Male	**25.5**	23.8
Female	**27.7**	26.0

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date, is as follows:

	2013	2012
Male	**27.9**	26.1
Female	**30.2**	28.3

Plan assets are comprised as follows:	**2013**	2012
	£000	£000
Equities	**176,292**	149,743
Bonds	**88,905**	91,818
Cash	**15,835**	17,797
Other	**22,326**	16,279
	303,358	275,637

19 Pension asset and retirement benefit obligations (continued)

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

	2013	2012
	£000	£000
Scheme assets		
As at 1 January	**275,637**	250,101
Pension benefits paid and payable	**(5,642)**	(9,506)
Contributions paid	**3,492**	3,413
Expected return on scheme assets	**15,287**	13,865
Actuarial gains recognised in STRGL	**14,497**	17,862
Exchange differences	**87**	(98)
As at 31 December	**303,358**	275,637
Defined benefit obligation		
As at 1 January	**239,268**	215,292
Current service cost	**4,065**	3,991
Pension benefits paid and payable	**(5,642)**	(9,506)
Interest cost	**10,623**	10,562
Actuarial losses recognised in STRGL	**22,385**	19,045
Exchange differences	**113**	(116)
As at 31 December	**270,812**	239,268
Restriction on asset recognised		
As at 1 January	**-**	-
Change in asset restriction	**258**	-
As at 31 December	**258**	**-**

The restriction on the asset recognised in the current year relates to the Lycetts pension scheme. This scheme is in surplus at the year end date (2012: the scheme was in deficit at the year end date), but the directors do not believe that the group can recover this through either reduced future contributions or through refunds from the scheme, and as such have not recognised the asset.

History of group experience gains and losses	**2013**	2012	2011	2010	2009
	£000	£000	£000	£000	£000
Present value of defined benefit obligations	**(270,812)**	(239,268)	(215,292)	(213,740)	(190,985)
Fair value of scheme assets	**303,358**	275,637	250,101	237,440	205,628
Surplus	**32,546**	36,369	34,809	23,700	14,643
Experience adjustments on scheme liabilities	**127**	(828)	6,656	3,046	(516)
Experience adjustments on scheme assets	**14,497**	17,862	(18,102)	17,111	24,723

The cumulative amount of actuarial losses recognised in the consolidated statement of total recognised gains and losses since the 2002 financial year is £21,190,000 (2012: £13,044,000).

The contribution expected to be paid by the trading subsidiaries during the year ending 31 December 2014 is £3.6 million.

19 Pension asset and retirement benefit obligations (continued)

Post-employment medical benefits

The trading subsidiaries operate a post-employment medical benefit scheme. The method of accounting, assumptions and the frequency of valuation are similar to those used for the defined benefit pension scheme.

The amounts recognised in the balance sheet are determined as follows:	**2013**	2012
	£000	£000
Present value of unfunded obligations	**11,744**	14,810
Related deferred tax asset	**(2,349)**	(3,406)
Net obligations in the balance sheet	**9,395**	11,404

The amounts recognised in the consolidated profit and loss account are as follows:

Current service cost	**116**	122
Total, included in net operating expenses	**116**	122
Interest cost on scheme liabilities, netted against other finance income	**667**	638

The amounts recognised in the consolidated statement of total recognised gains and losses are as follows:

Total actuarial gains/(losses)	**3,654**	(1,532)

The movements in the obligations over the year are as follows:

At 1 January	**14,810**	12,760
Current service cost	**116**	122
Benefits paid	**(195)**	(244)
Other finance income	**667**	638
Actuarial (gains)/losses	**(3,654)**	1,534
At 31 December	**11,744**	14,810

The main actuarial assumption is a long-term increase in medical costs of 12.0% (2012: 12.0%).

The effect of a 1% movement in the assumed medical cost trend is as follows:

	Increase	**Decrease**
	£000	**£000**
Effect on the aggregate of the current service cost and interest cost	146	(112)
Effect on the medical benefit obligation	2,653	(2,064)

20 Reserves

	Translation reserve £000	Profit and loss account £000	Endowment funds £000	Total £000
Group				
Balance at 1 January	**24,350**	**323,643**	**28,497**	**376,490**
Currency translation differences	**(10,071)**	**-**	**-**	**(10,071)**
Losses relating to pension asset	**-**	**(8,095)**	**-**	**(8,095)**
Movement on deferred tax relating to pension asset	**-**	**1,186**	**-**	**1,186**
Actuarial gains relating to other retirement benefits	**-**	**3,654**	**-**	**3,654**
Movement on deferred tax relating to other retirement benefits	**-**	**(948)**	**-**	**(948)**
Gross transfers between funds			**-**	**-**
Transfer from profit and loss account	**-**	**44,553**	**4,868**	**49,421**
Balance at 31 December	**14,279**	**363,993**	**33,365**	**411,637**

