Company Number 01718196

Benefact Group

Benefact Group plc (formerly Ecclesiastical Insurance Group plc)

2021 Annual Report and Accounts

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Directors and Company information

Directors	* R. D. C. Henderson *Chairman* * R. Bajaj * F. X. Boisseau D. P. Cockrem *Group Chief Financial Officer* M. C. J. Hews *Group Chief Executive* * Sir S. M. J. Lamport * N. P. Maidment * A. J. McIntyre * C. J. G. Moulder *Senior Independent Director* S. J. Whyte *Deputy Group Chief Executive* * A. Winther
Company Secretary	R. J. Hall
Registered and Head Office	Benefact House, 2000 Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester, GL3 4AW Tel: 0845 777 3322
Company Registration Number	01718196
Investment Management Office	24 Monument Street, London EC3R 8AJ Tel: 0800 358 3010
Independent Auditors	PricewaterhouseCoopers LLP Bristol

* *Non-executive directors*

Strategic Report

The directors present the Strategic Report of the Company for the year ended 31 December 2021.

Group Chief Executive's Review

Over 135 years ago, our founders created a different kind of business committed to the greater good of society. Times may have changed, but our drive and purpose remains the same. Today we are one of the biggest corporate donors in the UK, helping to transform thousands of lives for the better.

Like many businesses, we are ambitious. But our ambition is not driven by the short-term pursuit of profits at any cost. Our ambition is fuelled by a desire to support and care for our customers, their communities and society as a whole.

As a specialist insurer, we not only protect much of the nation's irreplaceable heritage, we are trusted to insure the buildings and organisations that bind our communities together - schools, charities, churches, community centres, and historic buildings. As custodians of these special places, we take great care to support our customers.

As a charity-owned business, we believe commercial success and social good can sit side by side to generate incredible social impact. By growing our business, we can give even more to charities and communities, and help even more people. By doing business with Ecclesiastical, every one of our customers, brokers, and partners is helping to support good causes and create a powerful movement for good in society.

It's impossible to write this report without mentioning the harrowing situation in Ukraine. The conflict is having a devastating effect on innocent civilians and, like the rest of the world, I've been shocked by the stories and pictures emerging from the war. As a business committed to the greater good of society, both in the UK and abroad, I am pleased that our charitable owner Benefact Trust has committed £1m of grant funding to support charities helping those affected by the conflict. The Group has also pledged to triple-match employee giving to any Ukraine appeals up to £50,000.

Continuing to build a Movement for Good

Despite the ongoing challenges of the pandemic, 2021 was a year of great achievement for our Group. We reported strong financial performance, a record number of external awards, excellent customer and employee survey feedback, and continued progress on our strategy.

Most importantly, we were able to give a total of £28.5m to charity in respect of 2021 performance. This meant we achieved our goal of giving more than £100m to good causes – meeting and exceeding the stretching goal that we set ourselves a few short years ago. This is a remarkable feat and I want to say a heartfelt thank you to all of our customers, brokers, business partners, employees and supporters who have made this happen. Thanks to you, we have made thousands of charitable donations over the past five years, making a difference to countless lives.

As a result of our performance in 2021, we were able to further the aims of our charitable owner, the Benefact Trust with a donation of £26m. This was split between £21m in cash paid in 2021, with the remainder paid in 2022. The balance of our giving was distributed via giving programmes in the UK, Australia, Canada and Ireland such as the Movement for Good awards, which allows customers, business partners and others to help steer funds to the causes they wish.

Alongside the Benefact Trust, we are very proud to have supported charities tackling so many different and important issues. Their work includes lifting people out of poverty, making society more inclusive, helping to support bereaved families and so much more. When one hears stories of how our support is making a difference, it is difficult not to feel humbled, moved and inspired.

Indeed, seeing the inspiring work of charities around us makes us determined to give even more and set our sights even higher. Already the fourth biggest corporate donor, we now have an ambition to be the largest corporate donor in the UK – not because of the position in the league table, but because of the transformative impact that such an ambition would have on lives and communities.

We step into this challenge with a new identity - the "Benefact Group". The new name for the Group better reflects our diversity, breadth and charitable purpose – it originates from the verb "benefact" which means "to do well" which is for us the basis for our commitment to give money or help to good causes. All of the trading brands in the Benefact Group family will continue to operate under their own names, united in a belief that better business can mean better lives. All the available profits from the Benefact Group will continue to benefit charity.

Delivering for our customers

2021 was another difficult year for many of us, but our colleagues rose to the challenge admirably. They embraced new ways of working while continuing to serve our customers brilliantly, whether that was from our offices or from home. I would like to thank all of our colleagues for their

I continue to be genuinely impressed at the level of service my colleagues offer. The independent research consultancy, Gracechurch, put Ecclesiastical ahead of all other insurers for claims service. In addition, an incredible 98% of customers and brokers are satisfied with the service they receive from Ecclesiastical, whether that is making a claim or experiencing our risk management service. The Net Promoter Scores, which measures how likely a customer is to recommend a company's products and services, for Ecclesiastical Insurance put us ahead of well-known and respected brands such as John Lewis and Marks & Spencer.

With such a brilliant team of people, it was heartening to receive external recognition for our levels of engagement. In our first year of participation in the Best Companies assessment, the Group was awarded a two-star accreditation demonstrating 'outstanding' levels of employee engagement.

Alongside this, we won a record number of external awards. This included being named as the UK's most trusted home insurer for the 14th consecutive time by independent ratings agency Fairer Finance, and our Canadian team was named one of the Top Employers for Young People for the ninth consecutive year. Ecclesiastical UK won Digital Insurance Innovation of the Year Award at the British Insurance Awards for Smart Properties, while EdenTree was named Best Ethical Investment Provider at the 2021 Investment Life and Pensions Moneyfacts Awards for the 13th time in a row.

I was particularly pleased our UK GI team received accolades for our Smart Properties proposition, which uses cutting-edge technology to protect some of the UK's most iconic properties. This clever early warning system uses wireless sensors to learn what's 'normal' for a property. An alert is then sent by email, text or phone to highlight a change in conditions, so early preventative action can be taken. This is a wonderful example of how we're using innovation to protect our customers and our nation's irreplaceable heritage.

Despite these achievements, we are not complacent and we recognise there is always more to do. Our culture means that we continually strive to do better for our customers.

I have previously highlighted the importance of managing claims for physical and sexual abuse (PSA) and we remain committed to improving the claims handling experience in these sensitive cases. The final report of the Independent Inquiry into Child Sexual Abuse (IICSA) will be published later this year and we await its recommendations on ways to better safeguard children and improve the treatment of victims and survivors when disclosing abuse.

The experience of bringing an insurance claim can be traumatic for victims and survivors within the adversarial civil justice system in which we have to operate. We always aim to handle claims with empathy and sensitivity, as embodied in our Guiding Principles. We thank the Inquiry for its work, and we will continue to review our processes as part of our commitment to continual improvement.

Financial Performance

Profit before tax of £81.9m (2020: restated loss before tax £15.3m) has been driven in particular by strong investment returns, as markets rebounded strongly from 2020.

The Group's general insurance businesses reported profit before tax of £8.8m (2020: £12.1m) representing another robust performance. This result includes areas where we have strengthened reserves and the impacts of some adverse weather events. Our underwriting result is also reflective of our continued strategic investment across our insurance technology platforms to ensure that our businesses are well positioned to deliver sustainable and profitable growth. We continue to be a trusted partner to our customers and brokers, and this is reflected in our strong retention and satisfaction levels, which have supported the 11% growth in gross written premiums (GWP).

Our business is managed with a long-term view of risk and as a result, we have a strong capital position that can withstand short-term volatility and our strong credit ratings with S&P and AM Best were both reaffirmed during the year. Our Solvency II regulatory capital position remains above regulatory requirements and risk appetite and was supported with the issuance of €30m subordinated debt in February 2021, as the Group seeks to take advantage of profitable growth opportunities.

General insurance

The Group's underwriting businesses have performed in line with expectations in most territories, resulting in a Group Combined Operating Ratio[1] (COR) of 96.8% (2020: 95.1%). We have delivered steady underwriting profits despite liability reserves strengthening in Australia and adverse weather events in the UK. Our strategy to focus on profitable growth opportunities has continued to deliver, with new business of £42.2m contributing to our overall GWP growth of 11% to £486m (2020: £437m) which also reflects targeted rate increases as well as strong retention.

Our programme of investment has continued, particularly across our technology platforms. The customisation and development of the software that underpins these platforms made up 2.8 points of our Group COR for the year. Our investment in these platforms are an important part in supporting the growth of our business and our customers' needs for the long term.

United Kingdom and Ireland

In the UK and Ireland, underwriting profits increased to £25.0m (2020: £12.3m) giving a COR of 85.3% (2020: 92.5%). GWP grew by 7.5% to £297.2m (2020: £276.6m). The current year underwriting performance was strong with prior year claim releases contributing to a more modest proportion of the result compared with previous financial years. Despite a series of weather events and large claims, current year loss ratios were slightly ahead of expectations as a result of rate changes and portfolio management. Both property and casualty accounts generated underwriting profits.

Heritage, Education and Real Estate were particularly strong growth areas in 2021 despite the competitive trading conditions. We expect trading conditions to remain competitive but the outlook is becoming increasingly unpredictable. Inflationary pressures in the economy, Covid-19 uncertainty, and the potential for more frequent and intense weather events due to climate change all contribute to this uncertainty. However, our net promoter scores across brokers and customers are robust, have improved and provide resilience, enabling us to carry positive rate change where needed and contribute to the high levels of retention experienced. Market hardening in certain areas of our property and casualty portfolios enabled us to write new business at profitable levels. GWP in respect of our Faith business remained in line with prior year reflecting a good result in challenging conditions.

[1] Alternative performance measure, refer to note 40 to the financial statements for further information.

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

Ansvar Australia

Our Australian business reported an underwriting loss of AUD$24.4m resulting in a COR of 156.9% (2020: AUD$1.2m loss, COR of 102.2%). GWP grew by 14.2% in local currency to AUD$171.2m (2020: AUD$149.9m) with strong new business growth, retention and rate increases. The performance of the business written in the current year has been good and continues to improve in light of positive underwriting actions. However, the overall underwriting result includes the adverse impact of reserves strengthening in the liability account for historic physical and sexual abuse (PSA) claims. The underwriting loss also reflects our significant investment in a new underwriting system which will benefit the business over the longer term.

The Group made a further underwriting loss of £10.0m (2020: £4.7m) within its internal reinsurance portfolio as a result of reserves strengthening in respect of historic PSA claims in Ansvar Australia.

Canada

Our Canadian business continued its track record of delivering premium growth, reporting GWP of CAD$158.0m (2020: CAD$131.5m), a 20.1% increase, which was been supported by strong retention and rate increases as well as new business.

Canada reported an underwriting profit of CAD$12.2m resulting in a COR of 88.6% (2020: CAD$7.8m profit, COR of 91.2%). Despite an increase in the number of large losses, the property book performed well due to benign weather, lighter than expected attritional losses, and favourable development on prior year net losses. The performance of the liability book was impacted by some adverse development on prior year claims and the strengthening of the reserves provision.

Investments

2021 saw optimism return as Covid-19 vaccines allowed economies to reopen, with unprecedented stimulus packages from governments and central banks bolstering growth, but also stoking inflation. The Group's net investment return of £102.0m (2020: restated loss of £5.4m) can be largely attributed to the continued recovery in equities, both within our directly-held portfolio, and via holdings in EdenTree's Responsible and Sustainable OEIC funds, whilst our investment property portfolio also experienced strong gains.

Investment income of £32.7m reflects a more optimistic market as the world learns to live with Covid-19 (2020: £30.8m). A recovery from the initial impact from the pandemic was also reflected in fair value gains on financial instruments of £37.2m, reversing the impact of fair value losses of £15.4m seen in 2020. The past two years highlights the impact economic and political uncertainty can have on the performance of our investments, with the recent conflict in Ukraine leading to an increased level of market volatility. Notwithstanding this, we remain confident in our long-term investment philosophy, and are well-diversified and relatively defensively positioned.

Within our UK equity portfolio, small-cap exposure proved beneficial as the FTSE Small-Cap outperformed the FTSE All-Share by a significant margin over the course of the year.

Our directly-held sterling bond portfolio outperformed the FTSE Gilts benchmark by 5.3% in 2021, as the longer duration index was impacted by rising yields to a greater extent than our shorter-dated bond portfolio.

Our investment properties delivered fair value gains of £20.2m (2020: loss of £5.0m) driven by increased market demand for commercial property where the portfolio is well-represented.

The upward movement in bond yields led to an increase in the discount rate applied to long-tail insurance liabilities. The change in discount rate on those liabilities resulted in a profit of £11.9m recognised within net investment return (2020: £15.9m loss).

Investment Management

The Group's investment management business, EdenTree, was pleased to report record net inflows of £425m, excluding group flows. The previous high was £204m in 2019 (2020: £58m). EdenTree incurred a loss before tax for the year of £2.6m (2020: loss before tax £1.1m) as it invested in growing the business through its distribution capacity and with a widening of its product range.

Assets under management (AUM) increased by 25% in the year, half of this asset growth was attributable to new money into the business, and half to markets as funds performed well across the fund range. AUM were £3.7bn (2020: £3.1bn) and £2.8bn (2020: £2.3bn) excluding assets managed for the Group.

Net income at £15.1m was up by 21% year on year (2020: £12.5m). This is due to both client inflows in the year and increasing market value of assets, however maintaining margins on fees earned continues to be challenging, a trend which is seen across the industry.

Long-term business

Our life business, Ecclesiastical Life Limited (ELL), reopened to business during the year, launching a new product providing guaranteed returns for funeral planning products sold by Ecclesiastical Planning Services Limited. The legacy book within our life insurance business remains closed to new business. Excluding intergroup trading, ELL reported breakeven profit before tax for the year (2020: £2.9m profit). Assets and liabilities in relation to the life insurance business remain well matched.

Broking and advisory

Overall, broking and advisory performed above expectation reporting a profit before tax of £6.0m (2020: £1.0m). This area of our business includes our insurance broker businesses SEIB Insurance Brokers Limited (SEIB), Lycetts Holdings Limited (Lycetts) and an interest in the Lloyd & Whyte Group Limited (Lloyd and Whyte), along with our small financial advisory business Ecclesiastical Financial Advisory Services Limited (EFAS) and our prepaid funeral plan distribution and administration business Ecclesiastical Planning Services Limited (EPSL).

SEIB reported an increase in profit before tax to £3.2m (2020: £2.8m) and Lycetts reported an increase in profit before tax to £1.7m (2020: £0.1m). EFAS reported a loss of £0.2m in the year (2020: £0.3m loss) and EPSL's result was a loss of £0.9m (2020: £2.0m loss).

Lloyd & Whyte contributed £2.3m towards profiit before tax in the year (2020: £0.6m), which is partly reflective of an increase in the Group's shareholding from 20% to 40% during the year.

Principal risks and uncertainties

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

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

Strategic progress

2021 was a truly transformational year for Ecclesiastical as we made significant progress on our strategic initiatives, despite the ongoing uncertainty in the external environment.

We successfully launched the new Ecclesiastical brand to positive feedback. We opened our new head office in Gloucestershire. We continued to make substantial investments in new insurance systems and technology to improve the broker and customer experience. We reinvigorated our EdenTree business, strengthening the team and introducing new funds. We continued to grow the broking and advisory division and transformed its financial

Many of these initiatives will have a positive impact on our carbon footprint. Our new head office was built to 'very good' BREEAM standards, a leading sustainability assessment method, and our new EdenTree funds are aimed at investors looking to contribute to a more sustainable economy.

As a socially responsible business, we are committed to making a positive environmental impact in the world and supporting customers and communities to tackle their climate challenges too.

We pioneered ethical investment over 30 years ago and our responsible and sustainable investment strategy remains amongst the most stretching in the industry. As an example, unlike many others, we do not invest in companies undertaking fossil fuel exploration or production. More generally, we look to avoid investment in businesses that cause social harm whilst proactively seeking to invest in companies that have positive impact. We consider environmental, social and governance factors in every investment case using our specialists at our award-winning subsidiary EdenTree.

We've been members of the voluntary initiative ClimateWise for a number of years and continue to build our response to the climate crisis using ClimateWise's framework, which is in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TFCD). We are in the process of developing an ambitious roadmap to net zero and are supporting our customers and communities to do the same.

Climate change and environment

The Group reports on all emission sources required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The reporting year runs from January to December 2021. The emissions reporting boundary is defined as all entities and facilities either owned or under operational control of the Group, i.e. emissions relating to our premises and associated travel by staff based at those premises. The Group continues to improve the coverage and quality of data which informs our report. The figures for 2020 emissions have been recalculated and restated to include a broader scope of operations and improved quantification methodology.

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

The Group's carbon footprint continues to be impacted by the Covid-19 period which has influenced reduced office attendance and business travel. Some of this influence we expect to stay with us for the long-term – increased use of meeting technologies and more flexible work – but we also expect office occupancy to increase, but not to pre-Covid levels. To grasp the learnings from the pandemic period the Group launched future flexible working principles supported by investment in technology and fantastic office environments. The environmental benefits will be monitored over the long-term.

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

	UK tCO2e		**Non-UK tCO2e**		**Total tCO2e**	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Scope 1	98	378	6	40	104	418
Scope 2 - Location based	383	414	97	106	480	520
Scope 2 - Market based*	68	n/a	97	n/a	165	n/a
Scope 3	172	273	22	46	194	319
Total**	338	1,065	125	192	463	1,257

* Not previously reported in 2020

** Total for 2021 includes Scope 2 Market based. Total for 2020 inlcudes scope 2 Location based.

Total energy use 59,585,679kwH , of which 48,147,143kwH is UK and 11,438,536kwH non-UK.
tCO2e/employee: 0.23 (2020: £0.54)

In 2021 the Group set out a new five-year strategy which includes a key focus on climate response and action.

The Group adopted a new responsible and sustainable investment policy in February 2021 strengthening climate response. The new policy evolves exclusion criteria by fully removing fossil fuel exploration and production and thermal coal, so widening the previous policy of excluding material exposure to oil sands and Arctic drilling. The policy also features a new ESG portfolio risk overlay approach, which will consider how companies manage their ESG risks as a factor in investment decisions and put more pressure on companies the Group invests in to improve. The new policy has already resulted in divestment in some key areas.

The Group has identified opportunities to benefit from the effects of climate change including greater resource efficiency, using expertise to help customers and directing investment assets towards areas that will profit from changes made in transition to a low carbon economy.

Looking ahead

As we look to the future, we expect the needs of our beneficiaries and charities to grow substantially. And rather than look the other way, we want to play our part in rising to help meet those needs. To this end we have recently launched a new ambitious Group strategy that will see us transform our Group over the next five years. In short, we want to innovate and accelerate our growth so that we can give even more money to good causes.

Our "next chapter" will see us invest even more in new systems and technology, helping our businesses to innovate with purpose. Over the next few months, we'll start to rollout a new strategic General Insurance system for the UK and Ireland which, once live, will help us to provide our customers and brokers with an enhanced experience and more efficient processes and capacity.

We will invest in our dedicated and brilliant people to maximise their potential, creating a world-class and energised team.

We will seek out new opportunities and new paths to growth, with an ambition to double the size / contribution of our businesses.

...And we will give even more. Since 2014, the Group has given over £150million to good causes. The Group is now aiming to donate a cumulative £250million[1] to good causes by the end of 2025.