	Unrestricted funds			
	Income funds £000	Revaluation reserve £000	Endowment funds £000	Total £000
Parent				
Balance at 1 January	**7,708**	**340,285**	**28,497**	**376,490**
Incoming resources	**4,105**	**-**	**1,301**	**5,406**
Outgoing resources	**(9,801)**	**-**	**(92)**	**(9,893)**
Revaluation of group undertakings	**-**	**35,975**	**-**	**35,975**
Other investment gains	**-**	**-**	**3,659**	**3,659**
Balance at 31 December	**2,012**	**376,260**	**33,365**	**411,637**

Endowment funds are expendable endowments.

21 Reconciliation of movements in group shareholders' funds

	2013 £000	2012 £000
Profit for the financial year	**49,421**	10,831
Other recognised gains and losses relating to the year	**(14,274)**	(6,003)
Net movement in shareholders' funds	**35,147**	4,828
Opening shareholders' funds	**376,490**	371,662
Closing shareholders' funds	**411,637**	376,490

22 Minority interests

Minority interests comprise the 8.625% Non-Cumulative Irredeemable Preference shares in Ecclesiastical Insurance Office plc and the Lycetts minority interests (see note 13).

	2013 £000	2012 £000
8.625% Non-cumulative Irredeemable Preference Shares	**105,503**	103,703
Lycetts minority interests	**3,634**	4,064
	109,137	107,767

23 Insurance liabilities and reinsurance assets

	2013	2012
Group	**£000**	£000
Gross		
Claims outstanding	**569,179**	565,937
Unearned premiums	**186,642**	219,798
Technical provision for linked liabilities	**92,446**	92,956
Equalisation provision	**25,837**	25,590
Total gross insurance liabilities	**874,104**	904,281
Recoverable from reinsurers		
Claims outstanding	**89,472**	94,902
Unearned premiums	**43,121**	46,109
Total reinsurers' share of insurance liabilities	**132,593**	141,011
Net		
Claims outstanding	**479,707**	471,035
Unearned premiums	**143,521**	173,689
Technical provision for linked liabilities	**92,446**	92,956
Equalisation provision	**25,837**	25,590
Total net insurance liabilities	**741,511**	763,270

The equalisation provision, established in accordance with the Prudential sourcebook for Insurers, is required by Schedule 3 to SI2008/410 to be included within technical provisions, notwithstanding that it does not represent a liability at the balance sheet date. It is in addition to the provisions required to meet the anticipated ultimate cost of settling outstanding claims at the balance sheet date. The provision has reduced shareholders' funds by £25,837,000 (2012: £25,590,000) and decreased the balance on the general business technical account and increased the loss before taxation for the year by £247,000 (2012: decrease of £2,871,000).

(a) General business insurance contracts
The outcome of the ultimate settlement cost of outstanding general insurance claims is inherently uncertain. Such uncertainty includes:

- whether a claim event has occurred or not and how much it will ultimately settle for;
- variability in the speed with which claims are notified and in the time taken to settle them, especially complex cases resolved through the courts;
- changes in the business portfolio affecting factors such as the number of claims and their typical settlement costs, which may differ significantly from past patterns;
- new types of claim, including latent claims, which arise from time to time;
- changes in legislation and court attitudes to compensation, which may apply retrospectively;
- the way in which certain reinsurance contracts (principally liability) will be interpreted in relation to unusual/latent claims where aggregation of claimants and exposure over time are issues; and
- whether all such reinsurances will remain in force over the long term.

23 Insurance liabilities and reinsurance assets (continued)

(i) Reserving methodology

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

Chain ladder methods extrapolate paid amounts, incurred amounts (paid claims plus case estimates), the number of claims or average cost of claims, to ultimate claims based on the development of previous years. This method assumes that previous patterns are a reasonable guide to future developments. Where this assumption is felt to be unreasonable, adjustments are made or other methods such as Bornhuetter-Ferguson 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 accident year and for each portfolio depends on an assessment of the most appropriate method. Sometimes a combination of techniques is used. The average weighted term to payment is calculated separately by class of business and is based on historic settlement patterns.