[1] Cumulative giving since 2014

Join our movement for good

After a successful 2021, we step into 2022 with more ambition and confidence than ever to build a movement for good. None of this would be possible, of course, without the energy and endeavour of our specialist teams worldwide. Our dedicated and talented people are at the heart of our business, driven by a desire to support our customers and united by a common purpose to contribute to the greater good of society. The Board and I would like to thank all of our colleagues for their exceptional efforts. I very much hope that they are inspired when they look back at what they have achieved. I certainly am.

As we build momentum for our movement for good, I invite anyone reading this, whether as a potential colleague, customer or business partner, to come and join us and experience a different way of doing business. Together, with your support, we can grow our giving and transform lives for the better.

Section 172 statement

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

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

Covid-19 Response

As the world begins to return to some form of normality, we understand that the effects of Covid-19 remain with us all. As a Company, we set out our initial response to Covid-19 in the 2020 Report and Accounts. As such, the Board has continued to make decisions this year to ensure that Benefact Group plc remains strong and able to support its stakeholders. The ongoing pandemic has also encouraged us and our stakeholders to consider and embrace new and innovative methods of engagement.

Shareholder engagement

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

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

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

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

When determining if it is appropriate to make a grant to the Company's ultimate parent undertaking, Benefact Trust Limited, the Board considers advice from the Group Chief Financial Officer. A key area for the Board's deliberation is the Company's capital position and the affordability of the grant based on a range of stressed circumstances as well as the views of the Chair of Benefact Trust Limited. Two grants amounting to £21m were paid to Benefact Trust Limited from Ecclesiastical Insurance Office plc during the calendar year 2021.

Our stakeholders

Our stakeholders are identified in the Group Governance Framework, and are at the core of all decision making. Key stakeholders are shareholder, employees, customers and clients, regulators and intermediary partners (including brokers and other suppliers). Examples of the way the Board has engaged with some of these stakeholder groups throughout the year are set out below.

Our Approach to the Long Term Success of the Company

The Board of Directors recognise that the long-term success of the Company is dependent upon having regard to the interests of its stakeholders. Given our Group's ambition to be the most trusted and ethical specialist financial services group, the Board understands how important it is to listen and respond to the needs of our stakeholders.

Stakeholder Engagement in Decision Making

The Board adopts a range of approaches to engage with stakeholders and recognises that the importance of a stakeholder group may differ depending on the matter to be considered. Given the nature of the business, the Board sometimes engages directly with stakeholders and also understands that it may be more appropriate for engagement to be undertaken at an operational level.

Certain stakeholder matters are led at Group level, especially where the matters are of Group-wide significance or have the potential to impact the reputation of the Group. The Board considers a variety of information to understand the impact of the Company's operations and also the interests and views of our key stakeholders.

As a global group, the Board also believes governance is best achieved through the use of delegation of its authority for the executive management to the Group Chief Executive. To assist him in delivering his responsibilities to the Board, the Group Chief Executive has established a corporate structure that comprises three business divisions (Broker and Advisory, General Insurance and Investment Management. A General Management Board (GMB) and Relevant Boards and Committees have also been established in each business division.

General Management Board (GMB)

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

Management Committees

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

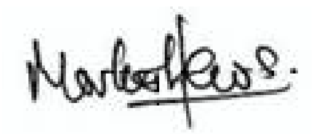
Other matters and stakeholder engagement

Benefact Group plc is an investment holding company therefore consideration of matters relating to employees, customers, suppliers, community, environment and reputation are undertaken at a subsidiary Board level. The Group approach to stakeholder engagement is set out in the 172 Statement contained in the 2021 Annual Report and Accounts of Ecclesiastical Insurance Office plc.

Key performance indicators

The Group considers its key performance indicators to be profit and loss before tax, regulatory capital, combined operating ratio and net expenses ratio. In addition to information included within this Strategic report, details about the Group's regulatory capital and combined operating ratio and net expenses ratio can be found in notes 4 and 40 to the financial statements.

On behalf of the Board



Mark Hews
Group Chief Executive, Benefact Group plc
4 May 2022

Directors' Report

Principal activity
The principal activity of the Company is that of an investment holding company. Its principal subsidiary is Ecclesiastical Insurance Office plc (EIO). That company heads a group which operates principally as a provider of general insurance in addition to offering a range of financial services, with offices in the UK and Ireland, Canada and Australia. A list of the main subsidiary undertakings is given in note 37 to the financial statements.

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

Board of directors
The directors of the Company who were in office at the date of this report are stated on page 2. Caroline Taylor resigned as a Non-executive Director on 8 September 2021 and Rita Bajaj was appointed as a non-executive director on 15 July 2021.

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

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

Neither the directors nor their connected persons held any beneficial interest in any Ordinary shares of group companies during the year ended 31 December 2021. There has been no change in these interests since the end of the financial year to the date of this report.

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

Director	Nature of Interest	Number of EIO Non-Cumulative Irredeemable Preference Shares held 31.12.2021	31.12.2020
Mark Hews	Connected person	75,342	75,342
Denise Cockrem	Connected person	16,000	16,000

There has been no change to Mr Hews' interests since the end of the financial year to the date of this report. On 23 March 2022 a connected person to Mrs D Cockrem purchased 16,020 Non-Cumulative irredeemable preference shares in EIO.

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

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

Dividends
The directors do not recommend the payment of a dividend for the year ended 31 December 2021 (2020: £nil).

Charitable and political donations
Charitable donations made by the Group in the year amounted to £23.5m (2020: £2.7m).

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

Financial instruments
Information about the use of financial instruments by the Group is given in note 22 to the financial statements.

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

- Given Sir Stephen Lamport's previous experience and responsibilities as Group Remuneration Committee Chair, the Board agreed that he was the most appropriate Non executive Director to succeed Caroline Taylor as the designated non-executive director for employee engagement . The designated non-executive director is briefed on employee engagement survey results and relevant findings are reported to the Board;

- a variety of communication channels including intranet, all staff emails (including weekly news, results, achievements and changes), briefings and publishing of financial reports and feedback and discussion is adopted (including to make employees aware of financial and economic factors affecting the performance of the company);

- During 2020, as a result of the pandemic the Group chose to focus on more tailored and regular 'check-in' surveys which were conducted monthly. This enabled The Group to gather real time feedback, to flex each survey and to respond as the situation evolved during what was a unique year. During 2021 the Group transitioned back to a full annual colleague engagement survey adopting a new B-Heard Survey provided by an external partner, Best Companies. The full B-Heard survey was undertaken in the Spring with 79% of employees taking part, and this was supplemented by a further pulse survey later in the year. The Group was proud to be awarded Best Companies' 2 star accreditation demonstrating 'outstanding' levels of employee engagement, with many of the Group's teams being recognised at the highest 3 star level, or 'world class";

- During the year the employees undertook training to support the accessibility and understanding of our whistleblowing policy, procedure and approach;

- direct engagement and consultation through employee representative forums including the Group's recognised Union and informal Employee Working Groups (such as 'The Explainers' and 'The Office Life Network') is encouraged;

- 'Town Hall' meetings are hosted virtually by senior management where employees can ask questions and provide feedback. For example during the year the Chief Executive and other senior leaders engaged directly with colleagues, through a series of online roadshows to which employees from all territories were invited for the internal launch of the Group's next strategic chapter;

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

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

An example of an opportunity where the Board of Directors were able to engage with a range of employees from across the Group, at various levels of seniority was at the Official Opening ceremony of the Group's new Head office in Gloucester in September, following which, the directors were invited to attend a two day offsite Leadership Conference. The opportunity was used to enhance collaboration between Board members and employees and therefore improving decision making.

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

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

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

Internal controls
The Board is ultimately responsible for the systems of risk management and internal control maintained by the Group and reviews their appropriateness and effectiveness annually. The Board views the management of risk as a key accountability and is the responsibility of all management and believes that, for the period in question, the Group has maintained an adequate and effective system of risk management and internal control.

The Group embeds risk management into its strategic and business planning activities whereby major risks that could affect the business in the short and long term are identified by the relevant management together with an assessment of the effectiveness of the processes and controls in place to manage and mitigate these risks. The Group's internal control framework is vital in setting the tone for the Group and in creating a high degree of control consciousness in all employees.

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

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

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

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

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

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

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

The Group has considerable financial resources: financial investments, exluding funeral plan investments, of £919.9m, 87% of which are liquid (2020: financial investments of £845.8m, 90% liquid) and cash and cash equivalents of £144.0m (2020: £129.6m). Liquid financial investments consist of listed equities and open-ended investment companies, government bonds and listed debt. In February 2021, the Group raised Euro 30 million of Tier 2 capital with the issue of 20-year subordinated bonds, callable after year 10.

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

The Group has considered its capital position, liquidity and expected performance. The Group and its businesses have strong levels of cash and other liquid resources and has no concerns over the ability to meet its cash commitments over the three year planning horizon. The Group and its businesses expect to continue to meet regulatory requirements.

Primarily during 2020, Covid-19 impacted how the businesses operate, with a significant proportion of employees working effectively in a remote environment. Whilst there was still some level of disruption caused by the pandemic in 2021, our businesses and people to work effectively and support our customers, work with our key suppliers and perform other functions of the Group.

Given the Group's operations, robust capital strength, liquidity and in conjunction with forecast projections and stress testing, the Directors have a reasonable expectation that the Group has adequate resources and is well placed to manage its risks successfully and continue in operational existence for at least 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Auditor and the disclosure of information to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information that the auditor is unaware, that could be needed by the auditor in order to prepare their report. Having made enquiries of fellow directors and the Group's auditor, each director has taken all the steps that they ought to have taken as a director, in order to make themselves aware of any relevant audit information, and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

In accordance with Section 489 of the Companies Act 2006, a resolution proposing that PricewaterhouseCoopers LLP be reappointed as auditor of the Group will be put to the forthcoming AGM.

Non-audit work

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

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

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

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

On behalf of the Board

Mark Hews
Group Chief Executive, Benefact Group plc
4 May 2022

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2021 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: Consolidated and Parent Statement of Financial Position as at 31 December 2021; Consolidated Statement of Profit or Loss, Consolidated and Parent Statement of Comprehensive Income, Consolidated and Parent Statement of Cash Flows and Consolidated and Parent Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

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

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Enquiries of compliance, risk, internal audit, and the Group's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Group Board, Group Audit Committee and Group Risk Committee;
- Procedures relating to the valuation of investment property and unlisted equity investments, and the valuation of specific general insurance reserves such as UK loss of profits, asbestos and PSA reserves described in the related key audit matters below;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations in revenue or expenditure; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Sue Morling
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
4 May 2022

Consolidated statement of profit or loss

for the year ended 31 December 2021

	Notes	2021 £000	Restated* 2020 £000
Revenue			
Gross written premiums	5, 6	**486,218**	437,303
Outward reinsurance premiums	6	**(198,601)**	(173,074)
Net change in provision for unearned premiums	6	**(14,620)**	(16,562)
Net earned premiums		**272,997**	247,667
Fee and commission income	7	**109,059**	95,020
Other operating income		**1,136**	2,126
Net investment return	8	**102,023**	(5,429)
Total revenue		**485,215**	339,384
Expenses			
Claims and change in insurance liabilities	9	**(268,349)**	(219,748)
Reinsurance recoveries	9	**123,822**	94,582
Fees, commissions and other acquisition costs	10	**(96,939)**	(86,245)
Other operating and administrative expenses		**(161,676)**	(142,969)
Total operating expenses		**(403,142)**	(354,380)
Operating profit/(loss)		**82,073**	(14,996)
Finance costs		**(2,492)**	(926)
Share of profit after tax of associate		**2,274**	601
Profit/(loss) before tax	5	**81,855**	(15,321)
Tax (expense)/credit	14	**(18,756)**	432
Profit/(loss) for the year	11	**63,099**	(14,889)
Attributable to:			
Equity holders of the Parent		**54,317**	(23,671)
Non-controlling interests		**8,782**	8,782
		63,099	(14,889)

*The comparative financial statements have been restated as detailed in note 39.

Consolidated and parent statements of comprehensive income

for the year ended 31 December 2021

		2021		2020 Restated*	
	Notes	Group £000	Parent £000	Group £000	Parent £000
Profit/(loss) for the year		**63,099**	**3,688**	(14,889)	(3,778)
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Fair value losses on property		**-**	**-**	(66)	-
Gains/(losses) on retirement benefit plans	19	**41,260**	**-**	(19,036)	-
Attributable tax		**(8,368)**	**-**	3,923	-
		32,892	**-**	(15,179)	-
Items that may be reclassified subsequently to profit or loss:					
(Losses)/gains on currency translation differences	27	**(2,356)**	**-**	1,980	-
Gains/(losses) on net investment hedges	27	**1,912**	**-**	(2,339)	-
Attributable tax		**(184)**	**-**	265	-
		(628)	**-**	(94)	-
Net other comprehensive income/(expense)		**32,264**	**-**	(15,273)	-
Total comprehensive income/(expense)		**95,363**	**3,688**	(30,162)	(3,778)
Attributable to:					
Equity holders of the Parent		**86,581**	**3,688**	(38,944)	(3,778)
Non-controlling interests		**8,782**	**-**	8,782	-
		95,363	**3,688**	(30,162)	(3,778)

*The comparative financial statements have been restated as detailed in note 39.

Consolidated and parent statements of changes in equity

for the year ended 31 December 2021

		Attributable to equity holders of the Parent						
		Share capital	Revaluation reserve	Translation and hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
Group	Notes	£000	£000	£000	£000	£000	£000	£000
At 1 January 2021		**20,000**	**624**	**18,230**	**452,373**	**491,227**	**101,815**	**593,042**
Profit for the year		**-**	**-**	**-**	***54,317***	***54,317***	***8,782***	***63,099***
Other net (expense)/income		**-**	***(18)***	***(628)***	***32,910***	***32,264***	**-**	***32,264***
Total comprehensive (expense)/income		**-**	**(18)**	**(628)**	**87,227**	**86,581**	**8,782**	**95,363**
Dividends	15	**-**	**-**	**-**	**-**	**-**	**(8,782)**	**(8,782)**
Gross charitable grant	15	**-**	**-**	**-**	**(21,000)**	**(21,000)**	**-**	**(21,000)**
Tax relief on charitable grant	15	**-**	**-**	**-**	**3,990**	**3,990**	**-**	**3,990**
Reserve transfers		**-**	**(338)**	**-**	**338**	**-**	**-**	**-**
At 31 December 2021		**20,000**	**268**	**17,602**	**522,928**	**560,798**	**101,815**	**662,613**
At 31 December 2019 (as reported)		20,000	640	18,324	480,312	519,276	103,090	622,366
Restatement*		-	-	-	11,139	11,139	-	11,139
At 1 January 2020 (as restated)		20,000	640	18,324	491,451	530,415	103,090	633,505
(Loss)/profit for the year		-	-	-	*(23,671)*	*(23,671)*	*8,782*	*(14,889)*
Other net expense		-	*(16)*	*(94)*	*(15,163)*	*(15,273)*	-	*(15,273)*
Total comprehensive expense		-	(16)	(94)	(38,834)	(38,944)	8,782	(30,162)
Acquisition of non-controlling interest		-	-	-	(244)	(244)	(1,275)	(1,519)
Dividends	15	-	-	-	-	-	(8,782)	(8,782)
At 31 December 2020 (as restated)		20,000	624	18,230	452,373	491,227	101,815	593,042
Parent								
At 1 January 2021		**20,000**	**-**	**-**	**5,739**	**25,739**		
Total comprehensive income attributable to equity holders		**-**	**-**	**-**	**3,688**	**3,688**		
At 31 December 2021		**20,000**	**-**	**-**	**9,427**	**29,427**		
At 1 January 2020		20,000	-	-	9,517	29,517		
Total comprehensive expense attributable to equity holders		-	-	-	(3,778)	(3,778)		
At 31 December 2020		20,000	-	-	5,739	25,739		

*The comparative financial statements have been restated as detailed in note 39.

The revaluation reserve represents cumulative net fair value gains on owner-occupied property. Further details of the translation and hedging reserve are included in note 27.

Retained earnings of the Group includes a specific non-distributable reserve of a subsidiary amounting to £4,200,000 (2020: £4,200,000).

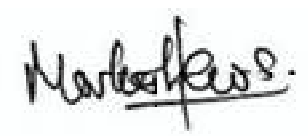
Consolidated and parent statements of financial position
at 31 December 2021

	Notes	31 December 2021 Group £000	31 December 2021 Parent £000	31 December 2020 Restated* Group £000	31 December 2020 Parent £000	1 January 2020 Restated* Group £000
Assets						
Goodwill and other intangible assets	17	**74,261**	**-**	77,352	-	64,411
Deferred acquisition costs	18	**46,027**	**-**	41,989	-	38,199
Deferred tax assets	31	**9,607**	**-**	2,502	-	3,184
Pension surplus	19	**28,304**	**-**	1,053	-	8,505
Investment in associate	16	**12,148**	**10,370**	5,696	5,112	5,171
Property, plant and equipment	20	**38,469**	**-**	42,431	-	22,808
Investment property	21	**163,355**	**-**	142,142	-	148,146
Financial investments	22	**1,119,127**	**83,135**	1,036,766	68,939	1,067,187
Reinsurers' share of insurance contract liabilities	29	**254,449**	**-**	208,677	-	159,556
Current tax recoverable		**525**	**-**	8,843	-	4,218
Other assets	24	**177,689**	**2,588**	167,709	1,893	150,254
Cash and cash equivalents	25	**144,012**	**1,437**	129,596	1,568	98,369
Total assets		**2,067,973**	**97,530**	1,864,756	77,512	1,770,008
Equity						
Share capital	26	**20,000**	**20,000**	20,000	20,000	20,000
Retained earnings and other reserves		**540,798**	**9,427**	471,227	5,739	510,415
Equity attributable to equity holders of the Parent		**560,798**	**29,427**	491,227	25,739	530,415
Non-controlling interests	28	**101,815**	**-**	101,815	-	103,090
Total equity		**662,613**	**29,427**	593,042	25,739	633,505
Liabilities						
Insurance contract liabilities	29	**888,817**	**-**	811,226	-	704,978
Investment contract liabilities	34	**256,706**	**-**	234,840	-	242,288
Borrowings	35	**24,995**	**66,108**	28,151	50,883	14,510
Provisions for other liabilities	30	**7,318**	**-**	7,013	-	5,435
Pension deficit	19	**3,725**	**-**	17,226	-	4,978
Retirement benefit obligations	19	**7,058**	**-**	6,530	-	5,998
Deferred tax liabilities	31	**49,748**	**1,393**	30,615	769	36,532
Current tax liabilities		**1,236**	**3**	1,329	37	123
Deferred income	32	**29,765**	**-**	26,404	-	22,991
Subordinated liabilities	33	**24,433**	**-**	-	-	-
Other liabilities	32	**111,559**	**599**	108,380	84	98,670
Total liabilities		**1,405,360**	**68,103**	1,271,714	51,773	1,136,503
Total equity and liabilities		**2,067,973**	**97,530**	1,864,756	77,512	1,770,008

*The comparative financial statements have been restated as detailed in note 39.

No income statement is presented for Benefact Group plc as permitted by Section 408 of the Companies Act 2006. The profit after tax of the parent company for the period was £3,688,000 (2020: loss of £3,778,000).

The financial statements of Benefact Group plc, registered number 1718196, on pages 18 to 89 were approved and authorised for issue by the Board of Directors on 4 May 2022 and signed on its behalf by:



Mark Hews
Group Chief Executive

Consolidated and parent statements of cash flows
for the year ended 31 December 2021

	Notes	2021 Group £000	2021 Parent £000	2020 Restated* Group £000	2020 Parent £000
Profit/(loss) before tax		**81,855**	**4,465**	(15,321)	(3,861)
Adjustments for:					
Depreciation of property, plant and equipment		**6,852**	**-**	6,120	-
Revaluation of property, plant and equipment		**-**	**-**	(10)	-
Loss on disposal of property, plant and equipment		**13**	**-**	3	-
Amortisation and impairment of intangible assets		**2,134**	**-**	4,273	-
Impairment of shares in subsidiary undertakings		**-**	**-**	-	3,707
Loss on disposal of intangible assets		**4,765**	**-**	-	-
Share of profit of associate		**(2,274)**	**-**	(601)	-
Net fair value (gains)/losses on financial instruments and investment property		**(57,451)**	**(1,527)**	20,346	1,148
Dividend and interest income		**(23,361)**	**(3,587)**	(22,364)	(1,560)
Finance costs		**2,492**	**531**	926	480
Adjustment for pension funding		**1,151**	**-**	1,127	-
Changes in operating assets and liabilities:					
Net increase in insurance contract liabilities		**86,900**	**-**	95,756	-
Net increase in reinsurers' share of contract liabilities		**(49,513)**	**-**	(45,101)	-
Net increase in investment contract liabilities		**13,937**	**-**	8,902	-
Net increase in deferred acquisition costs		**(4,376)**	**-**	(3,352)	-
Net (increase)/decrease in other assets		**(11,199)**	**129**	(14,587)	(1,097)
Net increase/(decrease) in operating liabilities		**8,748**	**24**	10,064	(139)
Net increase in other liabilities		**197**	**-**	1,244	-
Cash generated from/(used by) operations		**60,870**	**35**	47,425	(1,322)
Purchases of financial instruments and investment property		**(217,021)**	**(10,500)**	(163,277)	(11,924)
Sale of financial instruments and investment property		**175,795**	**831**	168,246	643
Dividends received		**8,454**	**1,427**	6,305	450
Interest received		**15,345**	**1,826**	15,068	1,085
Tax (paid)/recovered		**(3,292)**	**(186)**	(3,819)	5
Net cash generated from/(used by) operating activities		**40,151**	**(6,567)**	69,948	(11,063)
Cash flows from investing activities					
Purchases of property, plant and equipment		**(3,845)**	**-**	(6,891)	-
Proceeds from the sale of property, plant and equipment		**869**	**-**	1	-
Purchases of intangible assets		**(3,942)**	**-**	(15,646)	-
Acquisition of business, net of cash acquired	16	**(5,258)**	**(5,258)**	(822)	-
Net cash used by investing activities		**(12,176)**	**(5,258)**	(23,358)	-
Cash flows from financing activities					
Interest paid		**(2,492)**	**(531)**	(926)	(480)
Payment of lease liabilities		**(4,058)**	**-**	(5,258)	-
Change in interest in subsidiary		**-**	**(3,000)**	-	(1,519)
Transactions with non-controlling interests	28	**-**	**-**	(1,519)	-
Proceeds from other borrowings		**25,014**	**15,225**	-	13,625
Dividends paid to non-controlling interests of subsidiaries		**(8,782)**	**-**	(8,782)	-
Donations paid to ultimate parent undertaking	15	**(21,000)**	**-**	-	-
Net cash (used by)/generated from financing activities		**(11,318)**	**11,694**	(16,485)	11,626
Net increase/(decrease) in cash and cash equivalents		**16,657**	**(131)**	30,105	563
Cash and cash equivalents at beginning of year		**129,596**	**1,568**	98,369	1,005
Exchange (losses)/gains on cash and cash equivalents		**(2,241)**	**-**	1,122	-
Cash and cash equivalents at end of year	25	**144,012**	**1,437**	129,596	1,568

*The comparative financial statements have been restated as detailed in note 39.

1 Accounting policies

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

Basis of preparation

The Group's consolidated and Parent's financial statements have been prepared using the following accounting policies, which are in accordance with UK-adopted IFRS applicable at 31 December 2021 issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on the historical cost basis, except for the revaluation of properties measured at fair value through other comprehensive income (FVTOCI) and certain other financial assets and derivatives measured at fair value through profit and loss (FVTPL).

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

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

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

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

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

New and revised standards

A number of amendments and improvements to accounting standards have been issued by the International Accounting Standards Board (IASB) with an effective date of on or after 1 January 2021, and are therefore applicable for the 31 December 2021 financial statements. None had a significant impact on the Group.

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

IFRS 9, Financial Instruments

Effective date

IFRS 9, *Financial Instruments* , is effective for periods beginning on or after 1 January 2018, although can be deferred until 2023 for insurers in line with the effective date of IFRS 17. The Group has taken the option available to insurers to defer the application of IFRS 9 as permitted by IFRS 4, *Insurance Contracts* . The Group qualifies for the temporary exemption, which is available until annual periods beginning on or after 1 January 2023, since at 31 December 2015 greater than 80% of its liabilities were within the scope of IFRS 4 and it does not engage in significant acctivities unconnected with insurance. There has been no significant change to the Group's operations since that date and as a result, the Group continues to apply IAS 39, Financial

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

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

Key requirements

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

Expected impact on financial statements

It is expected that equity instruments will continue to be measured at fair value through profit or loss. The measurement of certain debt instruments may change to amortised cost or fair value through other comprehensive income. No changes are expected from the more principles-based hedge accounting requirements. The Group is eligible for, and has applied, the deferral approach, which gives a temporary exemption from applying IFRS 9 until the effective date of IFRS 17, *Insurance contracts* .

IFRS 17, Insurance Contracts

Key requirements

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

Effective date

Applicable to annual reporting periods beginning on or after 1 January 2023. The final standard remains subject to endorsement in the UK by the UK Endorsement Board which is expected to be complete in time for the 1 January 2023 effective date.

Expected impact on financial statements

IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure.

The accounting principles for the Group's life insurance business (Whole-of-Life policies supporting pre-paid funeral plans, which ceased to be written from 2013) are expected to be revised. These contracts are serviced over a long coverage period and applying IFRS 17 is expected to result in expected profits attributable to future services (the contractual services margin concept within IFRS 17) being spread over the lifetime of the contract. Margins for prudence within the reserving basis will be replaced with an explicit risk adjustment defined as the compensation required by the entity for non-financial risks. A key judgement being assessed is whether sufficient information exists to apply the full retrospective approach to transition, otherwise a fair value approach is expected to be adopted.

The Group expects to use the premium allocation approach for the majority of its general business insurance contracts, and for which the deferral of expected future profits and initial recognition of losses are not expected to represent a significant change. The Group has developed draft accounting policies for the key accounting judgements. The key new items expected to impact net assets relate to:

Key item	Impact
Level of aggregation for portfolios and groups of insurance and reinsurance contracts	For the majority of product lines, the Group issues packaged policies incorporating a range of lines of business within a single contract. Accounting policy development has focussed on applying the IASB's Transition Resource Group's guidance to identify when it is appropriate to unbundle individual components and treat as separate contracts. In the majority of cases, the Group expects that its contracts should not be unbundled below the legal contract level. The most material determinant of portfolios of significant risks that are managed together is expected to be the geographic territories in which the Group underwrites its core general insurance products. An outcome of the draft policy is instances of up front recognition of losses on groups of onerous contracts within a portfolio will be triggered at a more granular level, although the transitional impact is not expected to be significantly different from applying the current Liability Adequacy Test under IFRS 4.
Eligibility for applying the premium allocation approach	Draft definitions of what constitutes reasonably expected assumption changes on future profitability, and measuring the materiality of differences between the general measurement model and the premium allocation approach as a proportion of exposure, indicates that the majority of the Group's general insurance products and associated reinsurance are expected to be eligible.
Discounting of the claims reserves	The Group already incorporates illiquidity into a discount rate, but this will be extended to all components of the reserve and not only the longer term liabilities. Aligning the illiquidity measurement to the characteristics of the liabilities is expected to increase the discount because general insurance liabilities in the incurred claims phase are highly illiquid and cannot be extinguished on demand by the Group or readily converted into cash by the policyholder.
Risk adjustment	For products applying the premium allocation approach, the Group's reserves for incurred claims are currently measured using best estimate plus an explicit risk margin quantified using confidence level techniques. This is expected to remain the case, with policy development focussing on the level of diversification of risk informing each entity's compensation required, to quantify the risk adjustment as aligned to risk appetite.
Expenses allocation	A new policy has been developed defining directly attributable expenses as those which are required in order to obtain and fulfil contracts, with other expenses being reported outside of insurance services. Under the premium allocation approach, the Group does not expect to choose to recognise insurance acquisition cash flows when they are incurred, with measurement therefore remaining similar to the current policy of deferring acquisition costs. The recurring nature of the Group's acquisition cost expense base on renewing business means that all such incurred costs are expected to be attributable to groups of insurance contracts that have been recognised (impacting the liability for remaining coverage), with the presentation not expected to give rise to separate assets for insurance acquisition cash flows.

The Group is developing and testing the changes to existing processes required to apply new policies. It is not yet practicable to quantify the impact on the Group's financial statements

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

Use of estimates

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Those estimates which have the most material impact on the financial statements are disclosed in note 2.

Basis of consolidation

Subsidiaries

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

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

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

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

Associates

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

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

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

Foreign currency translation

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

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

Product classification

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Contracts that do not transfer significant insurance risk are classified as investment or service contracts. All of the Group's life business contracts written up to April 2013 are classified as insurance contracts and those written from August 2021 are classified as investment contracts.

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 Group does not have any such participating contracts (referred to as with-profit contracts). The Group's long-term business contracts are referred to as non-profit contracts in the financial statements.

Premium income

General insurance business

Premiums are shown gross of commission paid to intermediaries and accounted for in the period in which the risk commences. Estimates are included for premiums not notified by the year end ('pipeline premiums') and provision is made for the anticipated lapse of renewals not yet confirmed. Those proportions of premiums written in a year which relate to periods of risk extending beyond the end of the year are carried forward as unearned

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

Life insurance business

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

Fee and commission income

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

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

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

Initial adviser and initial management fees from the Group's advisory activities are recognised at a point in time. Administration fees are recognised over time as services are provided. On-going service fees and management charge rebates, which are variable based on the value of funds invested or value of assets under administration, are recognised over time as services are provided and once it is reasonably certain that no significant reversal of the amount recognised would occur.

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

Other operating income

Other operating income consists of the return of surplus reserves from a government-backed reinsurance scheme. It is recognised when the distribution is declared.

Net investment return

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

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

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

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

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

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

Insurance contract liabilities
General insurance provisions
(i) Outstanding claims provisions
General insurance outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the year-end date, whether reported or not, together with related claims handling costs. Significant delays are experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, the ultimate cost of which cannot be known with certainty at the year-end date. An estimate is made representing the best estimate plus a uncertainty margin within a range of possible outcomes. 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 change in this provision is taken to profit or loss in order that revenue is recognised over the period of risk.

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

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

Life insurance provisions
Under current IFRS requirements, insurance contract liabilities are measured using accounting policies consistent with those adopted previously prior to the adoption of IFRS 4. The life insurance business provision is held in respect of funeral plans and determined using methods and assumptions approved by the directors based on advice from the Chief Actuary.

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

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

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

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

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable assets and liabilities acquired at the date of acquisition. Goodwill on acquisitions prior to 1 January 2004 (the date of transition to IFRS) is carried at book value (original cost less amortisation) on that date, less any subsequent impairment. Where it is considered more relevant, the Group uses the option to measure goodwill initially at fair value, less any subsequent impairment.

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

Computer software

Computer software is carried at historical cost less accumulated amortisation and impairment, and amortised over a useful life of between three and ten years, using the straight-line method. The amortisation and impairment charge for the period is included in the statement of profit or loss within other operating and administrative expenses.

Other intangible assets

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

Property, plant and equipment

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

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

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

Computer equipment	3 - 5 years straight line
Motor vehicles	4 years straight line or 27% reducing balance
Fixtures, fittings and office equipment	3 - 10 years or length of lease straight line
Right-of-use assets	Over the term of the lease

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

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

Investment property

Investment property comprises land and buildings which are held for long-term rental yields. It is carried at fair value with changes in fair value recognised in the statement of profit or loss within net investment return. Investment property is valued annually by external qualified surveyors at open

Financial instruments

IAS 39, *Financial Instruments: Recognition and Measurement* requires the classification of certain financial assets and liabilities into separate categories for which the accounting requirements differ.

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

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

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

The Parent applies IFRS 9, *Financial Instruments*. Equity investments are designated as fair value through profit and loss and changes to the fair value of equity instruments are recognised in profit or loss in the period in which they arise. All other financial assets and liabilities are held at amortised cost, using the effective interest method (except for short-term receivables and payables when the recognition of interest would be immaterial).

Offset of financial assets and financial liabilities

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

Financial investments

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

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

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

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

Derivative financial instruments and hedging

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

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

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

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

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

Derivative instruments for hedging of net investments in foreign operations

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

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

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

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

(c) Loans and receivables or financial assets at amortised cost

Applying IAS 39 the Group classifies some financial assets as loans and receivables. Loans and receivables, comprising loans and cash held on deposit for more than three months, are carried at amortised cost using the effective interest method. Loans are recognised when cash is advanced to borrowers. To the extent that a loan or receivable is uncollectable, it is written off as impaired. Subsequent recoveries are credited to profit or loss.

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

Subordinated liabilities

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

Deferred acquisition costs

General insurance business

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

Life insurance business

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

Cash and cash equivalents

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

Insurance broking debtors and creditors

Where the Group acts as an agent in placing the insurable risks of clients with insurers, debtors arising from such transactions are not included in the Group's assets. When the Group receives cash in respect of resultant premiums or claims, a corresponding liability is established in other creditors in favour of the insurer or client. Where the Group provides premium finance facilities to clients, amounts due are included in other debtors, with the amount owing for onward transmission included in other creditors.

Leases

Group as a lessee

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

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

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

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

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

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

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

Group as a lessor

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

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

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

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

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

Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources, embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when it is virtually certain that the reimbursement will be received.

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

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

Employee benefits

Pension obligations

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

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

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

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

Other post-employment obligations

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

Taxation

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

Current tax is the expected tax payable on the taxable result for the period, after any adjustment in respect of prior periods.

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

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

Appropriations

Dividends

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

Charitable grant to ultimate parent undertaking

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

Use of Alternative Performance Measures (APM)

The Group uses certain key performance indicators which, although not defined under IFRS, provide useful information and aim to enhance understanding of the Group's performance. The key performance indicators should be considered complementary to, rather than a substitute for, financial measures defined under IFRS. Note 40 provides details of how these key performance indicators reconcile to the results reported under IFRS.

2 Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and judgements that affect the reported amounts of assets and liabilities. Estimates and judgements are regularly reviewed and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management have considered the current economic environment in their estimates and judgements.

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

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

Pension and other post-employment benefits

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

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

Unlisted equity securities

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

Goodwill impairment

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

Significant insurance risk

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

Leases

In determining the lease term, consideration is given to all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

Most extension options have not been included in the lease liability because the Group could replace the assets without significant cost or business

The lease term is reassessed if an option is exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or change in circumstances occurs, which affects this assessment and is within the control of the Group.

(b) Key sources of estimation uncertainty

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

There is still some uncertainty as to the economic effect that both Covid-19 and higher inflation will have in both the short and long term. The key estimates and assumptions set out below include variables which may be impacted (either positively or negatively). These include but are not limited to inflation, discount rate, long-term economic growth rate and investment market returns.

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

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

The estimation of the ultimate liability arising from claims made under general business insurance contracts is a critical accounting estimate. There is uncertainty as to the total number of claims made on each business class, the amounts that such claims will be settled for and the timing of any such payments. There are various sources of estimation uncertainty as to how much the Group will ultimately pay with respect to such contracts. Such uncertainty includes:

- whether a claim event has occurred or not and how much it will ultimately settle for;
- variability in the speed with which claims are notified and in the time taken to settle them, especially complex cases resolved through the courts;
- changes in the business portfolio affecting factors such as the number of claims and their typical settlement costs, which may differ significantly from past patterns;
- new types of claim, including latent claims, which arise from time to time;
- changes in legislation and court attitudes to compensation, including the discount rate applied in assessing lump sums, which may apply
- 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.

The uncertainties surrounding the estimates of claims payments for the various classes of business are discussed further in note 3, and where discount rates have been applied these are disclosed in note 29(a). General business insurance liabilities include a margin for risk and uncertainty in addition to the best estimates for future claims. The sensitivity of profit or loss to changes in the ultimate settlement cost of claims reserves is presented in note 29(a).

Future benefit payments arising from life insurance contracts

The determination of the liabilities under life insurance business from the sale of funeral plans is dependent on estimates made by the Group.

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

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

In addition to the best estimates of future deaths, inflation, investment returns and administration expenses, margins for risk and uncertainty are added to these assumptions in calculating the liabilities of life insurance contracts. The sensitivity of profit or loss to changes in the assumptions is presented in note 29(b)(iii).

Pension and other post-employment benefits

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

The discount rate assumption is a component in determining the charge to profit or loss. The effect of movements in the actuarial assumptions during the year, including discount rate, mortality, inflation, salary and medical expense inflation assumptions, on the pension and other post employment liabilities are recognised in other comprehensive income. An explanation of the actuarial gains recognised in the current year is included in note 19.

The Group determines an appropriate discount rate at the end of each year, to be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and other post employment benefit obligations.

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

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

Unlisted equity securities

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

Carrying value of goodwill

Goodwill is tested annually for impairment as detailed in the Group's accounting policies. In order to calculate the value in use under this policy, the Group is required to make an estimation of the future cash flows expected to arise from the business unit, an appropriate long-term growth rate to apply to the cash flows and a suitable discount rate to calculate the present value. Further details on these estimates and sensitivities of the carrying value of goodwill to these estimates are provided in note 17.

3 Insurance risk

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

(a) Risk mitigation

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

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

(b) Concentrations of risk

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

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

Group		General insurance				Life insurance	
Territory		**Property £000**	**Liability £000**	**Miscellaneous financial loss £000**	**Other £000**	**Whole-of-life £000**	**Total £000**
2021							
United Kingdom and Ireland	Gross	**217,961**	**62,949**	**16,941**	**3,394**	**(2)**	**301,243**
	Net	**109,242**	**60,060**	**8,883**	**376**	**(2)**	**178,559**
Australia	Gross	**54,229**	**37,106**	**1,290**	**740**	**-**	**93,365**
	Net	**5,891**	**31,733**	**1,238**	**140**	**-**	**39,002**
Canada	Gross	**64,086**	**27,524**	**-**	**-**	**-**	**91,610**
	Net	**44,750**	**25,306**	**-**	**-**	**-**	**70,056**
Total	Gross	**336,276**	**127,579**	**18,231**	**4,134**	**(2)**	**486,218**
	Net	**159,883**	**117,099**	**10,121**	**516**	**(2)**	**287,617**
2020 (restated*)							
United Kingdom and Ireland	Gross	203,921	57,634	16,273	3,328	16	281,172
	Net	107,458	55,095	9,080	716	16	172,365
Australia	Gross	48,665	29,279	1,332	902	-	80,178
	Net	7,299	24,840	1,283	171	-	33,593
Canada	Gross	51,920	24,033	-	-	-	75,953
	Net	35,846	22,425	-	-	-	58,271
Total	Gross	304,506	110,946	17,605	4,230	16	437,303
	Net	150,603	102,360	10,363	887	16	264,229

*The comparive figures have been restated as detailed in note 39.