(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 for uncertainty is assessed primarily by the Thomas Mack actuarial method, based on at least the 75th percentile confidence level for each portfolio. For smaller portfolios where the Thomas Mack method cannot be applied, provisions have been calculated at a level intended to provide an equivalent probability of sufficiency. Where the standard methods cannot allow for changing circumstances then additional uncertainty margins are added and are typically expressed as a percentage of outstanding claims. This approach generally results in a favourable release of provisions in the current financial year, arising from the settlement of claims relating to previous financial years.

(iii) Calculation of provisions for latent claims

The trading subsidiaries adopt commonly used industry methods including those based on claims frequency and severity and benchmarking.

(iv) Discounting

General insurance outstanding claims provisions are undiscounted, except for certain designated long-tail classes of business for which discounted provisions are held in the following territories:

	Discount rate		**Mean term of discounted liabilities**	
Geographical territory	**2013**	2012	**2013**	2012
UK and Ireland	**0.4% to 3.8%**	0.3% to 3.4%	**15**	15
Canada	**1.1% to 3.2%**	1.1% to 2.5%	**14**	9
Australia	**3.3%**	2.8%	**5**	5

The applied rates of interest are based on government bond yield curves of the relevant currency and term at the reporting date, adjusted where appropriate to reflect portfolio assets held and to allow for future investment expenses. At the year end the undiscounted gross outstanding claims provision was £626,418,000 (2012: £582,674,000).

At 31 December 2013, it is estimated that a fall of 1% in the discount rates used would increase the trading subsidiaries' net outstanding claims provision by £12,402,000 (2012: £11,541,000). Financial investments backing these liabilities are not hypothecated across general insurance classes of business. The sensitivity of the trading subsidiaries' profit or loss and other equity reserves to interest rate risk, taking into account the mitigating effect on asset values is provided in note 1 (h).

23 Insurance liabilities and reinsurance assets (continued)

(v) Unexpired risks liability

In the prior year, the unearned premium of the trading subsidiaries' Australia business was found to have a deficiency of £6,464,000. This deficiency was reflected in the trading subsidiaries' balance sheet as a write-down against deferred acquisition costs. In the current year this has been released as a credit against deferred acquisition costs.

(vi) Assumptions

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

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

(vii) Changes in assumptions

There are no significant changes in assumptions.

(b) Long-term insurance and group life yearly renewable contracts

(i) Assumptions

The most significant assumptions in determining long-term business 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.

Investment returns

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

	2013	2012
	Non-profit	Non-profit
UK government bonds: non-linked	**2.76%**	2.13%
UK government bonds: index-linked	**-0.31%**	-0.50%
Corporate debt instruments: index-linked	**0.42%**	0.29%

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. This is in accordance with a modification to PRA Rule INSPRU 3.1.35R, which was granted in September 2011. For index-linked assets, the real yield is shown.

23 Insurance liabilities and reinsurance assets (continued)

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 £2.70 per annum (2012: £13.20 per annum).

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 4.05% per annum (2012: 3.39%).

Tax

It has been assumed that tax legislation and rates applicable at 1 January 2014 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 decreased by £1.9 million (2012: £0.7 million increase).

The effect on insurance liabilities of the changes to unit renewal expense assumptions (described in (i) above) was a £0.4 million increase (2012: £1.3 million decrease).

(iii) Sensitivity analysis

The sensitivity of the result before tax to changes in the key assumptions used to calculate long-term business 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 profit	
		2013	2012
Variable		**£000**	£000
Deterioration in annuitant mortality	-10%	**100**	400
Improvement in annuitant mortality	+10%	**(100)**	(500)
Increase in fixed interest/cash yields	+1%pa	**(1,400)**	-
Decrease in fixed interest/cash yields	-1%pa	**(1,100)**	(1,300)
Worsening of base renewal expense level	+10%	**(500)**	(500)
Improvement in base renewal expense level	-10%	**500**	500
Increase in expense inflation	+1%pa	**(700)**	(600)
Decrease in expense inflation	-1%pa	**600**	500