(c) General insurance risks

Property classes

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

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

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

The number of claims made can be affected in particular by weather events, changes in climate, economic environment, and crime rates. Climate change may give rise to more frequent and extreme weather events, such as river flooding, hurricanes and drought, and their consequences, for example, subsidence claims. If a weather event happens near the end of the financial year, the uncertainty about ultimate claims cost in the financial statements is much higher because there is insufficient time for adequate data to be received to assess the final cost of claims.

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

Contracts are underwritten on a reinstatement basis or repair and restoration basis as appropriate. Costs of rebuilding properties, of replacement or indemnity for contents and time taken to bring business operations back to pre-loss levels for business interruption are the key factors that influence the cost of claims. Individual large claims are more likely to arise from fire, storm or flood damage. The greatest likelihood of an aggregation of claims arises from earthquake, weather or major spreading fire events.

Claims payment, on average, occurs within a year of the event that gives rise to the claim. However, there is variability around this average with larger claims typically taking longer to settle and business interruption claims taking much longer depending on the length of the indemnity period involved.

Liability classes

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

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

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

The severity of bodily injury claims can be influenced particularly by the value of loss of earnings and the future cost of care. The settlement value of claims arising under public and employers' liability is particularly difficult to predict. There is often uncertainty as to the extent and type of injury, whether any payments will be made and, if they are, the amount and timing of the payments, including the discount rate applied for assessing lump sums. Key factors driving the high levels of uncertainty include the late notification of possible claim events and the legal process.

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

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

Provisions for latent claims

The public and employers' liability classes can give rise to very late reported claims, which are often referred to as latent claims. These can vary in nature and are difficult to predict. They typically emerge slowly over many years, during which time there can be particular uncertainty as to the number of future potential claims and their cost. The Group has reflected this uncertainty and believes that it holds adequate reserves for latent claims that may result from exposure periods up to the reporting date.

Note 29 presents the development of the estimate of ultimate claim cost for public and employers' liability claims occurring in a given year. This gives an indication of the accuracy of the estimation technique for incurred claims.

(d) Life insurance risks

The Group provides whole-of-life insurance policies to support funeral planning products, for most of which the future benefits are linked to inflation and backed by index-linked assets. None of the risks arising from this business are amongst the Group's principal risks and no new policies with insurance risk have been written in the life fund since 2013.

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

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

4 Financial risk and capital management

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

There has been no change from the prior period in the nature of the financial risks to which the Group is exposed. Despite the rollout of the Covid-19 vaccine programmes in 2021, the subsequent conflict in Ukraine and recent international economic sanctions means there is continued uncertainty in relation to the economic risks to which the Group is exposed. This includes equity price volatility, movements in exchange rates and long-term UK growth prospects. The Group's management and measurement of financial risks is informed by either stochastic modelling or stress testing techniques.

(a) Categories of financial instruments

(i) Categories applying IAS 39

	Financial assets				Financial liabilities					
Group	**Designated at fair value £000**	**Held for trading £000**	**Loans and receivables £000**	**Hedge accounted derivatives £000**	**Designated at fair value £000**	**Held for trading £000**	**Financial liabilities* £000**	**Hedge accounted derivatives £000**	**Other assets and liabilities £000**	**Total £000**
At 31 December 2021										
Financial investments	**1,093,056**	**336**	**25,321**	**414**	**-**	**-**	**-**	**-**	**-**	**1,119,127**
Other assets	**-**	**-**	**168,377**	**-**	**-**	**-**	**-**	**-**	**9,312**	**177,689**
Cash and cash equivalents	**-**	**-**	**144,012**	**-**	**-**	**-**	**-**	**-**	**-**	**144,012**
Borrowings	**-**	**-**	**-**	**-**	**-**	**-**	**(24,995)**	**-**	**-**	**(24,995)**
Subordinated liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**(24,433)**	**-**	**-**	**(24,433)**
Inv't contract liabilities	**-**	**-**	**-**	**-**	**(256,706)**	**-**	**-**	**-**	**-**	**(256,706)**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**(331)**	**(98,876)**	**-**	**(12,352)**	**(111,559)**
Net other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(360,522)**	**(360,522)**
Total	**1,093,056**	**336**	**337,710**	**414**	**(256,706)**	**(331)**	**(148,304)**	**-**	**(363,562)**	**662,613**
At 31 December 2020 (restated)**										
Financial investments	1,018,558	2,079	15,728	401	-	-	-	-	-	1,036,766
Other assets	-	-	162,102	-	-	-	-	-	5,607	167,709
Cash and cash equivalents	-	-	129,596	-	-	-	-	-	-	129,596
Borrowings	-	-	-	-	-	-	(28,151)	-	-	(28,151)
Inv't contract liabilities	-	-	-	-	(234,840)	-	-	-	-	(234,840)
Other liabilities	-	-	-	-	-	-	(95,043)	(1,244)	(12,093)	(108,380)
Net other	-	-	-	-	-	-	-	-	(369,658)	(369,658)
Total	1,018,558	2,079	307,426	401	(234,840)	-	(123,194)	(1,244)	(376,144)	593,042

* Financial liabilities are held at amortised cost.

**The comparative figures have been restated as detailed in note 39.

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

(ii) Categories applying IFRS 9

Parent	Financial assets FVTPL £000	Financial assets FVOCI £000	Financial assets Amortised cost £000	Financial liabilities FVTPL £000	Financial liabilities Amortised cost £000	Other assets and liabilities £000	Total £000
At 31 December 2021							
Financial investments	**11,524**	**-**	**24,651**	**-**	**-**	**46,960**	**83,135**
Other assets	**-**	**-**	**2,588**	**-**	**-**	**-**	**2,588**
Cash and cash equivalents	**-**	**-**	**1,437**	**-**	**-**	**-**	**1,437**
Borrowings	**-**	**-**	**-**	**-**	**(66,108)**	**-**	**(66,108)**
Other liabilities	**-**	**-**	**-**	**-**	**(599)**	**-**	**(599)**
Net other	**-**	**-**	**-**	**-**	**-**	**8,974**	**8,974**
Total	**11,524**	**-**	**28,676**	**-**	**(66,707)**	**55,934**	**29,427**
At 31 December 2020							
Financial investments	9,997	-	14,982	-	-	43,960	68,939
Other assets	-	-	1,893	-	-	-	1,893
Cash and cash equivalents	-	-	1,568	-	-	-	1,568
Borrowings	-	-	-	-	(50,883)	-	(50,883)
Other liabilities	-	-	-	-	(84)	-	(84)
Net other	-	-	-	-	-	4,306	4,306
Total	9,997	-	18,443	-	(50,967)	48,266	25,739

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

	2021 SPPI financial assets £000	**2021** Other financial assets £000	**2021** Total financial assets £000	2020 (restated*) SPPI financial assets £000	2020 (restated*) Other financial assets £000	2020 (restated*) Total financial assets £000
Financial Investments	**25,321**	**1,093,806**	**1,119,127**	15,728	1,021,038	1,036,766
Cash and cash equivalents	**144,012**	**-**	**144,012**	129,596	-	129,596
Other financial assets	**168,377**	**-**	**168,377**	162,102	-	162,102
Total fair value	**337,710**	**1,093,806**	**1,431,516**	307,426	1,021,038	1,328,464

*The comparative figures have been restated as detailed in note 39.

There has been a £30,284,000 increase (2020: £53,995,000 increase) in the fair value of SPPI financial assets of the Group, and a £72,768,000 increase (2020: £33,216,000 decrease) in the fair value of other financial assets of the Group during the reporting period.

(b) Fair value hierarchy

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

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

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

Level 3: fair values measured using inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes unlisted debt and equities, including investments in venture capital, and suspended securities. Where a look-through valuation approach is applied, underlying net asset values are sourced from the investee, translated into the Group's functional currency and adjusted to reflect illiquidity where appropriate, with the fair values disclosed being directly sensitive to this input.

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

Analysis of fair value measurement bases	Fair value measurement at the end of the reporting period based on			
Group	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
At 31 December 2021				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	**281,169**	**186**	**80,471**	**361,826**
Debt securities	**515,955**	**1,412**	**33**	**517,400**
Structured notes	**-**	**14,649**	**-**	**14,649**
Funeral plan investments	**-**	**199,181**	**-**	**199,181**
Derivatives	**-**	**336**	**-**	**336**
	797,124	**215,764**	**80,504**	**1,093,392**
Financial assets at fair value through other comprehensive income				
Financial investments				
Derivatives	**-**	**414**	**-**	**414**
Total financial assets at fair value	**797,124**	**216,178**	**80,504**	**1,093,806**
At 31 December 2020 (restated*)				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	262,013	185	69,685	331,883
Debt securities	493,601	1,512	551	495,664
Funeral plan investments	-	191,011	-	191,011
Derivatives	-	2,079	-	2,079
	755,614	194,787	70,236	1,020,637
Financial assets at fair value through other comprehensive income				
Financial investments				
Derivatives	-	401	-	401
Total financial assets at fair value	755,614	195,188	70,236	1,021,038
Parent				
At 31 December 2021				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	**-**	**-**	**11,524**	**11,524**
Total financial assets at fair value	**-**	**-**	**11,524**	**11,524**
At 31 December 2020				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	-	-	9,997	9,997
Total financial assets at fair value	-	-	9,997	9,997

In the current year the derivative liabilities of the Group were measured at fair value through profit or loss and in the prior year were measured at fair value through other comprehensive income. Derivative liabilities are categorised as level 2 (see note 23).

*The comparative figures have been restated as detailed in note 39.

Fair value measurements based on level 3

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

Group	Financial assets at fair value through profit and loss		
	Equity securities £000	Debt securities £000	Total £000
At 31 December 2021			
Opening balance	**69,685**	**551**	**70,236**
Total gains/(losses) recognised in profit or loss	**10,785**	**(517)**	**10,268**
Closing balance	**80,470**	**34**	**80,504**
Total gains/(losses) for the period included in profit or loss for assets held at the end of the reporting period	**10,786**	**(518)**	**10,268**
At 31 December 2020			
Opening balance	77,803	404	78,207
Total (losses)/gains recognised in profit or loss	(8,163)	147	(8,016)
Purchases	45	-	45
Closing balance	69,685	551	70,236
Total (losses)/gains for the period included in profit or loss for assets held at the end of the reporting period	(8,163)	147	(8,016)
Parent			
At 31 December 2021			
Opening balance	**9,997**	**-**	**9,997**
Total gains recognised in profit or loss	**1,527**	**-**	**1,527**
Closing balance	**11,524**	**-**	**11,524**
Total gains for the period included in profit or loss for assets held at the end of the reporting period	**1,527**	**-**	**1,527**
At 31 December 2020			
Opening balance	11,100	-	11,100
Total losses recognised in profit or loss	(1,148)	-	(1,148)
Purchases	45	-	45
Closing balance	9,997	-	9,997
Total losses for the period included in profit or loss for assets held at the end of the reporting period	(1,148)	-	(1,148)

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

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

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

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

Non-exchange-traded derivative contracts (level 2)

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

Structured notes (level 2)

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

Funeral plan investments (level 2)

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

Unlisted equity securities (level 3)

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

The valuation is sensitive to the level of underlying net assets, the Euro exchange rate, the price-to-book ratio chosen, an illiquidity discount and a credit rating discount applied to the valuation to account for the risks associated with holding the asset. If the illiquidity discount and credit rating discount applied changes by +/-10%, the value of unlisted equity securities could move by +/-£8m (2020: +/-£7m).

Unlisted debt (level 3)

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

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

(c) Interest rate risk

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

Interest rate risk concentration is reduced by adopting asset-liability duration matching principles where appropriate. Excluding assets held to back the long-term business, the average duration of the Group's fixed income portfolio is three years (2020: 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 29(a)(iv).

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

Where the Group invests funeral plan funds in a policy with an independent, third party, life insurance company, the Group has no net exposure to interest rate risk.

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

Group life insurance business	Maturity Within 1 year £000	Between 1 & 5 years £000	After 5 years £000	Total £000
At 31 December 2021				
Assets				
Debt securities	**6,120**	**26,768**	**63,819**	**96,707**
Cash and cash equivalents	**10,766**	**-**	**-**	**10,766**
	16,886	**26,768**	**63,819**	**107,473**
Liabilities (discounted)				
Life business provision	**1,259**	**4,387**	**13,788**	**19,434**
At 31 December 2020 (restated*)				
Assets				
Debt securities	6,083	30,161	61,665	97,909
Cash and cash equivalents	8,264	-	-	8,264
	14,347	30,161	61,665	106,173
Liabilities (discounted)				
Life business provision	1,290	4,563	13,581	19,434

*The comparative figures have been restated as detailed in note 39.

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

(d) Credit risk

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

- counterparty default on loans and debt securities;
- deposits held with banks;
- reinsurers' share of general insurance liabilities (excluding provision for unearned premiums) and amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance intermediaries and policyholders; and
- the carrying value of whole-of-life assurance policies, purchased by the Group from independent, third party, life insurance companies, to meet the Group's obligations in respect of funeral plans sold.

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

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

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

Group	Cash and cash equivalents* £000	Reinsurance debtors £000	Other financial assets £000	Total SPPI £000	Non- SPPI Debt securities £000
	SPPI				Non- SPPI
At 31 December 2021					
AAA	**-**	**-**	**-**	**-**	**171,503**
AA	**42,719**	**2,651**	**-**	**45,370**	**122,895**
A	**21,351**	**9,424**	**-**	**30,775**	**129,795**
BBB	**79,934**	**3**	**-**	**79,937**	**72,653**
Below BBB	**-**	**-**	**-**	**-**	**7,895**
Not rated	**8**	**505**	**181,115**	**181,628**	**12,659**
	144,012	**12,583**	**181,115**	**337,710**	**517,400**
At 31 December 2020					
AAA	-	-	-	-	128,037
AA	36,319	1,986	-	38,305	130,285
A	18,358	8,564	-	26,922	125,745
BBB	74,844	3	-	74,847	94,100
Below BBB	-	-	-	-	8,997
Not rated	75	452	166,825	167,352	8,500
	129,596	11,005	166,825	307,426	495,664
Parent					
At 31 December 2021					
A	**640**	**-**	**-**	**640**	**-**
BBB	**797**	**-**	**-**	**797**	**-**
Not rated	**-**	**-**	**27,239**	**27,239**	**-**
	1,437	**-**	**27,239**	**28,676**	**-**
At 31 December 2020					
A	962	-	-	962	-
BBB	606	-	-	606	-
Not rated	-	-	16,875	16,875	-
	1,568	-	16,875	18,443	-

*Cash includes amounts held on deposit classified within financial investments and disclosed in note 22. Cash balances which are not rated include cash amounts in hand.

For financial assets meeting the SPPI test that do not have low credit risk, the carrying amount disclosed above is an approximation of their fair value.

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

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.

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

Group	2021 £000	2020 £000
UK	**265,507**	276,914
Australia	**104,530**	108,793
Canada	**119,622**	89,659
Europe	**27,741**	20,298
Total	**517,400**	495,664

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

The Group's credit risk policy details prescriptive methods for the collection of premiums and control of intermediary and policyholder debtor balances. The level and age of debtor balances are regularly assessed via monthly credit management reports. These reports are scrutinised to assess exposure by geographical region and counterparty of aged or outstanding balances. Any such balances are likely to be major international brokers that are in turn monitored via credit reference agencies and considered to pose minimal risk of default. The Group has no material concentration of credit risk in respect of amounts due from insurance intermediaries and policyholders.

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

(e) Equity price risk

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

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

	2021			2020	
	Group £000	**Parent £000**		Group £000	Parent £000
UK	**281,792**	**295**	UK	262,710	295
Europe	**79,848**	**11,229**	Europe	68,988	9,702
Hong Kong	**186**	**-**	Hong Kong	185	-
Total	**361,826**	**11,524**	Total	331,883	9,997

(f) Currency risk

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

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

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

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

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

The forward foreign currency risk arising on translation of these foreign operations is hedged by the derivatives which are detailed in note 23. The Group has designated certain derivatives as a hedge of its net investments in Canada and Australia, which have Canadian and Australian dollars respectively as their functional currency.

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

	2021			2020	
	Group	**Parent**		Group	Parent
	£000	**£000**		£000	£000
Aus $	**64,071**	**-**	Euro	57,351	-
Euro	**47,003**	**11,229**	Aus $	33,873	9,706
Can $	**46,087**	**-**	Can $	17,561	-
USD $	**2,001**	**-**	USD $	1,774	-
HKD $	**172**	**-**	HKD $	171	-

The figures in the table above, for the current and prior years, do not include currency risk that the Group is exposed to on a 'look through' basis in respect of collective investment schemes denominated in Sterling. The Group enters into derivatives to hedge currency exposure, including exposures on a 'look through' basis. The open derivatives held by the Group at the year end to hedge currency exposure are detailed in note 23.

(g) Liquidity risk

Liquidity risk is the risk that funds may not be available to pay obligations when due. The Group is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. An estimate of the timing of the net cash outflows resulting from insurance contracts is provided in note 29. The Group has robust processes in place to manage liquidity risk and has available cash balances, other readily marketable assets and access to funding in case of exceptional need. This is not considered to be a significant risk to the Group.

Non-derivative financial liabilities consist of leases, for which a maturity analysis is included in note 35, other liabilities for which a maturity analysis is included in note 32, and subordinated debt for which a maturity analysis is included in 33.

(h) Market risk sensitivity analysis

The sensitivity of profit and other equity reserves to movements on market risk variables (comprising interest rate, currency and equity price risk), each considered in isolation and before the mitigating effect of derivatives, is shown in the table below. This table does not include the impact of variables on retirement benefit schemes. Financial risk sensitivities for retirement benefit schemes are disclosed separately in note 19.

Group		**Potential increase/ (decrease) in profit**		**Potential increase/ (decrease) in other equity reserves**	
			Restated*		
Variable	**Change in variable**	**2021 £000**	2020 £000	**2021 £000**	2020 £000
Interest rate risk	-100 basis points	**(6,797)**	(11,896)	**54**	(70)
	+100 basis points	**5,088**	6,153	**(48)**	44
Currency risk	-10%	**5,192**	(1,389)	**10,845**	9,715
	+10%	**(4,248)**	1,137	**(8,873)**	(7,948)
Equity price risk	+/-10%	**29,308**	26,883	**-**	-

Parent		**Potential increase/ (decrease) in profit**		**Potential increase/ (decrease) in other equity reserves**	
Variable	**Change in variable**	**2021 £000**	2020 £000	**2021 £000**	2020 £000
Currency risk	-10%	**1,011**	874	**-**	-
	+10%	**(827)**	(715)	**-**	-
Equity price risk	+/-10%	**933**	810	**-**	-

*The interest rate risk sensitivities have been restated to better reflect the expected profit impact

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

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

(i) Capital management

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

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

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

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

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

The Group's Solvency II Own Funds will be subject to a separate independent audit, as part of the Group's process for Solvency II reporting to the PRA. The Group expects to meet the PRA's deadline for submission to the PRA of 20 May 2022, and its SFCR will be made available on the Group's website shortly after.

	2021 **£000**	2020 £000
Solvency II Own Funds	**603,714**	479,474

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

5 Segment information

(a) Operating segments

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

The activities of each operating segment are described below.

- General business

United Kingdom and Ireland

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

Australia

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

Canada

The Group operates a general insurance Ecclesiastical branch in Canada.

Other insurance operations

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

- Investment management

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

- Broking and Advisory

The Group provides insurance broking through SEIB Insurance Brokers Limited and Lycetts Holdings Limited and it's subsidiaries, financial advisory services through Ecclesiastical Financial Advisory Services Limited, prepaid funeral plan distribution and administration through Ecclesiastical Planning Services Limited, and risk advisory services through Lycetts Risk Management Services Limited, a subsidiary of Lycetts Holdings Limited.

- Life insurance business

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

- Corporate costs

This includes costs associated with Group management activities.

- Other activities

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

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

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

Segment revenue

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

	2021			2020 (restated*)		
	Gross written premiums £000	**Non-insurance services £000**	**Total £000**	Gross written premiums £000	Non-insurance services £000	Total £000
General business						
United Kingdom and Ireland	**297,235**	**-**	**297,235**	276,618	-	276,618
Australia	**93,365**	**-**	**93,365**	80,178	-	80,178
Canada	**91,610**	**-**	**91,610**	75,953	-	75,953
Other insurance operations	**4,010**	**-**	**4,010**	4,538	-	4,538
Total	**486,220**	**-**	**486,220**	437,287	-	437,287
Life business	**(2)**	**-**	**(2)**	16	-	16
Investment management	**-**	**15,098**	**15,098**	-	12,394	12,394
Broking and Advisory	**-**	**38,543**	**38,543**	-	34,884	34,884
Group revenue	**486,218**	**53,641**	**539,859**	437,303	47,278	484,581

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

*The comparative figures have been restated as detailed in note 39.

Segment result

General business segment results comprise the insurance underwriting profit or loss, investment activities and other expenses of each underwriting territory. The Group uses the industry standard net combined operating ratio (COR) as a measure of underwriting efficiency. The COR expresses the total of net claims costs, commission and underwriting expenses as a percentage of net earned premiums. Further details on the underwriting profit or loss and COR, which are alternative performance measures that are not defined under IFRS, are detailed in note 40.

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

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

2021	***Combined operating ratio***	**Insurance £000**	**Investments £000**	**Other £000**	**Total £000**
General business					
United Kingdom and Ireland	**85.3%**	**24,952**	**87,106**	**(2,098)**	**109,960**
Australia	**156.9%**	**(13,306)**	**1,924**	**(34)**	**(11,416)**
Canada	**88.6%**	**7,065**	**246**	**(156)**	**7,155**
Other insurance operations		**(9,952)**	**(133)**	**-**	**(10,085)**
	96.8%	**8,759**	**89,143**	**(2,288)**	**95,614**
Life business		**(8)**	**3,981**	**-**	**3,973**
Investment management		**-**	**-**	**(2,607)**	**(2,607)**
Broking and Advisory		**-**	**-**	**6,021**	**6,021**
Corporate costs		**-**	**-**	**(24,134)**	**(24,134)**
Other activities		**-**	**2,988**	**-**	**2,988**
Profit/(loss) before tax		**8,751**	**96,112**	**(23,008)**	**81,855**

2020 (restated*)	*Combined operating ratio*	Insurance £000	Investments £000	Other £000	Total £000
General business					
United Kingdom and Ireland	92.5%	12,255	(12,123)	(479)	(347)
Australia	102.2%	(620)	1,678	(31)	1,027
Canada	91.2%	4,521	3,003	(176)	7,348
Other insurance operations		(4,103)	-	-	(4,103)
	95.1%	12,053	(7,442)	(686)	3,925
Life business		2,923	29	-	2,952
Investment management		-	-	(1,111)	(1,111)
Broking and Advisory		-	-	997	997
Corporate costs		-	-	(21,533)	(21,533)
Other activities		-	(551)	-	(551)
Profit/(loss) before tax		14,976	(7,964)	(22,333)	(15,321)

*The comparative figures have been restated as detailed in note 39.

(b) Geographical information

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

	2021		2020 (restated*)	
	Gross written premiums £000	**Non-current assets £000**	Gross written premiums £000	Non-current assets £000
United Kingdom and Ireland	**301,243**	**271,220**	281,172	252,475
Australia	**93,365**	**2,925**	80,178	6,114
Canada	**91,610**	**6,227**	75,953	6,946
	486,218	**280,372**	437,303	265,535

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

*The comparative figures have been restated as detailed in note 39.

6 Net insurance premium revenue

	General business £000	Life business £000	Total £000
For the year ended 31 December 2021			
Gross written premiums	**486,220**	**(2)**	**486,218**
Outward reinsurance premiums	**(198,601)**	**-**	**(198,601)**
Net written premiums	**287,619**	**(2)**	**287,617**
Change in the gross provision for unearned premiums	**(24,504)**	**-**	**(24,504)**
Change in the provision for unearned premiums, reinsurers' share	**9,884**	**-**	**9,884**
Change in the net provision for unearned premiums	**(14,620)**	**-**	**(14,620)**
Earned premiums, net of reinsurance	**272,999**	**(2)**	**272,997**
For the year ended 31 December 2020 (restated*)			
Gross written premiums	437,287	16	437,303
Outward reinsurance premiums	(173,074)	-	(173,074)
Net written premiums	264,213	16	264,229
Change in the gross provision for unearned premiums	(24,984)	-	(24,984)
Change in the provision for unearned premiums, reinsurers' share	8,422	-	8,422
Change in the net provision for unearned premiums	(16,562)	-	(16,562)
Earned premiums, net of reinsurance	247,651	16	247,667

*The comparative figures have been restated as detailed in note 39.

7 Fee and commission income

During the year, the Group recognised £59,520,000 (2020: £51,274,000) fee and commission income in accordance with IFRS 4 Insurance Contracts and £49,541,000 (2020: £43,846,000) in accordance with IFRS 15 Revenue from contracts with customers. Fee and commission income from contracts with customers was recognised as follows:

	Recognised at a point in time £000	Recognised over time £000	Total £000
For the year ended 31 December 2021			
General business	**398**	**-**	**398**
Investment management	**7**	**15,085**	**15,092**
Broking and advisory*	**32,213**	**1,838**	**34,051**
	32,618	**16,923**	**49,541**
For the year ended 31 December 2020			
General business	201	-	201
Investment management	66	12,427	12,493
Broking and advisory*	29,333	1,819	31,152
	29,600	14,246	43,846

*£4,501,000 (2020: £3,732,000) of broking and advisory income is recognised in accordance with IFRS 4 therefore not included in the table above.

8 Net investment return

	2021 £000	Restated* 2020 £000
Income from financial assets at fair value through profit or loss		
- equity income	**7,763**	6,255
- debt income	**12,123**	12,631
- structured note income	**30**	-
Income from financial assets calculated using the effective interest rate method		
- cash and cash equivalents income	**(23)**	149
- other income received	**3,277**	2,435
Other income		
- rental income	**8,945**	8,806
- exchange movements	**593**	530
Investment income	**32,708**	30,806
Fair value movements on financial instruments at fair value through profit or loss	**37,213**	(15,362)
Fair value movements on investment property	**20,238**	(4,984)
Fair value movements on property, plant and equipment	**-**	10
Impact of discount rate change on insurance contract liabilities	**11,864**	(15,899)
Net investment return	**102,023**	(5,429)

*The comparative figures have been restated as detailed in note 39.

Included within fair value movements on financial instruments at fair value through profit or loss are gains of £3,504,000 (2020: £2,396,000) in respect of derivative instruments.

9 Claims and change in insurance liabilities and reinsurance recoveries

	General business £000	Life business £000	Total £000
For the year ended 31 December 2021			
Gross claims paid	**191,685**	**1,206**	**192,891**
Gross change in the provision for claims	**75,605**	**-**	**75,605**
Gross change in life business provision	**-**	**(147)**	**(147)**
Claims and change in insurance liabilities	**267,290**	**1,059**	**268,349**
Reinsurers' share of claims paid	**(83,235)**	**-**	**(83,235)**
Reinsurers' share of change in the provision for claims	**(40,587)**	**-**	**(40,587)**
Reinsurance recoveries	**(123,822)**	**-**	**(123,822)**
Claims and change in insurance liabilities, net of reinsurance	**143,468**	**1,059**	**144,527**
For the year ended 31 December 2020 (restated*)			
Gross claims paid	164,511	1,385	165,896
Gross change in the provision for claims	59,617	-	59,617
Gross change in life business provision	-	(5,765)	(5,765)
Claims and change in insurance liabilities	224,128	(4,380)	219,748
Reinsurers' share of claims paid	(59,025)	-	(59,025)
Reinsurers' share of change in the provision for claims	(35,557)	-	(35,557)
Reinsurance recoveries	(94,582)	-	(94,582)
Claims and change in insurance liabilities, net of reinsurance	129,546	(4,380)	125,166

*The comparative figures have been restated as detailed in note 39.

10 Fees, commissions and other acquisition costs

	2021 £000	2020 £000
Fees paid	**2,361**	2,144
Commission paid	**72,149**	67,387
Change in deferred acquisition costs	**(4,376)**	(3,352)
Other acquisition costs	**26,805**	20,066
Fees, commissions and other acquisition costs	**96,939**	86,245

11 Profit/(loss) for the year

	2021 £000	2020 £000
Profit/(loss) for the year has been arrived at after (crediting)/charging:		
Net foreign exchange gains	**(593)**	(530)
Depreciation of property, plant and equipment	**6,852**	6,120
Loss on disposal of property, plant and equipment	**13**	3
Amortisation of intangible assets	**2,107**	2,742
Impairment of goodwill	**27**	1,531
(Increase)/decrease in fair value of investment property	**(20,238)**	4,984
Employee benefits expense including termination benefits, net of recharges	**115,202**	100,344

12 Auditor's remuneration

	2021 £000	2020 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**62**	95
Fees payable to the Company's auditor and its associates for other services:		
- The audit of the Company's subsidiaries	**1,125**	853
Total audit fees	**1,187**	948
- Audit-related assurance services	**294**	264
Total non-audit fees	**294**	264
Total auditor's remuneration	**1,481**	1,212

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

13 Employee information

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

	2021			2020		
	General business No.	**Life business No.**	**Other No.**	General business No.	Life business No.	Other No.
United Kingdom and Ireland	**860**	**1**	**497**	827	1	437
Australia	**110**	**-**	**-**	102	-	-
Canada	**78**	**-**	**-**	81	-	-
	1,048	**1**	**497**	1,010	1	437

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

The number of persons employed by the Parent during the year was nil (2020: nil).

	2021 £000	2020 £000
Wages and salaries	**97,848**	85,537
Social security costs	**9,433**	8,191
Pension costs - defined contribution plans	**7,452**	6,724
Pension costs - defined benefit plans	**1,982**	1,427
Other post-employment benefits	**83**	112
	116,798	101,991
Staff costs recharged to related undertakings of the Group	**(490)**	(445)
Capitalised staff costs	**(1,446)**	(1,652)
	114,862	99,894

The above figures do not include termination benefits of £340,000 (2020: £506,000).

14 Tax expense/(credit)

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

		2021 £000	2020 £000
Current tax	- current year	**13,634**	1,232
	- prior years	**1,468**	(370)
Deferred tax	- temporary differences	**(4,662)**	(5,614)
	- prior years	**(887)**	-
	- impact of change in deferred tax rate	**9,203**	4,320
Total tax expense/(credit)		**18,756**	(432)

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

	2021 £000	Restated* 2020 £000
Profit/(loss) before tax	**81,855**	(15,321)
Tax calculated at the UK blended standard rate of tax of 19% (2020: 19%)	**15,552**	(2,911)
Factors affecting charge/(credit) for the year:		
Expenses not deductible for tax purposes	**(782)**	203
Non-taxable income	**(2,370)**	(1,505)
Long-term insurance and other tax paid at non-standard rates	**(1,234)**	90
Impact of differential between current and deferred tax rate	**822**	-
Tax losses utilised for which no deferred tax asset was recognised	**(451)**	(259)
Deferred tax asset for tax losses not previously recognised	**(2,565)**	-
Impact of change in deferred tax rate	**9,203**	4,320
Adjustments to tax charge/(credit) in respect of prior periods	**581**	(370)
Total tax expense/(credit)	**18,756**	(432)

*The comparative figures have been restated as detailed in note 39.

A change in the UK standard rate of corporation tax from 19% to 25% will become effective from 1 April 2023. Deferred tax has been provided at an average rate of 24% (2020: 19%).

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

	2021 £000	2020 £000
Current tax charged on:		
Fair value movements on hedge derivatives	**314**	(328)
Deferred tax charged/(credited) on:		
Fair value movements on property	**18**	(49)
Actuarial movements on retirement benefit plans	**8,350**	(3,874)
Fair value movements on hedge derivatives	**(130)**	63
Total tax charged/(credited) to other comprehensive income	**8,552**	(4,188)

Tax relief on charitable grants of £3,990,000 (2020: £nil) has been taken directly to equity.

15 Appropriations

	2021 £000	2020 £000
Charitable grants		
Gross charitable grants to the ultimate parent company, Benefact Trust Limited	**21,000**	-
Tax relief	**(3,990)**	-
Net appropriation for the year	**17,010**	-

16 Associate undertaking

On 2 March 2021 the Parent acquired a further 20% of the issued ordinary share capital of Lloyd & Whyte Group Limited, takings its total shareholding to 40%. Lloyd & Whyte is an unlisted company incorporated in the United Kingdom, and the holding company of a group whose primary activity is insurance brokerage services. It is accounted for using the equity method in these consolidated financial statements as set out in the Group's accounting policies. A reconciliation of the movement in the Group's investment in associate is as follows:

Group	£000 Share of net assets	£000 Goodwill	£000 Total
At 1 January 2020	350	4,821	5,171
Share of profit after tax for the year	601	-	601
Dividends received	(76)	-	(76)
Other movements	(252)	252	-
At 31 December 2020 (restated*)	623	5,073	5,696
Acquired in the year	**729**	**4,528**	**5,257**
Share of profit after tax for the year	**2,274**	**-**	**2,274**
Dividends received	**(1,079)**	**-**	**(1,079)**
At 31 December 2021	**2,547**	**9,601**	**12,148**

*The prior year has been restated to reflect changes in net assets recognised directly in equity of the associate.

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

Group's 40% (2020: 20%) share of:	2021 £000	2,020 £000
Revenue	**10,049**	3,459
Assets	**24,815**	8,326
Liabilities	**(22,268)**	(7,703)
Share of net assets	**2,547**	623

Included in the Parent statement of financial position is £10,370,000 (2020: £5,112,000) in respect of the investment in Lloyd & Whyte Group Limited at cost

17 Goodwill and other intangible assets

Group	Goodwill £000	Computer software £000	Other intangible assets £000	Total £000
Cost				
At 1 January 2021	**62,481**	**48,909**	**19,862**	**131,252**
Additions	**-**	**3,942**	**-**	**3,942**
Disposals	**-**	**(6,641)**	**-**	**(6,641)**
Exchange differences	**-**	**(73)**	**(12)**	**(85)**
At 31 December 2021	**62,481**	**46,137**	**19,850**	**128,468**
Accumulated impairment losses and amortisation				
At 1 January 2021	**18,573**	**19,866**	**15,461**	**53,900**
Amortisation charge for the year	**-**	**630**	**1,477**	**2,107**
Impairment losses for the year	**27**	**-**	**-**	**27**
Disposals	**-**	**(1,876)**	**-**	**(1,876)**
Exchange differences	**-**	**53**	**(4)**	**49**
At 31 December 2021	**18,600**	**18,673**	**16,934**	**54,207**
Net book value at 31 December 2021	**43,881**	**27,464**	**2,916**	**74,261**
Cost				
At 1 January 2020	61,563	33,799	19,251	114,613
Additions	918	15,451	611	16,980
Disposals	-	(542)	-	(542)
Exchange differences	-	201	-	201
At 31 December 2020	62,481	48,909	19,862	131,252
Accumulated impairment losses and amortisation				
At 1 January 2020	17,042	19,137	14,023	50,202
Amortisation charge for the year	-	1,306	1,436	2,742
Impairment losses for the year	1,531	-	-	1,531
Disposals	-	(542)	-	(542)
Exchange differences	-	(35)	2	(33)
At 31 December 2020	18,573	19,866	15,461	53,900
Net book value at 31 December 2020	43,908	29,043	4,401	77,352

£18,060,000 of the goodwill balance in the current and prior year relates to the acquisition of Lycetts Holdings Limited during 2011. £16,885,000 of the goodwill balance in the current and prior year relates to the acquisition of South Essex Insurance Holdings Limited during 2008. £4,392,000 of the goodwill balance in the current and prior year relates to the acquisition of Lansdown Insurance Brokers Limited during 2014. Goodwill of £1,496,000 relating to the acquisition of the assets of Funeral Planning Services Limited by Ecclesiastical Planning Services Limited during 2017 was fully impaired in the prior year.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. The calculations for all recoverable amounts use cash flow projections based on management-approved business plans, covering a three-year period. As required by IFRSs, estimates of future cash flows exclude cash inflows or outflows that are expected to arise from improving or enhancing the asset's performance. Cash flows beyond this period are extrapolated using the UK long-term average growth rate, usually sourced from the Office for Budget Responsibility (OBR). Where the value in use is less than the current carrying value of the CGU in the statement of financial position, the goodwill is impaired in order to ensure that the CGU carrying value is not greater than its future value to the Group.

The Group selected a UK long-term growth rate of 1.7% (2020: 1.8%) as being appropriate, based on medium-term rates published in the OBR's November report. The pre-tax discount rate of 10.8% (2020: 9.8%) reflects the way that the market would assess the specific risks associated with the estimated cash flows.

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

The carrying amount of the investment in Lycetts Holdings Limited is £28,699,000 which includes £18,060,000 of goodwill. The calculated value in use was £30,262,000 indicating no impairment. This was calculated using projected cash flows to perpetuity, a discount rate of 10.8% and a growth rate beyond initial cash flow projections of 1.7%. If the cumulative growth rate between 2022 and 2024 was 0.1% lower than assumed in management-approved business plans, or the discount rate increased by 1.6%, then the recoverable amount would equal the carrying amount. Lycetts Holdings Limited is included within the Group's Broking and Advisory segment.

The recoverable amount of the investment in South Essex Insurance Holdings Limited exceeds its carrying amount by £5,780,000 (2020: £4,414,000). If the cumulative growth rate between 2022 and 2024 was 2.8% lower than assumed in management-approved business plans, or the discount rate increased by 1.9%, then the recoverable amount would equal the carrying amount. For the investment in Lansdown Insurance Brokers Limited, the headroom above the carrying value is significant and reasonably possible changes to the key assumptions do not result in impairment.

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

Other intangible assets consist of acquired brand, customer and distribution relationships. £983,000 (2020: £1,982,000) of the intangible assets balance relates to the acquisition of Lycetts Holdings Limited and has a remaining useful life of one year. £1,116,000 (2020: £1,339,000) of the intangible assets relates to the acquisition of the assets of Funeral Planning Services Limited and has a remaining useful life of five years.

18 Deferred acquisition costs

Group	**2021** **£000**	2020 £000
At 1 January	**41,989**	38,199
Increase in the period	**46,122**	41,582
Release in the period	**(41,746)**	(38,230)
Exchange differences	**(338)**	438
At 31 December	**46,027**	41,989

All balances are current.

19 Retirement benefit schemes

Defined contribution pension plans

The Group operates a number of defined contribution pension plans, for which contributions by the Group are disclosed in note 13.

Defined benefit pension plans

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

The assets of the main defined benefit plan are held separately from those of the Group by the Trustee of the Ecclesiastical Insurance Office plc Staff Retirement Benefit Fund (the 'Fund'). The Fund is subject to the Statutory Funding Objective under the Pensions Act 2004. An independent qualified actuary appointed by the Trustee is responsible for undertaking triennial valuations to determine whether the Statutory Funding Objective is met. Pension costs for the plan are determined by the Trustee, having considered the advice of the actuary and having consulted with the employer. The most recent triennial valuation was at 31 December 2019. No contribution is expected to be paid by the Group in 2022.