(iv) Available capital resources

2013	**Non-profit life fund £000**	**Share-holders' fund £000**	**Total life business £000**	**Other activities £000**	**Group total £000**
Total reserves	**(1,136)**	**41,515**	**40,379**	**371,258**	**411,637**
Adjustments to assets/liabilities	**7,500**	**(7,500)**	**-**	**(76,617)**	**(76,617)**
Total available capital resources	**6,364**	**34,015**	**40,379**	**294,641**	**335,020**
Policyholder liabilities					
- life insurance business	**92,446**	**-**	**92,446**		
Net actuarial liabilities on balance sheet	**92,446**	**-**	**92,446**		

23 Insurance liabilities and reinsurance assets (continued)

2012					
Total reserves	(1,814)	35,770	33,956	342,534	376,490
Adjustments to assets/liabilities	10,500	(10,500)	-	(52,221)	(52,221)
Adjustments to actuarial liabilities	(1,188)	-	(1,188)	-	(1,188)
Total available capital resources	7,498	25,270	32,768	290,313	323,081
Policyholder liabilities					
- life insurance business	92,956	-	92,956		
Net actuarial liabilities on balance sheet	92,956	-	92,956		

Total reserves of the non-profit fund represents the net profit or loss generated by this fund not transferred, to date, to the shareholders' fund. The life shareholders' fund is the balance of group reserves in the life business. Available capital resources of the life business include an allowance for solvency reserves which do not meet the recognition criteria in the accounts.

Other activities include the general insurance business of group companies, and consequently all group capital not required to meet the solvency requirements of the general business is available to meet the solvency requirements of the life business. The available capital resources in the non-profit life fund, subject to the regulatory capital requirements of the fund itself, are available to meet requirements elsewhere in the group. The capital requirements of the life business are based on the PRA capital requirements.

The trading subsidiaries use both their Individual Capital Assessment and Individual Capital Guidance as tools for determining capital requirements and their sensitivity to various risks. These risks are managed by means of their underwriting strategy, reinsurance strategy, investment strategy, and management control framework.

(v) Movements in life capital

2013	**Non-profit life fund £000**	**Share-holders' fund £000**	**Total life business £000**
Published capital resources as at 31 December 2012	7,498	25,270	32,768
Effect of new business	(734)	-	(734)
Variance between actual and expected experience	388	-	388
Change in methodology	20	-	20
Effect of changes to valuation interest rates	724	-	724
Effect of change to expense assumption	(365)	-	(365)
Effect of change to inflation assumption	4	-	4
Transfers between funds	(3,000)	3,000	-
Other movements	1,829	5,745	7,574
Capital resources as at 31 December 2013	6,364	34,015	40,379

Assumptions, and the effect of changes in these assumptions on profit, are covered in sections b(i) to b(iii) of this note.

24 Provisions for other risks and contingent liabilities

(a) Provisions

Group	Deferred tax £000	Regulatory and legal provisions £000	Restructuring and other provisions £000	Total £000
At 1 January 2013	27,853	6,569	704	35,126
Additional provisions	-	329	2,767	3,096
Used during year	-	(1,344)	(97)	(1,441)
Not utilised	-	(2,092)	(102)	(2,194)
Exchange differences	-	-	(24)	(24)
Other movements	3,138	-	-	3,138
At 31 December 2013	**30,991**	**3,462**	**3,248**	**37,701**

Regulatory and legal provisions

The trading subsidiaries operate in the financial services industry and are subject to regulatory requirements in the normal course of business, including contributing towards any levies raised on UK general and life business. The provisions reflect an assessment by the Group of its share of the total potential levies.

In addition, from time to time the trading subsidiaries receive complaints from customers and, whilst the majority relate to cases where there have been no customer detriment, we recognise that we have provided, and continue to provide, advice and services across a wide spectrum of regulated activities. We therefore believe that it is prudent to hold a provision for costs of customer complaints relating to services provided. The trading subsidiaries continue to re-assess the ultimate level of complaints expected and the appropriateness of the provision, which reflects the potential redress and associated administration costs that would be payable in relation to any complaints we may uphold. Further administration costs in relation to invalid claims are also included in the provision.

Restructuring and other provisions

The provision for restructuring and other costs relates to costs in respect of redundancies, onerous leases and dilapidations.

(b) Contingent liabilities

Ecclesiastical Insurance Office plc is in correspondence with HM Revenue and Customs regarding the treatment of its preference share capital for group tax purposes. Whilst it is possible that this will lead to an additional tax cost to the group, we do not consider it probable that a further charge will arise and so have not made any provision in respect of this issue. In the unlikely event the issue is not settled as expected, the group's best estimate is that the additional tax cost would be in the range of £0.3m to £7.6m.

25 Deferred tax

	2013	2012
Group	**£000**	£000
The potential net provision for deferred tax provided in the financial statements is as follows:		
Unrealised investment gains	**32,511**	29,573
Retirement benefit assets	**4,109**	4,958
Depreciation in excess of capital allowances	**(1,242)**	(1,317)
Other timing differences	**(3,594)**	(3,685)
Net provision for deferred tax	**31,784**	29,529
Movements in the net deferred tax provision are analysed as follows:		
At 1 January	**29,529**	25,438
Charged to income	**6,862**	6,931
Credited to income - resulting from reduction in tax rate	**(4,883)**	(2,415)
Credited to equity	**(898)**	(383)
(Credited)/charged to equity - resulting from reduction in tax rate	**609**	(113)
Exchange differences	**565**	71
At 31 December	**31,784**	29,529
The net provision for deferred tax is disclosed in the financial statements as follows:		
Amount included in provisions for other risks	**30,991**	27,853
Amount included in other debtors	**(3,316)**	(3,282)
Amount included in net pension assets	**6,458**	8,364
Amount included in retirement benefit obligations	**(2,349)**	(3,406)
	31,784	29,529

The trading subsidiaries have unused tax loss relief of £4,428,000 (2012: £6,368,000) arising from life business and capital transactions, which are available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

26 Other creditors including taxation and social security

	2013	2012
Group	**£000**	£000
Amounts falling due within one year:		
Other creditors	**27,312**	28,901
Taxation	**2,837**	922
	30,149	29,823
Amounts falling due after more than one year:		
Other creditors	**1,099**	2,819
	1,099	2,819
	31,248	32,642
Included in other creditors are obligations under lease purchase contracts due:		
In one year or less	**630**	658
Between one and five years	**1,007**	1,154
	1,637	1,812

Parent
Creditor balances of the company primarily relate to donations approved for payment at the year end date, including those in the course of payment and accrued commitments for longer-term funding of specific projects.

27 Notes to the cash flow statement
(a) Reconciliation of group result on ordinary activities before tax to net cash flow from operating activities

	2013 £000	2012 £000
Profit on ordinary activities before tax	**64,310**	23,715
Depreciation charges	**4,235**	3,841
Amortisation of goodwill and other intangibles	**5,324**	5,072
Share of profit of associate	**(14)**	(109)
Loss on disposal of subsidiary, net of selling costs	**-**	5,219
Unrealised gains on investments	**(31,726)**	(33,683)
Increase in net general insurance technical provisions	**(2,612)**	40,301
Profit relating to long-term business	**(676)**	(5,144)
Other interest payable	**124**	115
Realised investment (gain)/loss	**(9,288)**	10,872
Loss on sale of tangible fixed assets	**119**	137
Movement in other debtors and creditors	**15,460**	(5,768)
Exchange and other non-cash movements	**(71)**	(833)
Net cash inflow from operating activities	**45,185**	43,735

27 Notes to the cash flow statement (continued)

(b) Movements in cash, portfolio investments and financing

Group	At 1 January 2013 £000	Cash flow £000	Changes in long-term business £000	Exchange and other non-cash movements £000	At 31 December 2013 £000
Cash at bank and in hand	**141,581**	**(6,338)**	**1,565**	**(2,152)**	**134,656**
Shares and other variable yield securities	**311,142**	**(42,487)**	**(3,833)**	**62,485**	**327,307**
Fixed income securities	**642,642**	**62,903**	**(3,417)**	**(44,927)**	**657,201**
Land and buildings	**31,003**	**16,440**	**-**	**1,161**	**48,604**
	1,126,368	**30,518**	**(5,685)**	**16,567**	**1,167,768**

28 Operating leases

Group annual commitments and payments under non-cancellable operating leases were as follows:

	2013			2012		
Commitments	**Premises £000**	**Equipment £000**	**Other £000**	Premises £000	Equipment £000	Other £000
Expiring:						
Within one year	**879**	**314**	**-**	156	-	-
Between two and five years	**747**	**524**	**5**	2,157	96	-
Over five years	**780**	**13**	**-**	820	-	-
Total	**2,406**	**851**	**5**	3,133	96	-
Payments included in operating expenses	**3,017**	**978**	**50**	4,050	36	-

29 Capital commitments

At the year end the group had capital commitments of £1,685,000 relating to computer equipment (2012: nil).