Actuarial valuations were reviewed and updated by an actuary at 31 December 2021 for IAS 19 purposes. The surplus in the scheme attributable to the former EIO Section has been assessed against the economic benefit available as a reduction in future contributions in accordance with IFRIC 14. This has resulted in the recognisable surplus being restricted by £17.5m. EIO has an unconditional right to a refund of the surplus attributable to the former Ansvar Section of the Fund, which has been recognised in full in accordance with IFRIC 14.

Notes to the financial statements
19 Retirement benefit schemes (continued)

In addition to the Group's main plan, Lycett, Browne-Swinburne & Douglass Limited (LBSD) also operates a defined benefit plan. The plan was closed to new members subsequent to the 1 January 2011 renewal, and was closed to future accrual on 30 September 2021. From 1 October 2021, active members in employment joined one of the Group's defined contribution plans. The most recent triennial valuation was at 1 January 2021. The contribution expected to be paid by the Group into the plan during the next financial year is £0.1m (2020: £0.3m).

In the current year, actuarial gains arising from changes in financial assumptions of £21.3m (2020: actuarial losses of £56.2m) have been recognised in the statement of other comprehensive income. These gains resulted from a 0.6% increase in the discount rate assumption partially offset by inflation-linked pension increases. In the prior year, actuarial losses were recognised as a result of a 0.6% decrease in the discount rate combined with inflationary increases arising from a reduction in the gap between RPI and CPI assumptions following the conclusion of the government's consultation on the future

Actuarial gains of £3.9m have been recognised in the current year (2020: £5.9m) as a result of changes in demographic assumptions. This is mainly due to reviewing and updating certain mortality assumptions for the Group's main defined benefit plan. In the prior year, updating for actual member experience since the previous triennial valuation of the Group's main plan and other financial assumption experience resulted in a gain of £15.0m.

A past service cost of £32,000 was recognised in the prior year following the High Court ruling relating to Guaranteed Minimum Pensions (GMP) equalisation for historic transfers values.

The plans typically expose the Group to risks such as:

- Investment risk: The plans hold some of their investments in asset classes, such as equities, which have volatile market values and, while these assets are expected to provide the best returns over the long term, any short-term volatility could cause funding to be required if a deficit emerges. The Group's main defined benefit plan uses derivative contracts from time to time, which would limit losses in the event of a fall in equity markets;

- Interest rate risk: Scheme liabilities are assessed using market rates of interest to discount the liabilities and are therefore subject to any volatility in the movement of the market rate of interest. The net interest income or expense recognised in profit or loss is also calculated using the market rate of interest. The Group's main defined benefit plan holds Liability Driven Investments (LDIs) to hedge part of the exposure of the scheme's liabilities to movements in interest rates;

- Inflation risk: A significant proportion of scheme benefits are linked to inflation. Although scheme assets are expected to provide a good hedge against inflation over the long term, movements over the short term could lead to a deficit emerging. The Group's main defined benefit plan holds LDIs to hedge part of the exposure of the scheme's liabilities to movements in inflation expectations;

- Mortality risk: In the event that members live longer than assumed the liabilities may be understated originally, and a deficit may emerge if funding has not adequately provided for the increased life expectancy; and

- Currency risk: The plans hold some of their investments in foreign denominated assets. As scheme liabilities are denominated in sterling, short-term fluctuations in exchange rates could cause funding to be required if a deficit emerges. Currency derivative contracts are used from time to time, which would limit losses in the event of adverse movements in exchange rates.

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

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

Assets include an LDI portfolio, structured to increase in value with decreases in interest rates and grow in line with inflation expectations. This is estimated currently to hedge 65% of the interest rate and 75% of the inflation rate risk of the guaranteed benefits of the Fund. Exposure of the Fund's assets to interest rates and inflation counter-balances exposure of the Fund's liabilities to these factors and has reduced, but not eliminated, volatility in

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

The Trustees have recently adopted a Responsible and Sustainable Investment Policy with regards to the Fund's equities. This includes an 'absence of harm' exclusion policy, as well as an aspiration to reduce the portfolio's carbon intensity over time.

Group	**2021**	2020
	£000	£000
The amounts recognised in the statement of financial position are determined as follows:		
Present value of funded obligations	**(393,689)**	(422,778)
Fair value of plan assets	**435,736**	406,605
	42,047	(16,173)
Restrictions on asset recognised	**(17,468)**	-
Net asset/(liability) in the statement of financial position	**24,579**	(16,173)
Movements in the net defined benefit pension scheme asset/(liability) recognised in the statement of financial position are as follows:		
At 1 January	**(16,173)**	3,527
Expense charged to profit or loss	**(1,982)**	(1,427)
Amounts recognised in other comprehensive income	**41,903**	(18,573)
Contributions paid	**831**	300
At 31 December	**24,579**	(16,173)
The amounts recognised through profit or loss are as follows:		
Current service cost	**853**	841
Administration cost	**918**	620
Interest expense on liabilities	**5,413**	7,285
Interest income on plan assets	**(5,202)**	(7,351)
Past service cost	**-**	32
Total, included in employee benefits expense	**1,982**	1,427
The amounts recognised in the statement of other comprehensive income are as follows:		
Return on plan assets, excluding interest income	**35,136**	16,618
Experience (losses)/gains on liabilities	**(1,021)**	15,033
Gains from changes in demographic assumptions	**3,913**	5,948
Gains/(losses) from changes in financial assumptions	**21,343**	(56,172)
Change in asset ceiling	**(17,468)**	-
Total included in other comprehensive income	**41,903**	(18,573)

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

	2021	2020
	£000	£000
Pension assets	**28,304**	1,053
Pension liabilities	**(3,725)**	(17,226)
	24,579	(16,173)

Notes to the financial statements
19 Retirement benefit schemes (continued)

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

	2021	2020
	%	%
Discount rate	**1.90**	1.30
Inflation (RPI)	**3.40**	2.90
Inflation (CPI)	**2.98**	2.50
Future salary increases	**4.42**	4.41
Future increase in pensions in deferment	**3.55**	3.38
Future average pension increases (linked to RPI)	**3.19**	2.80
Future average pension increases (linked to CPI)	**2.20**	1.70

Mortality rate	**2021**	2020
The average life expectancy in years of a pensioner retiring at age 65, at the year end date, is as follows:		
Male	**22.7**	22.8
Female	**24.0**	24.1
The average life expectancy in years of a pensioner retiring at age 65, 20 years after the year end date, is as follows:		
Male	**23.5**	23.9
Female	**25.2**	25.6

Plan assets are as follows:	**2021**	2020
	£000	£000
Cash and other*	**41,185**	39,462
Equity instruments		
UK quoted	**84,626**	86,031
UK unquoted	**34**	552
Overseas quoted	**95,361**	84,571
	180,021	171,154
Liability driven investments - unquoted	**60,482**	57,519
Debt instruments		
UK public sector quoted - fixed interest	**227**	243
UK non-public sector quoted - fixed interest	**78,780**	69,356
UK quoted - index-linked	**24,806**	24,383
	103,813	93,982
Derivative financial instruments - unquoted	**851**	885
Property	**47,665**	41,873
Other	**1,719**	1,730
	435,736	406,605

*Includes accrued income, prepayments and other debtors and creditors.

The actual return on plan assets was a gain of £40,338,000 (2020: gain of £23,969,000).

The underlying assets of the LDIs are primarily UK government bonds and interest rate repurchase agreements at various rates and terms.

The fair value of unquoted securities is measured using inputs for the asset that are not based on observable market data. The fair value is estimated and approved by the Trustee based on the advice of investment managers. Property is valued annually by independent qualified surveyors using standard industry methodology to determine a fair market value. All other investments either have a quoted price in active markets or are valued based on observable market data.

	2021	2020
	£000	£000
Plan assets		
At 1 January	**406,605**	391,642
Interest income	**5,202**	7,351
Return on plan assets, excluding interest income	**35,136**	16,618
Pension benefits paid and payable	**(11,977)**	(9,299)
Contributions paid	**831**	300
Employee contributions	**29**	56
Administration cost	**(90)**	(63)
At 31 December	**435,736**	406,605
Defined benefit obligation		
At 1 January	**422,778**	388,115
Current service cost	**853**	841
Administration cost	**828**	557
Past service cost	**-**	32
Interest cost	**5,413**	7,285
Pension benefits paid and payable	**(11,977)**	(9,299)
Employee contributions	**29**	56
Experience losses/(gains) on liabilities	**1,021**	(15,033)
Gains from changes in demographic assumptions	**(3,913)**	(5,948)
(Gains)/losses from changes in financial assumptions	**(21,343)**	56,172
At 31 December	**393,689**	422,778
Asset ceiling		
At 1 January	**-**	-
Change in asset ceiling	**17,468**	-
At 31 December	**17,468**	-

History of plan assets and liabilities	2021	2020	2019	2018	2017
	£000	£000	£000	£000	£000
Present value of defined benefit obligations	**(393,689)**	(422,778)	(388,115)	(340,281)	(358,159)
Fair value of plan assets	**435,736**	406,605	391,642	352,415	374,017
	42,047	(16,173)	3,527	12,134	15,858
Restrictions on asset recognised	**(17,468)**	-	-	-	-
Surplus/(deficit)	**24,579**	(16,173)	3,527	12,134	15,858

The weighted average duration of the defined benefit obligation at the end of the reporting period is 21 years (2020: 21 years).

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

Assumption	**Change in assumption**	**Increase/(decrease) in plan liabilities**	
		2021	2020
		£000	£000
Discount rate	Increase by 0.5%	**(36,668)**	(41,407)
	Decrease by 0.5%	**42,328**	48,098
Inflation	Increase by 0.5%	**29,797**	34,172
	Decrease by 0.5%	**(26,932)**	(29,672)
Salary increase	Increase by 0.5%	**5,540**	6,800
	Decrease by 0.5%	**(5,128)**	(6,300)
Life expectancy	Increase by 1 year	**17,065**	21,053
	Decrease by 1 year	**(16,684)**	(20,763)

Post-employment medical benefits

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

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

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

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

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

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

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

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

	2021	2020
	£000	£000
Present value of unfunded obligations and net obligations in the statement of financial position	**7,058**	6,530
Movements in the net obligations recognised in the statement of financial position are as follows:		
At 1 January	**6,530**	5,998
Total expense charged to profit or loss	**83**	112
Net actuarial losses during the year, recognised in other comprehensive income	**643**	463
Benefits paid	**(198)**	(43)
At 31 December	**7,058**	6,530
The amounts recognised through profit or loss are as follows:		
Interest cost	**83**	112
Total, included in employee benefits expense	**83**	112

The weighted average duration of the net obligations at the end of the reporting period is 12.8 years (2020: 13.1 years).

The main actuarial assumptions for the plan are a long-term increase in medical costs of 7.4% (2020: 6.9%) and a discount rate of 1.9% (2020: 1.3%). An actuarial loss from experience of £814,000 has been recognised in the current year following a review of the medical cost scale. This has been partially offset by an actuarial gain of £130,000 arising from changes in financial assumptions. A small actuarial gain has been recognised due to changes in mortality assumptions. The sensitivity analysis below has been determined based on reasonably possible changes in the assumptions occurring at the end of the accounting period assuming that all other assumptions are held constant.

Assumption	**Change in assumption**	**Increase/(decrease) in plan liabilities**	
		2021	2020
		£000	£000
Discount rate	Increase by 0.5%	**(421)**	(404)
	Decrease by 0.5%	**464**	445
Medical expense inflation	Increase by 0.5%	**875**	851
	Decrease by 0.5%	**(743)**	(721)
Life expectancy	Increase by 1 year	**513**	576
	Decrease by 1 year	**(480)**	(527)

20 Property, plant and equipment

Group	Land and buildings £000	Motor vehicles £000	Furniture, fittings and equipment £000	Computer equipment £000	Right-of-use asset £000	Total £000
Cost or valuation						
At 1 January 2021	**2,940**	**273**	**16,311**	**12,623**	**35,066**	**67,213**
Additions	**-**	**34**	**2,550**	**1,261**	**1,151**	**4,996**
Acquisition	**-**	**-**	**-**	**-**	**-**	**-**
Disposals	**(500)**	**(97)**	**(2,087)**	**(3,880)**	**(2,551)**	**(9,115)**
Transfers to investment property	**(975)**	**-**	**-**	**-**	**-**	**(975)**
Exchange differences	**-**	**-**	**8**	**(16)**	**(78)**	**(86)**
At 31 December 2021	**1,465**	**210**	**16,782**	**9,988**	**33,588**	**62,033**
Depreciation						
At 1 January 2021	**-**	**235**	**7,640**	**9,801**	**7,106**	**24,782**
Charge for the year	**-**	**17**	**1,468**	**1,723**	**3,644**	**6,852**
Disposals	**-**	**(79)**	**(2,087)**	**(3,880)**	**(1,952)**	**(7,998)**
Exchange differences	**-**	**-**	**(5)**	**(13)**	**(54)**	**(72)**
At 31 December 2021	**-**	**173**	**7,016**	**7,631**	**8,744**	**23,564**
Net book value at 31 December 2021	**1,465**	**37**	**9,766**	**2,357**	**24,844**	**38,469**
Cost or valuation						
At 1 January 2020	2,995	273	10,539	11,786	16,446	42,039
Additions	-	-	5,784	1,114	19,049	25,947
Disposals	-	-	(10)	(300)	(535)	(845)
Revaluation	(55)	-	-	-	-	(55)
Exchange differences	-	-	(2)	23	106	127
At 31 December 2020	2,940	273	16,311	12,623	35,066	67,213
Depreciation						
At 1 January 2020	-	206	6,877	8,482	3,666	19,231
Charge for the year	-	29	764	1,601	3,726	6,120
Disposals	-	-	(6)	(300)	(342)	(648)
Exchange differences	-	-	5	18	56	79
At 31 December 2020	-	235	7,640	9,801	7,106	24,782
Net book value at 31 December 2020	2,940	38	8,671	2,822	27,960	42,431

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

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

The value of land and buildings on a historical cost basis is £1,464,000 (2020: £3,098,000).

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

21 Investment property

Group	2021 £000	2020 £000
Net book value at 1 January	**142,142**	148,146
Transfers from property, plant and equipment	**975**	-
Disposals	**-**	(1,020)
Fair value gains/(losses) recognised in profit or loss	**20,238**	(4,984)
Net book value at 31 December	**163,355**	142,142

The Group's investment properties were last revalued at 31 December 2021 by Cluttons LLP, an independent professional firm of chartered surveyors who have recent experience in the location and type of properties. Valuations were carried out using standard industry methodology to determine a fair value. There has been no change in the valuation technique during the year. All properties are classified as level 3 assets. There have been no transfers between investment categories in the current year.

Investment properties are held for long-term capital appreciation rather than short-term sale. Rental income arising from the investment properties owned by both the Group and Parent amounted to £8,648,000 (2020: £8,786,000) and is included in net investment return.

22 Financial investments

Financial investments summarised by measurement category are as follows:

	2021		2020 Restated*	
	Group £000	Parent £000	Group £000	Parent £000
Financial investments at fair value through profit or loss				
Equity securities				
- listed	**281,682**	**-**	262,598	-
- unlisted	**80,144**	**11,524**	69,285	9,997
Debt securities				
- government bonds	**204,072**	**-**	160,380	-
- listed	**313,294**	**-**	334,732	-
- unlisted	**34**	**-**	552	-
Structured notes	**14,649**	**-**	-	-
Funeral plan investments	**199,181**	**-**	191,011	-
Derivative financial instruments				
- options	**334**	**-**	1,407	-
- forwards	**2**	**-**	672	-
	1,093,392	**11,524**	1,020,637	9,997
Financial investments at fair value through other comprehensive				
Derivative financial instruments				
- forwards	**414**	**-**	401	-
Total financial investments at fair value	**1,093,806**	**11,524**	1,021,038	9,997
Loans and receivables				
Other loans	**25,321**	**24,651**	15,728	14,982
Parent investments in subsidiary undertakings				
Shares in subsidiary undertakings				
- listed	**-**	**6,264**	-	6,264
- unlisted	**-**	**40,696**	-	37,696
Total financial investments	**1,119,127**	**83,135**	1,036,766	68,939
Current	**464,311**	**686**	351,458	-
Non-current	**654,816**	**82,449**	685,308	68,939

*The comparative figures have been restated as detailed in note 39.

23 Derivative financial instruments

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

The Group has also formally designated certain derivatives as a hedge of its net investments in Australia and Canada. A gain of £1,912,000 (2020: loss of £2,339,000) in respect of these 'hedge' derivatives has been recognised in the hedging reserve within shareholders' equity, as disclosed in note 27. The Group has formally assessed and documented the effectiveness of derivatives that qualify for hedge accounting in accordance with IAS 39, *Financial Instruments: Recognition and Measurement.*

Group		**2021**			2020	
	Contract/ notional amount £000	**Fair value asset £000**	**Fair value liability £000**	Contract/ notional amount[1] £000	Fair value asset £000	Fair value liability £000
Non-hedge derivatives						
Equity/Index contracts						
Options	**34,695**	**334**	**296**	40,597	1,407	-
Foreign exchange contracts						
Forwards (Euro)	**99,369**	**2**	**35**	86,980	672	-
Hedge derivatives						
Foreign exchange contracts						
Forwards (Australian dollar)	**40,512**	**145**	**-**	41,231	-	1,244
Forwards (Canadian dollar)	**37,609**	**269**	**-**	30,269	401	-
	212,185	**750**	**331**	199,077	2,480	1,244

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

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

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

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

Derivative fair value assets are recognised within financial investments (note 22) and derivative fair value liabilities are recognised within other liabilities (note 32).

24 Other assets

	2021 Group £000	2021 Parent £000	2020 Group £000	2020 Parent £000
Receivables arising from insurance and reinsurance contracts				
- due from contract holders	**52,706**	**-**	49,992	-
- due from agents, brokers and intermediaries	**67,333**	**-**	66,232	-
- due from reinsurers	**12,583**	**-**	11,005	-
Other receivables				
- accrued interest and rent	**3,927**	**-**	4,329	-
- other prepayments and accrued income	**9,920**	**359**	5,796	25
- amounts owed by related parties	**143**	**2,229**	88	1,868
- debtors arising from broking activities	**10,844**	**-**	14,876	-
- net investment in finance leases	**111**	**-**	236	-
- other debtors	**20,122**	**-**	15,155	-
	177,689	**2,588**	167,709	1,893
Current	**173,401**	**788**	164,099	93
Non-current	**4,288**	**1,800**	3,610	1,800

The Group has recognised a net charge of £554,000 (2020: net charge of £759,000) in other operating and administrative expenses in the statement of profit or loss for the impairment and reversal of impairment of its trade and other receivables during the year.

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

Included within other receivables of the Group is £1,584,000 (2020: £1,410,000) classified as contract assets, and £1,823,000 (2020: £1,890,000) classified as receivables in accordance with IFRS 15.

Movement in the Group allowance for doubtful debts	2021 £000	2020 £000
Balance at 1 January	**723**	145
Movement in the year	**262**	578
Balance at 31 December	**985**	723

Included within trade receivables of the Group is £17,736,000 (2020: £16,772,000) overdue but not impaired, of which £14,808,000 (2020: £14,165,000) is not more than three months overdue at the reporting date.

25 Cash and cash equivalents

	2021 Group £000	2021 Parent £000	2020 Group £000	2020 Parent £000
Cash at bank and in hand	**105,958**	**1,437**	103,636	1,394
Short-term bank deposits	**38,054**	**-**	25,960	174
	144,012	**1,437**	129,596	1,568

Included within short-term bank deposits of the Group are cash deposits of £2,830,000 (2020: £1,960,000) pledged as collateral by way of cash margins on open derivative contracts to cover derivative liabilities. Included within cash at bank and in hand of the Group are amounts of £820,000 (2020: £874,000) held in accordance with the third country branch requirements of the European Union.