30 Subsidiaries and associate undertakings

(i) Group undertakings

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

Subsidiary undertakings	**Share capital**	**Holding of shares by: Parent**	**Subsidiary**
Incorporated and operating in Great Britain, engaged in investment, insurance and financial services or other insurance-related business:			
Ecclesiastical Insurance Group plc	Ordinary shares	100%	-
Ecclesiastical Insurance Office plc	Ordinary shares	-	100%
	8.625% Non-Cumulative Irredeemable Preference Shares	-	0.9%
Ecclesiastical Underwriting Management Limited	Ordinary shares	-	100%
Ecclesiastical Financial Advisory Services Limited	Ordinary shares	-	100%
Ecclesiastical Investment Management Limited	Ordinary shares	-	100%
Ecclesiastical Life Limited	Ordinary shares	-	100%
South Essex Insurance Holdings Limited	Ordinary shares		100%
South Essex Insurance Brokers Limited	Ordinary shares	-	100%
Lycetts Holdings Limited	Ordinary shares	-	75%
Lycett, Browne-Swinburne & Douglass Limited	Ordinary shares	-	100%
Lycetts Financial Services Limited	Ordinary shares	-	100%
Highflyer Bloodstock Agency Limited	Ordinary shares	-	100%
Farmers & Mercantile Insurance Brokers Limited	Ordinary shares	-	100%
Incorporated and operating in Great Britain, engaged in retail of goods and services:			
Ecclesiastical Services Limited	Ordinary shares	-	100%
Incorporated in Great Britain, dormant:			
E.I.O. Trustees Limited	Ordinary shares		100%
Lycetts Limited	Ordinary shares		100%
Lycetts Hamilton Limited	Ordinary shares		100%
Hydra House Limited	Ordinary shares		100%
Farmers & Mercantile Insurance Brokers (York) Limited	Ordinary shares		100%
Farmdirect Insurance Services Limited	Ordinary shares		100%
Incorporated and operating in Australia, engaged in insurance business:			
Ansvar Insurance Limited	Ordinary shares	-	100%
Incorporated in Australia, dormant:			
EA Insurance Services Pty Limited	Ordinary shares		100%
Associate undertaking			
Incorporated and operating in Great Britain, engaged in insurance broking business:			
Amlin Plus Limited	Ordinary shares	-	40%

The percentage shareholdings of the subsidiaries listed above are the direct or indirect holdings of Ecclesiastical Insurance Group plc with the exception of Lycett, Browne-Swinburne & Douglass Limited, Lycetts Financial Services Limited, Highflyer Bloodstock Agency Limited, Farmers & Mercantile Insurance Brokers Limited, Lycetts Limited, Lycetts Hamilton Limited, Hydra House Limited, Farmers & Mercantile Insurance Brokers (York) Limited, Farmdirect Insurance Services Limited and Amlin Plus Limited, all of which are directly or indirectly owned by Lycetts Holdings Limited.

30 Subsidiaries and associate undertakings (continued)
(ii) Associate undertaking

Lycetts Holdings Limited has a 40% shareholding in its associate Amlin Plus Limited, an insurance services company.

The group's interest in Amlin Plus Limited, an unlisted company incorporated in the United Kingdom, is as follows.

Group's share of:	**2013** **£000**	2012 £000
Revenue	**513**	585
Expenses	**(499)**	(476)
Profit before tax	**14**	109
Tax charge	**(5)**	(22)
Profit after tax	**9**	87
Share of assets	**1,167**	1,598
Share of liabilities	**(777)**	(1,097)

All the entities listed are included within the consolidated financial statements. Voting rights are in line with the holdings of ordinary shares.

The financial statements of Ecclesiastical Insurance Office plc and Ecclesiastical Insurance Group plc, the parent companies of the main trading groups, are publicly available therefore a detailed analysis of their results is not presented here. Copies of the financial statements are available from the registered office as shown on page 2.

In accordance with the exemption available under Financial Reporting Standard 8 'Related Party Disclosures', no disclosure is given of transactions within the group that have been eliminated on consolidation or transactions with wholly-owned group companies.

31 Post balance sheet event

On 15 April 2014, South Essex Insurance Brokers Limited acquired the assets and liabilities of Lansdown Insurance Brokers, an unlisted insurance services partnership based in the United Kingdom, for a cash consideration of £5.0 million, with additional immaterial deferred consideration expected. The net assets acquired were immaterial and therefore goodwill is expected to be recognised on acquisition.