Included within Group cash at bank and in hand are cash deposits of £23,072,000 (2020: £4,131,000) pledged as collateral by way of cash calls from reinsurers, and £16,078,000 (2020: £14,919,000) of restricted cash held on an agency basis.

26 Called up share capital

	2021 £000	2020 £000
Issued, allotted and fully paid		
Ordinary share capital:		
20,000,000 shares of £1 each	**20,000**	20,000

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

27 Translation and hedging reserve

Group	Translation reserve £000	Hedging reserve £000	Total £000
At 1 January 2021	**15,552**	**2,678**	**18,230**
Losses on currency translation differences	**(2,356)**	**-**	**(2,356)**
Gains on net investment hedges	**-**	**1,912**	**1,912**
Attributable tax	**-**	**(184)**	**(184)**
At 31 December 2021	**13,196**	**4,406**	**17,602**
At 1 January 2020	13,572	4,752	18,324
Gains on currency translation differences	1,980	-	1,980
Losses on net investment hedges	-	(2,339)	(2,339)
Attributable tax	-	265	265
At 31 December 2020	15,552	2,678	18,230

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

28 Non-controlling interests

Non-controlling interests comprise 95.6% (2020: 95.6%) of the 106,450,000 (2020: 106,450,000) 8.625% Non-Cumulative Irredeemable Preference shares (NcIPs) in Ecclesiastical Insurance Office plc.

During 2020 the Parent acquired £1,275,000 of NcIPs in Ecclesiastical Insurance Office plc.

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

29 Insurance liabilities and reinsurance assets

Group	2021 £000	Restated* 2020 £000
Gross		
Claims outstanding	**616,225**	560,992
Unearned premiums	**253,158**	230,800
Life business provision	**19,434**	19,434
Total gross insurance liabilities	**888,817**	811,226
Recoverable from reinsurers		
Claims outstanding	**166,360**	129,283
Unearned premiums	**88,089**	79,394
Total reinsurers' share of insurance liabilities	**254,449**	208,677
Net		
Claims outstanding	**449,865**	431,709
Unearned premiums	**165,069**	151,406
Life business provision	**19,434**	19,434
Total net insurance liabilities	**634,368**	602,549
Gross insurance liabilities		
Current	**445,026**	407,528
Non-current	**443,791**	403,698
Reinsurance assets		
Current	**168,411**	137,794
Non-current	**86,038**	70,883

*The comparative financial statements have been restated as detailed in note 39.

(a) General business insurance contracts

(i) Reserving methodology

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

Chain ladder methods extrapolate paid amounts, incurred amounts (paid claims plus case estimates) and the number of claims or average cost of claims, to ultimate claims based on the development of previous years. This method assumes that previous patterns are a reasonable guide to future 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 historical

(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 using actuarial methods including the Mack method and Bootstrapping techniques, based on at least the 75th percentile confidence level for each portfolio. For smaller portfolios, where these methods cannot be applied, provisions are calculated at a level intended to provide an equivalent probability of sufficiency. Where the standard methods cannot allow for changing circumstances, additional uncertainty margins are added and are typically expressed as a percentage of outstanding claims. From time to time, management may elect to select an additional margin to reflect short-term uncertainty driven by specific events that are not in data. This approach generally results in a favourable release of provisions in the current financial year, arising from the settlement of claims relating to previous financial years, as shown in part (c) of the note.

(iii) Calculation of provisions for latent claims

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

(iv) Discounting

General insurance outstanding claims liabilities are undiscounted, except for 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	**2021**	2020	**2021**	2020
UK and Ireland	**1.3% to 2.1%**	0.5% to 1.5%	**17**	17
Canada	**1.2% to 2.1%**	0.4% to 1.7%	**12**	12
Australia	**1.5%**	0.7%	**5**	4

The above rates of interest are based on government bond yields of the relevant currency and term at the reporting date. Adjustments are made, where appropriate, to reflect portfolio assets held and to allow for future investment expenses. At the year end the undiscounted gross outstanding claims liability was £652,666,000 for the Group (2020: £585,635,000).

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

At 31 December 2021, it is estimated that a fall of 1% in the discount rates used would increase the Group's net outstanding claims liabilities by £18,922,000 (2020: £20,715,000). Financial investments backing these liabilities are not hypothecated across general insurance classes of business.The sensitivity of Group profit or loss and other equity reserves to interest rate risk, taking into account the mitigating effect on asset values is provided in note 4(h).

(v) Assumptions

The Group follows a process of reviewing its reserves for outstanding claims on a regular basis. This involves an appraisal of each 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 the terms of the reinsurance treaties, the anticipated time taken to settle a claim and the incidence of large individual and aggregated claims.

(vi) Changes in assumptions

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

(vii) Sensitivity of results

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

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

		2021		2020	
		Gross	**Net**	Gross	Net
		£000	**£000**	£000	£000
Liability	- UK	**18,900**	**17,200**	20,200	19,000
	- Overseas	**18,000**	**13,700**	14,900	12,200
Property	- UK	**12,200**	**6,200**	10,300	5,600
	- Overseas	**9,000**	**3,100**	7,200	2,600
Motor	- UK	**100**	**100**	200	200

(viii) Claims development tables

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

Group

Estimate of gross ultimate claims

	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000	2021 £000	Total £000
At end of year	100,612	81,725	61,901	46,464	51,738	50,736	48,759	47,945	50,134	60,267	
One year later	88,046	80,027	50,571	43,582	46,073	46,885	40,461	42,467	42,044		
Two years later	78,196	69,860	48,327	40,337	41,041	41,883	34,680	39,859			
Three years later	72,516	66,192	45,495	33,804	38,468	38,648	33,362				
Four years later	67,980	60,174	37,064	29,436	37,044	40,177					
Five years later	62,712	56,912	34,606	28,211	34,649						
Six years later	61,213	54,901	34,962	31,738							
Seven years later	60,560	55,516	36,195								
Eight years later	62,025	55,252									
Nine years later	61,615										
Current estimate of ultimate claims	61,615	55,252	36,195	31,738	34,649	40,177	33,362	39,859	42,044	60,267	435,158
Cumulative payments to date	(54,400)	(47,153)	(28,117)	(21,087)	(21,853)	(17,642)	(12,013)	(8,852)	(5,571)	(1,471)	(218,159)
Outstanding liability	7,215	8,099	8,078	10,651	12,796	22,535	21,349	31,007	36,473	58,796	216,999
Effect of discounting											(10,619)
Present value											206,380
Discounted liability in respect of earlier years											162,780
Total discounted gross liability (for liability classes) included in insurance liabilities in the statement of financial position											369,160

Estimate of net ultimate claims

	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000	2021 £000	Total £000
At end of year	88,247	76,729	59,633	42,739	47,402	45,920	44,053	44,230	45,459	47,289	
One year later	79,272	66,475	47,690	40,397	41,631	41,706	37,456	39,842	37,509		
Two years later	73,735	60,075	47,428	37,740	37,740	37,797	32,867	37,243			
Three years later	69,837	55,710	41,494	32,297	36,337	34,818	31,647				
Four years later	65,872	51,482	35,164	28,506	35,217	36,431					
Five years later	60,800	49,196	33,233	27,418	32,993						
Six years later	59,338	47,518	33,309	30,544							
Seven years later	59,061	47,443	34,245								
Eight years later	60,056	47,338									
Nine years later	59,783										
Current estimate of ultimate claims	59,783	47,338	34,245	30,544	32,993	36,431	31,647	37,243	37,509	47,289	395,022
Cumulative payments to date	(53,066)	(39,851)	(26,771)	(20,558)	(21,651)	(17,570)	(12,011)	(8,838)	(5,484)	(1,463)	(207,263)
Outstanding liability	6,717	7,487	7,474	9,986	11,342	18,861	19,636	28,405	32,025	45,826	187,759
Effect of discounting											(10,619)
Present value											177,140
Discounted liability in respect of earlier years											146,274
Total discounted net liability (for liability classes) included in insurance liabilities in the statement of financial position											323,414

(b) Life insurance contracts

(i) Assumptions

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

Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract. Where prudent, an allowance is made for future mortality improvements based on trends identified in population data. For both 2021 and 2020 the base tables used were ELF16F and ELT16M with a 1% improvement applied each year.

Investment returns

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

	2021	2020
UK and overseas government bonds: non-linked	**-**	0.28%
UK and overseas government bonds: index-linked	**-2.71%**	-2.72%
Corporate debt instruments: index-linked	**-2.28%**	-2.23%

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

Funeral plans renewal expense level and inflation

Numbers of policies in force and both projected and actual expenses have been considered when setting the base renewal expense level. The unit renewal expense assumption for this business is £2.60 per annum (2020: £2.50 per annum). Additionally, now the in-force policy volumes are expected to fall, much of the expenses of the life insurance business have been reserved for in a separate exercise. A reserve for these expenses is held at £5.7 million (2020: £5.8 million).

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 4.96% per annum (2020: 4.07%).

Tax

It has been assumed that current tax legislation and rates applicable at 1 January 2022 will continue to apply. All in-force business is classed as protection business and is expected to be taxed on a profits basis.

(ii) Changes in assumptions

Projected investment returns have been revised in line with the changes in the actual yields of the underlying assets. As a result, liabilities have increased by £5.0 million (2020: £5.0 million increase).

The assumed future expenses of running the business have been revised based on expenses that are expected to be incurred by the long-term insurance business. The effect on insurance liabilities of the changes to renewal expense assumptions (described above) was a £2.0 million increase (2020: £0.7 million increase).

There has been a small change in the mortality assumptions that has reduced liabilities by £0.1m (2020: no material change)

(iii) Sensitivity analysis

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

	Change in variable	**Potential increase/ (decrease) in the result**	
Variable		**2021 £000**	2020 £000
Deterioration in annuitant mortality	+10%	**1,300**	1,300
Improvement in annuitant mortality	-10%	**(1,500)**	(1,600)
Increase in fixed interest/cash yields	+1% pa	**-**	200
Decrease in fixed interest/cash yields	-1% pa	**(400)**	(700)
Worsening of base renewal expense level	+10%	**(200)**	(200)
Improvement in base renewal expense level	-10%	**200**	300
Increase in expense inflation	+1% pa	**(600)**	(600)
Decrease in expense inflation	-1% pa	**500**	500

29 Insurance liabilities and reinsurance assets (continued)

(c) Movements in insurance liabilities and reinsurance assets

Group	Gross £000	Reinsurance £000	Net £000
Claims outstanding			
At 1 January 2021	**560,992**	**(129,283)**	**431,709**
Cash (paid)/received for claims settled in the year	**(191,685)**	**83,235**	**(108,450)**
Change in liabilities/reinsurance assets			
- arising from current year claims	**252,310**	**(114,378)**	**137,932**
- arising from prior year claims	**14,980**	**(9,444)**	**5,536**
- change in discount rate	**(13,034)**	**1,023**	**(12,011)**
Exchange differences	**(7,338)**	**2,487**	**(4,851)**
At 31 December 2021	**616,225**	**(166,360)**	**449,865**
Provision for unearned premiums			
At 1 January 2021	**230,800**	**(79,394)**	**151,406**
Increase in the period	**253,759**	**(88,464)**	**165,295**
Release in the period	**(229,255)**	**78,580**	**(150,675)**
Exchange differences	**(2,146)**	**1,189**	**(957)**
At 31 December 2021	**253,158**	**(88,089)**	**165,069**
Long-term business provision			
At 1 January 2021	**19,434**	**-**	**19,434**
Effect of claims during the year	**(264)**	**-**	**(264)**
Changes in assumptions	**118**	**-**	**118**
Change in discount rate	**147**	**-**	**147**
Other movements	**(1)**	**-**	**(1)**
At 31 December 2021	**19,434**	**-**	**19,434**
Claims outstanding			
At 1 January 2020	481,669	(89,982)	391,687
Cash (paid)/received for claims settled in the year	(164,511)	59,025	(105,486)
Change in liabilities/reinsurance assets			
- arising from current year claims	240,869	(97,273)	143,596
- arising from prior year claims	(16,741)	2,691	(14,050)
- change in discount rate	11,810	(897)	10,913
Exchange differences	7,896	(2,847)	5,049
At 31 December 2020	560,992	(129,283)	431,709
Provision for unearned premiums			
At 1 January 2020	203,096	(69,574)	133,522
Increase in the period	228,361	(78,170)	150,191
Release in the period	(203,377)	69,748	(133,629)
Exchange differences	2,720	(1,398)	1,322
At 31 December 2020	230,800	(79,394)	151,406
Long-term business provision (restated*)			
At 1 January 2020	20,213	-	20,213
Effect of claims during the year	(4,358)	-	(4,358)
Changes in assumptions	(846)	-	(846)
Changes in methodology	(556)	-	(556)
Change in discount rate	4,986	-	4,986
Other movements	(5)	-	(5)
At 31 December 2020	19,434	-	19,434

*The comparative figures have been restated as detailed in note 39.

30 Provisions for other liabilities and contingent liabilities

Group	Regulatory and legal provisions £000	Contingent consideration £000	Other provisions £000	Total £000
At 1 January 2021	2,329	419	4,265	7,013
Additional provisions	2,142	22	501	2,665
Used during year	(1,789)	(441)	(60)	(2,290)
Not utilised	(63)	-	-	(63)
Exchange differences	-	-	(7)	(7)
At 31 December 2021	2,619	-	4,699	7,318
Current	2,619	-	1,638	4,257
Non-current	-	-	3,061	3,061

Regulatory provisions

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

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

Contingent consideration

The provision for contingent consideration relates to the acquisition of WRS Insurance Brokers Limited that completed in 2020.

Other provisions

The provision for other costs relates to costs in respect of dilapidations and the amount needed to cover the future costs to administer the claims on the pre-paid funeral plans were the Group to cease to write new funeral plan business.

31 Deferred tax

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

Group	Unrealised gains on investments £000	Net retirement benefit assets £000	Equalisation reserve £000	Other differences £000	Total £000
At 1 January 2020	34,963	(438)	1,434	(2,611)	33,348
(Credited)/charged to profit or loss	(6,787)	(201)	(791)	2,165	(5,614)
- Impact of change in deferred tax rate	4,154	205	146	(185)	4,320
Credited to other comprehensive income	-	(3,619)	-	(9)	(3,628)
- Impact of change in deferred tax rate	-	(256)	-	24	(232)
Exchange differences	(4)	-	-	(77)	(81)
At 31 December 2020	32,326	(4,309)	789	(693)	28,113
Charged/(credited) to profit or loss	**4,403**	**(259)**	**(789)**	**(8,904)**	**(5,549)**
- Impact of change in deferred tax rate	**8,827**	**603**	**-**	**(227)**	**9,203**
Charged/(credited) to other comprehensive income	**-**	**10,315**	**-**	**(178)**	**10,137**
- Impact of change in deferred tax rate	**-**	**(1,965)**	**-**	**66**	**(1,899)**
Exchange differences	**4**	**-**	**-**	**132**	**136**
At 31 December 2021	**45,560**	**4,385**	**-**	**(9,804)**	**40,141**

Parent

The deferred tax liability, shown below, arises on unrealised gains on investments. The increase of £624,000 (2020: £114,000), is recognised in the statement of profit or loss in the year.

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

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

	2021		2020	
	Group £000	**Parent £000**	Group £000	Parent £000
Deferred tax liabilities	**49,748**	**1,393**	30,615	769
Deferred tax assets	**(9,607)**	**-**	(2,502)	-
	40,141	**1,393**	28,113	769

The Group has unused tax losses of £11,005,000 (2020: £13,414,000) arising from life business and capital transactions, which are available for offset against future profits and can be carried forward indefinitely. In the prior year no deferred tax asset was recognised due to the unpredictability of future profit streams. In the current year a deferred tax asset in respect of £10,565,000 of the losses has been recognised based on the expectation that these losses can be utilised.

32 Other liabilities

	2021 Group £000	2021 Parent £000	2020 Group £000	2020 Parent £000
Creditors arising out of direct insurance operations	**3,238**	**-**	3,055	-
Creditors arising out of reinsurance operations	**34,865**	**-**	39,190	-
Derivative liabilities	**331**	**-**	1,244	-
Creditors arising from broking activities	**21,270**	**-**	18,012	-
Other creditors	**18,597**	**-**	21,252	-
Amounts owed to related parties	**10**	**490**	-	-
Accruals	**33,248**	**109**	25,627	84
	111,559	**599**	108,380	84
Current	**111,003**	**599**	107,934	84
Non-current	**556**	**-**	446	-

Derivative liabilities are in respect of equity futures contracts and are detailed in note 23.

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

Included within deferred income of the Group is £1,339,000 (2020: £308,000) classified as contract liabilities in accordance with IFRS 15.

33 Subordinated debt

	2021 £000	2020 £000
6.3144% EUR 30m subordinated debt	**24,433**	-
	24,433	-

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

Subordinated debt is stated at amortised cost.

34 Investment contract liabilities

	2021 £000	Restated* 2020 £000
Investment contract liabilities	**256,706**	234,840
	256,706	234,840

*The comparative figures have been restated as detailed in note 39.

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

35 Leases

Group as a lessee

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

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

Group	**Land and buildings £000**	**Motor vehicles £000**	**Other equipment £000**	**Total £000**
At 1 January 2021	**26,704**	**1,069**	**187**	**27,960**
Additions	**594**	**448**	**109**	**1,151**
Disposals	**(311)**	**(268)**	**(20)**	**(599)**
Depreciation expense	**(3,294)**	**(236)**	**(114)**	**(3,644)**
Exchange differences	**(22)**	**(3)**	**1**	**(24)**
At 31 December 2021	**23,671**	**1,010**	**163**	**24,844**

Group	Land and buildings £000	Motor vehicles £000	Other equipment £000	Total £000
At 1 January 2020	11,437	1,038	305	12,780
Additions	18,575	474	-	19,049
Disposals	-	(193)	-	(193)
Depreciation expense	(3,354)	(254)	(118)	(3,726)
Exchange differences	46	4	-	50
At 31 December 2020	26,704	1,069	187	27,960

Set out below are the carrying amounts of lease obligations:

Group	**2021 £000**	**2020 £000**
Current	**3,809**	**3,873**
Non-current	**21,186**	**24,278**
	24,995	**28,151**

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

	2021 £000	2020 £000
Depreciation expense of right of use assets	**3,644**	3,726
Interest expense on lease liabilities	**1,101**	930
Expenses relating to short-term leases	**23**	9
	4,768	4,665

The Group had total cash outflows for leases, including interest, of £5,182,000 (2020: £6,188,000). The future cash outflows relating to leases that have not yet commenced are disclosed in note 36.

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

Group as a lessor

Finance leases

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

	2021 £000	2020 £000
Year 1	**111**	131
Year 2	**-**	110
Undiscounted lease payments	**111**	241
Less: unearned finance income	**-**	(5)
Net investment in the lease	**111**	236

Net investment in the lease is recognised in other assets as shown in note 24.

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

Group	2021 £000	2020 £000
Finance income on the net investment in finance leases	**4**	7
	4	7

Operating leases

The Group has entered into operating leases on its investment property portfolio. These leases have terms of up to 50 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The lessee is also required to provide a residual value guarantee on the properties. Rental income on these properties recognised by the Group during the year is disclosed in note 21.

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

	2021	2020
	£000	£000
Year 1	**7,879**	8,162
Year 2	**7,618**	7,290
Year 3	**7,180**	6,773
Year 4	**6,029**	6,390
Year 5	**4,891**	5,441
After 5 years	**20,217**	22,163
	53,814	56,219

36 Commitments

At the year end, the Group and Parent had no capital commitments relating to furniture, fittings and equipment (2020: £2,506,000).

The Group has lease contracts for right-of-use assets that had not commenced at 31 December 2021. These leases will commence in 2022. Leases for other equipment have a term of 2 years with expected cash outflow of £47,000 per annum. Leases for motor vehicles have a term of 4 years with an expected cash outflow of £73,000 per annum.

37 Related undertakings

Ultimate parent company and controlling party

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

Related undertakings

The Company's interest in related undertakings at 31 December 2021 is as follows:

Company	Company Registration Number	Share Capital	Holding of shares by Company	Group	Activity
Subsidiary undertakings					
Incorporated in the United Kingdom					
Ecclesiastical Insurance Office plc *	24869	Ordinary	100%	-	Insurance
		Preference	4.35%	-	
Benefact Management Services Limited * ^	1811698	Ordinary	100%	-	Dormant company
Ecclesiastical Life Limited *	0243111	Ordinary	-	100%	Life insurance
Ecclesiastical Financial Advisory Services Limited *	2046087	Ordinary	-	100%	Independent financial advisory
Ecclesiastical Planning Services Limited *	02644860	Ordinary	100%	-	Funeral plan administration
Ecclesiastical Underwriting Management Limited *	02368571	Ordinary	100%	-	Insurance management services
EdenTree Investment Management Limited *	2519319	Ordinary	-	100%	Investment management
EdenTree Asset Management Limited *	11923964	Ordinary	100%	-	Investment management
E.I.O. Trustees Limited * ^	0941199	Ordinary	-	100%	Trustee company
Ecclesiastical Group Healthcare Trustees Limited*	10988127	Ordinary	-	100%	Trustee company
Farmers & Mercantile Insurance Brokers Limited **	03142714	Ordinary	-	100%	Insurance agents and brokers
Lycett, Browne-Swinburne & Douglass Limited **	00706042	Ordinary	-	100%	Insurance agents and brokers
Lycetts Financial Services Limited **	02057974	Ordinary	-	100%	Independent financial advisory
Lycetts Risk Management Services Limited ** ^^	10906990	Ordinary	-	100%	Risk management services
Robertson-McIsaac Limited **^^	03544899	Ordinary		100%	Insurance agents and brokers
Lycetts Holdings Limited **	05866203	Ordinary	100%	-	Investment holding company
SEIB Insurance Brokers Limited*	06317314	Ordinary	-	100%	Insurance agents and brokers
South Essex Insurance Holdings Limited *	06317313	Ordinary	-	100%	Investment holding company
Incorporated in Australia					
Ansvar Insurance Limited ***	007216506	Ordinary	-	100%	Insurance
Ansvar Risk Management Services Pty Limited ***	623695054	Ordinary	-	100%	Risk management services
Ansvar Insurance Services Pty Limited *** †	162612286	Ordinary	-	100%	Dormant company
Associated undertakings					
Incorporated in the United Kingdom					
Lloyd & Whyte Group Limited****	01143899	Ordinary	40%	-	Insurance agents and brokers

* Registered office: Benefact House, 2000 Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester, GL3 4AW, United Kingdom
** Registered office: Milburn House, Dean Street, Newcastle upon Tyne, NE1 1PP, United Kingdom
*** Registered office: Level 5, 1 Southbank Boulevard, Melbourne, VIC 3006, Australia
**** Registered office: Affinity House, Bindon Road, Taunton, Somerset, TA2 6AA
^ Exempt from audit under s480 of the Companies Act 2006
^^ Exempt from audit under s479A of the Companies Act 2006
† Exempt from audit

38 Related party transactions

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

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

	Parent £000	Subsidiaries £000	Other related parties £000
2021			
Group			
Trading, investment and other income, including recharges, and amounts received	**221**	**-**	**4,738**
Trading, investment and other expenditure, including recharges, and amounts paid	**-**	**-**	**10,593**
Amounts owed by related parties	**-**	**-**	**25,153**
Amounts owed to related parties	**-**	**-**	**10**
Parent			
Trading, investment and other income, including recharges, and amounts received	**-**	**15,709**	**3,721**
Trading, investment and other expenditure, including recharges, and amounts paid	**-**	**3,422**	**10,593**
Amounts owed by related parties	**-**	**2,073**	**25,010**
Amounts owed to related parties	**-**	**66,598**	**-**
2020			
Group			
Trading, investment and other income, including recharges, and amounts received	252	-	2,628
Trading, investment and other expenditure, including recharges, and amounts paid	-	-	12,002
Amounts owed by related parties	-	-	15,069
Amounts owed to related parties	-	-	-
Parent			
Trading, investment and other income, including recharges, and amounts received	-	13,635	1,668
Trading, investment and other expenditure, including recharges, and amounts paid	-	1,034	12,002
Amounts owed by related parties	-	2,038	14,982
Amounts owed to related parties	-	51,116	-

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

Trading, investment and other expenditure by the Group and Parent consists of loans to related parties totalling £10,593,000 (2020: £12,002,000).

Amounts owed by related parties to the Parent includes loans of £24,651,000 (2020: £14,982,000) disclosed in note 22 and amounts classified within other assets of £2,229,000 (2020: £1,868,000) disclosed in note 24.

Amounts owed to related parties by the Parent includes borrowings of £66,108,000 (2020: £50,883,000) and amounts classified within other liabilities of £490,000 (2020: £nil) disclosed in note 32.

Key management personnel	**2021 £000**	2020 £000
Wages and salaries	**6,221**	3,645
Social security costs	**566**	558
Pension costs - defined contribution plans	**303**	241
Fees and benefits for non-executive directors	**602**	606
	7,692	5,050

Charitable grants paid to the Group's parent undertaking are disclosed in note 15. Contributions paid to and amounts received from the Group's defined benefit pension schemes are disclosed in note 19.

38 Related party transactions (continued)

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

	2021 £000	2020 £000
Salaries and other short-term employee benefits	**2,801**	2,341
Long-term cash incentive	**601**	548
Post-employment benefits	**162**	150
	3,564	3,039

Directors' remuneration includes amounts paid in Canadian dollars. An average exchange rate of 1.7247 Canadian dollars to 1 GBP has been used in respect of the current and prior year.

Post-employment benefits includes £69,000 (2020: £57,000) in respect of contributions to a defined contribution scheme.

No directors who were employed by Ecclesiastical Insurance Office plc were members of the Group's defined benefit pension scheme during the year (2020: no directors). One director (2020: one) was a member of the Group's defined contribution scheme during the year.

		2021 £000	2020 £000
Highest paid director	- emoluments	**1,285**	1,116
	- money purchase pension contributions	**-**	-
Chairman's fees		**145**	145

39 Prior year restatement

During the year the Group reassessed the level of insurance risk transferred to Ecclesiastical Planning Services Limited (EPSL) from policyholders, a subsidiary of the Parent, on its funeral plan book of business, and concluded that there is no significant insurance risk on these contracts. As a result, the Group ceased to recognise these contracts as insurance contracts under IFRS 4, *Insurance Contracts* , and has reclassified and measured the balances in line with IAS 39, *Financial Instruments: Recognition and Measurement.*

Certain assets classified as financial investments and measured at fair value by EPSL relate to contracts with Ecclesiastical Life Limited (ELL), another company within the Group. ELL continues to classify and measure the liability arising on these contracts under IFRS 4 due to the significance of the insurance risk transferred within the terms of the contract. These balances are eliminated on consolidation.

Under IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* , a retrospective restatement of the prior period results is required. The effects of the restatement are detailed in this note, and included throughout the financial statement comparatives, where appropriate. As a result of the restatement, as at 1 January 2020 the Group recognised an increase in retained earnings of £11,139,000. This increase represents the difference between the actuarial valuation of insurance liabilities recognised in ELL and the fair value of financial investments in EPSL at this date, and will unwind as these policies run off.

		Group	
	As reported 2020	Restatement	As restated 2020
	£000	£000	£000
Revenue			
Gross written premiums	**466,899**	**(29,596)**	**437,303**
Outward reinsurance premiums	**(202,674)**	**29,600**	**(173,074)**
Net change in provision for unearned premiums	**(16,562)**	**-**	**(16,562)**
Net earned premiums	**247,663**	**4**	**247,667**
			-
Fee and commission income	**95,020**	**-**	**95,020**
Other operating income	**2,126**	**-**	**2,126**
Net investment return	**(4,834)**	**(595)**	**(5,429)**
Total revenue	**339,975**	**(591)**	**339,384**
Expenses			
Claims and change in insurance liabilities	**(258,281)**	**38,533**	**(219,748)**
Reinsurance recoveries	**130,068**	**(35,486)**	**94,582**
Fees, commissions and other acquisition costs	**(86,245)**	**-**	**(86,245)**
Other operating and administrative expenses	**(142,968)**	**(1)**	**(142,969)**
Total operating expenses	**(357,426)**	**3,046**	**(354,380)**
Operating profit	**(17,451)**	**2,455**	**(14,996)**
Finance costs	**(926)**	**-**	**(926)**
Share of profit after tax of associate	**601**	**-**	**601**
Profit before tax	**(17,776)**	**2,455**	**(15,321)**
Tax credit	**432**	**-**	**432**
Profit for the year	**(17,344)**	**2,455**	**(14,889)**
Attributable to:			
Equity holders of the Parent	**(26,126)**	**-**	**(23,671)**
Non-controlling interest	**8,782**	**-**	**8,782**
	(17,344)	**-**	**(14,889)**

	Group			
	As reported 31 December 2020	Restatement	As restated 31 December 2020	As restated 1 January 2020
	£000	£000	£000	£000
Assets				
Goodwill and other intangible assets	**77,352**	-	**77,352**	64,411
Deferred acquisition costs	**41,989**	-	**41,989**	38,199
Deferred tax assets	**2,502**	-	**2,502**	3,184
Pension assets	**1,053**	-	**1,053**	8,505
Investment in associate	**5,696**	-	**5,696**	5,171
Property, plant and equipment	**42,431**	-	**42,431**	22,808
Investment property	**142,142**	-	**142,142**	148,146
Financial investments	**845,755**	**191,011**	**1,036,766**	1,067,187
Reinsurers' share of insurance contract liabilities	**415,247**	**(206,570)**	**208,677**	159,556
Current tax recoverable	**8,843**	-	**8,843**	4,218
Other assets	**167,709**	-	**167,709**	150,254
Cash and cash equivalents	**129,596**	-	**129,596**	98,369
Total assets	**1,880,315**	**(15,559)**	**1,864,756**	1,770,008
Equity				
Share capital	**20,000**	-	**20,000**	20,000
Retained earnings and other reserves	**457,633**	**13,594**	**471,227**	510,415
Equity attributable to equity holders of the Parent	**477,633**	**13,594**	**491,227**	530,415
Non-controlling interests	**101,815**	-	**101,815**	103,090
Total equity	**579,448**	**13,594**	**593,042**	633,505
Liabilities				
Insurance contract liabilities	**1,075,219**	**(263,993)**	**811,226**	704,978
Investment contract liabilities	-	**234,840**	**234,840**	242,288
Borrowings	**28,151**	-	**28,151**	14,510
Provisions for other liabilities	**7,013**	-	**7,013**	5,435
Pension liabilities	**17,226**	-	**17,226**	4,978
Retirement benefit obligations	**6,530**	-	**6,530**	5,998
Deferred tax liabilities	**30,615**	-	**30,615**	36,532
Current tax liabilities	**1,329**	-	**1,329**	123
Deferred income	**26,404**	-	**26,404**	22,991
Subordinated liabilities	-	-	-	-
Other liabilities	**108,380**	-	**108,380**	98,670
Total liabilities	**1,300,867**	**(29,153)**	**1,271,714**	1,136,503
Total equity and liabilities	**1,880,315**	**(15,559)**	**1,864,756**	1,770,008

39 Prior year restatement (continued)

	As reported 31 December 2020 £000	Group Restatement £000	As restated 31 December 2020 £000
(Loss)/profit before tax	**(17,776)**	**2,455**	(15,321)
Adjustments for:		-	-
Depreciation of property, plant and equipment	**6,120**	-	6,120
Revaluation of property, plant and equipment	**(10)**	-	(10)
Loss on disposal of property, plant and equipment	**3**	-	3
Amortisation and impairment of intangible assets	**4,273**	-	4,273
Share of profit of associate	**(601)**	-	(601)
Net fair value (gains)/losses on financial instruments and		-	-
investment property	**19,751**	**595**	20,346
Dividend and interest income	**(22,364)**	-	(22,364)
Finance costs	**926**	-	926
Adjustment for pension funding	**1,127**	-	1,127
Changes in operating assets and liabilities:			
Net increase in insurance contract liabilities	**117,462**	**(21,706)**	95,756
Net increase in reinsurers' share of contract liabilities	**(68,382)**	**23,281**	(45,101)
Net increase in investment contract liabilities	**-**	**8,902**	8,902
Net increase in deferred acquisition costs	**(3,352)**	-	(3,352)
Net (increase)/decrease in other assets	**(14,587)**	-	(14,587)
Net increase in operating liabilities	**10,064**	-	10,064
Net increase in other liabilities	**1,244**	-	1,244
Cash generated/(used) by operations	**33,898**	**13,527**	47,425
		-	-
Purchases of financial instruments and investment property	**(133,678)**	**(29,599)**	(163,277)
Sale of financial instruments and investment property	**152,174**	**16,072**	168,246
Dividends received	**6,305**	-	6,305
Interest received	**15,068**	-	15,068
Tax (paid)/recovered	**(3,819)**	-	(3,819)
Net cash from/(used by) operating activities	**69,948**	-	69,948
Cash flows from investing activities			
Purchases of property, plant and equipment	**(6,891)**	-	(6,891)
Proceeds from the sale of property, plant and equipment	**1**	-	1
Purchases of intangible assets	**(15,646)**	-	(15,646)
Acquisition of business, net of cash acquired	**(822)**	-	(822)
Net cash used by investing activities	**(23,358)**	-	(23,358)
		-	-
Cash flows from financing activities		-	-
Interest paid	**(926)**	-	(926)
Payment of lease liabilities	**(5,258)**	-	(5,258)
Change in interest in subsidiary	**(1,519)**	**1,519**	-
Transactions with non-controlling interests	**-**	**(1,519)**	(1,519)
Dividends paid to non-controlling interests of subsidiaries	**(8,782)**	-	(8,782)
Net cash (used by)/from financing activities	**(16,485)**	-	(16,485)
		-	-
Net increase/(decrease) in cash and cash equivalents	**30,105**	-	30,105
Cash and cash equivalents at beginning of year	**98,369**	-	98,369
Exchange (losses)/gains on cash and cash equivalents	**1,122**	-	1,122
Cash and cash equivalents at end of year	**129,596**	-	129,596

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

40 Reconciliation of Alternative Performance Measures

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

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

We provide a reconciliation of the combined operating ratio and net expense ratio to its most directly reconcilable line item in the financial statements. Regulatory capital and net inflows to funds managed by the Group's subsidiary, EdenTree Investment Management Limited, do not have an IFRS equivalent. Net inflows are the difference between the funds invested (gross inflows) less funds withdrawn (redemptions) made during the year by third parties in a range of funds EdenTree Investment Management Limited offers. Regulatory capital is covered in note 4(i).

		2021						
		Insurance		Inv'ment return	Inv'ment mngt	Broking and Advisory	Corporate costs	Total
		General £000	Life £000	£000	£000	£000	£000	£000
Revenue								
Gross written premiums		486,220	(2)	-	-	-	-	486,218
Outward reinsurance premiums		(198,601)	-	-	-	-	-	(198,601)
Net change in provision for unearned premiums		(14,620)	-	-	-	-	-	(14,620)
Net earned premiums	[1]	272,999	(2)	-	-	-	-	272,997
Fee and commission income	[2]	55,417	-	-	15,098	38,544	-	109,059
Other operating income		1,136	-	-	-	-	-	1,136
Net investment return		-	1,523	99,462	6	1,032	-	102,023
Total revenue		329,552	1,521	99,462	15,104	39,576	-	485,215
Expenses								
Claims and change in insurance liabilities		(267,290)	(1,059)	-	-	-	-	(268,349)
Reinsurance recoveries		123,822	-	-	-	-	-	123,822
Fees, commissions and other acquisition costs	[3]	(95,628)	(20)	-	(979)	(312)	-	(96,939)
Other operating and administrative expenses	[4]	(81,697)	(450)	(3,350)	(16,732)	(35,313) [5]	(24,134)	(161,676)
Total operating expenses		(320,793)	(1,529)	(3,350)	(17,711)	(35,625)	(24,134)	(403,142)
Operating profit	[6]	8,759	(8)	96,112	(2,607)	3,951	(24,134)	82,073
Finance costs		(2,288)	-	-	-	(204)	-	(2,492)
Share of profit after tax of associate		-	-	-	-	2,274	-	2,274
Profit before tax		6,471	(8)	96,112	(2,607)	6,021	(24,134)	81,855
Underwriting profit	[6]	8,759						
Combined operating ratio		96.8%						
Net expenses (= [2] + [3] + [4] + [5])	[7]	(146,042)						
Net expense ratio		53%						

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

The Group uses the industry standard net combined operating ratio as a measure of underwriting efficiency. The COR expresses the total of net claims costs, commission and underwriting expenses as a percentage of net earned premiums. It is calculated as ([1] - [6]) / [1].

The net expense ratio expresses total underwriting and corporate expenses as a proportion of net earned premiums. It is calculated as - [7] / [1].

		2020 (restated*)						
		Insurance		Inv'ment return	Inv'ment mngt	Broking and Advisory	Corporate costs	Total
		General	Life					
		£000	£000	£000	£000	£000	£000	£000
Revenue								
Gross written premiums		437,287	16	-	-	-	-	437,303
Outward reinsurance premiums		(173,074)	-	-	-	-	-	(173,074)
Net change in provision for unearned premiums		(16,562)	-	-	-	-	-	(16,562)
Net earned premiums	[1]	247,651	16	-	-	-	-	247,667
Fee and commission income	[2]	47,743	-	-	12,393	34,884	-	95,020
Other operating income		2,126	-	-	-	-	-	2,126
Net investment return		-	(1,080)	(5,132)	(25)	808	-	(5,429)
Total revenue		297,520	(1,064)	(5,132)	12,368	35,692	-	339,384
Expenses								
Claims and change in insurance liabilities		(224,128)	4,380	-	-	-	-	(219,748)
Reinsurance recoveries		94,582	-	-	-	-	-	94,582
Fees, commissions and other acquisition costs	[3]	(84,852)	(13)	-	(832)	(548)	-	(86,245)
Other operating and administrative expenses	[4]	(71,069)	(380)	(2,832)	(12,647)	(34,508) [5]	(21,533)	(142,969)
Total operating expenses		(285,467)	3,987	(2,832)	(13,479)	(35,056)	(21,533)	(354,380)
Operating profit	[6]	12,053	2,923	(7,964)	(1,111)	636	(21,533)	(14,996)
Finance costs		(686)	-	-	-	(240)	-	(926)
Share of profit after tax of associate		-	-	-	-	601	-	601
Profit before tax		11,367	2,923	(7,964)	(1,111)	997	(21,533)	(15,321)
Underwriting profit	[6]	12,053						
Combined operating ratio		95.1%						
Net expenses (= [2] + [3] + [4] + [5])	[7]	(129,711)						
Net expense ratio		52%						

*The comparative financial statements have been restated as detailed in note 39.