2023 INTERIM RESULTS

Ecclesiastical Insurance Office plc **26 September 2023**

Ecclesiastical Insurance Office plc ("Ecclesiastical"), the specialist financial services group[1], today announces its 2023 interim results. A copy of the results will be available on the Company's website at www.ecclesiastical.com

Group overview

- Excellent trading momentum with continued growth in premiums, with GWP[2] rising to £288m from £262m at H1 2022. This was driven by new business wins and supported by strong retention and rate strengthening.
- Underwriting profit[2] of £0.3m (H1 2022 restated: £12.9m). Our underwriting result was impacted by larger than expected prior year claims in the UK as well as a major fire at St Mark's Church in London in January.
- Overall profit before tax of £10.2m, (H1 2022 restated: loss of £25.7m). This includes an investment result of £14.7m profit, a significant improvement on last year (H1 2022 restated: loss of £65.5m). Our strong capital position and long-term investment approach allows us to withstand short-term volatility in markets.
- Capital position remains strong with AM Best and Moody's ratings remaining stable.
- Ecclesiastical UK successfully launched into the Leisure sector as part of its growth plans to move into new adjacent sectors.
- Ecclesiastical granted £6m to its charitable owner Benefact Trust as part of its continued mission to contribute to the greater good of society. This brings the total given to good causes since 2014 to £205m. Benefact Group, the UK's third largest corporate giver, has set a target to give £250m by the end of 2025.
- Ecclesiastical has continued to be recognised with prestigious awards including: First Place Gold Ribbon for the seventeenth consecutive time (Fairer Finance); 'Outstanding' Service Quality Marque for the second consecutive year (Gracechurch Claims Monitor); Specialist Insurance Company of the Year (British Insurance Awards); Claims Product Solution of the Year - Insurer (Insurance Times Claims Excellence Awards); and a Top Employer for Greater Toronto for the fifth consecutive year.
- Ecclesiastical UK has also been recognised by Best Companies as Insurance's Number 1 Company to Work for in recent league tables, supported by its inspiring purpose to give all available profits to good causes, and ambition to provide a world-class employee experience for all.

Mark Hews, Group Chief Executive Officer of Ecclesiastical, said:

"Ecclesiastical achieved an improved result in the first half of 2023, delivering sustainable, profitable growth despite the challenging economic environment. We have ambitious growth plans and premiums grew by 10%, driven by new business wins, rate strengthening and strong retention across our territories, and we delivered an overall profit before tax of £10.2m, a step change from the equivalent £25.7m loss last year. This strong improvement has been supported by profits from our overseas businesses in Ireland, Canada and Australia, offset by some large losses impacting our UK underwriting result. The result is a testament to our brilliant teams delivering against the plans and structures we've put in place.

"Alongside this, our capital position remains robust with our AM Best and Moody's ratings remaining stable and regulatory solvency is near an all-time high.

"As a member of the Benefact Group, Ecclesiastical is driven by a unique purpose to contribute to the greater good of society. I'm delighted that we've been able to grant a further £6m to our charitable owner Benefact Trust in respect of our performance in the first half of 2023. This brings the total given to good causes since 2014 to an extraordinary £205m. Thanks to Ecclesiastical, the Benefact Group is now the UK's third largest corporate giver to charity[3], and is building a Movement for Good that transforms lives and communities for the better. We are united in our ambition to become the UK's biggest corporate donor, giving £250m to good causes.

"At the start of the year, we simplified our legal structure within the Ecclesiastical and Benefact Groups to better align our businesses and support our strategic objectives and this is the first time reporting our results in line with our new company structures.

"Ecclesiastical UK is pushing hard for sustainable profitable growth and reported excellent GWP growth of 16% thanks to a number of new business wins. The UK business is investing significantly in its high net worth and schemes capabilities and expanding into new sectors as it pursues its strategy to 'grow to give'. In particular, Ecclesiastical UK has successfully launched into the Leisure market, including fine dining, gastropubs, high-quality hotels, arts and visitor attractions and exhibition centres.

"I'm incredibly proud that we were recently recognised as a world-class employer and named as Insurance's Number 1 Company to Work for in recent league tables by Best Companies. We have a brilliant culture at Ecclesiastical and it's thanks to our colleagues' commitment to our ambition that we've been recognised at this level. As we strive to become even better, we will seek to attract new talent and build the capabilities of our teams.

"Our goal is to be the first-choice insurer in all of our specialist markets, and we have the appetite and capacity to achieve our goal. We have an exciting pipeline of propositions being developed, and we will continue to invest in our systems and people so that we can deliver the best possible service to our customers and brokers. With a clear strategy and a purpose that drives us ever onward, I'm confident that we can continue our excellent progress and build a movement for good in society."

[1] The 'Group' refers to Ecclesiastical Insurance Office plc together with its subsidiaries. The 'Benefact Group' and 'wider group' refers to Benefact Group plc, the immediate parent company of Ecclesiastical Insurance Office plc, together with its subsidiaries. The 'Benefact Trust' and 'the Trust' refers to Benefact Trust Limited, the ultimate parent undertaking of Ecclesiastical Insurance Office plc.

[2] The Group uses Alternative Performance Measures (APMs) to help explain performance. More information on APMs is included in note 18.

[3] Directory of Social Change's The Guide to UK Company Giving 2023/24.

2022 comparatives, where referred to, have been restated following the adoption by the Group of IFRS 17 *Insurance Contracts* from 1 January 2023.

Results Summary

	H1 2023	**H1 2022**
Insurance revenue	£284.1m	£257.9m
Insurance service result	£23.0m	£27.1m
Net investment result	£14.7m	(£65.5m)
Profit/(loss) before tax	£10.2m	(£25.7m)
Group combined operating ratio[3]	99.8%	91.3%
	30 June 2023	**31 December 2022**
Net asset value	£600m	£612m
Solvency II capital cover (solo)	298%	297%

[3] The Group uses Alternative Performance Measures (APMs) to help explain performance. More information on APMs is included in note 18.

Financial Highlights

The Group reported a profit before tax for the period of £10.2m, significantly higher than the £25.7m loss reported in H1 2022 which was largely due to a £80.3m increase in the net investment result to £14.7m. This result was partially offset by a decrease in the insurance service result of £2.3m, driven by larger than expected prior year claims as well as a major fire at St Mark's Church in London. The net insurance financial result was also lower than H1 2022 by £37.3m as a result of changes in interest rates.

The Group adopted IFRS 17 *Insurance Contracts* on 1 January 2023. Details of the impact of the adoption of IFRS 17 are included in note 3.

The Group will continue to provide detail on a written basis and report gross written premiums (GWP) as an alternative performance measure (APM). The underwriting result and combined operating ratio (COR) will also be reported as an APM. Refer to note 18 for a reconciliation to the most directly reconcilable line item in the financial statements.

On 3 January 2023 two wholly-owned subsidiaries, EdenTree Investment Management Limited and Ecclesiastical Financial Advisory Services Limited, were transferred in specie within the Benefact Group. A gain on disposal of £0.7m was recognised.

General Insurance – UK and Ireland

UK and Ireland reported GWP growth of 15.3% to £190.9m in the six months to 30 June 2023 (H1 2022: £165.5m). This has been driven by rate strengthening, supported by strong retention and new business. The business reported an underwriting loss of £6.5m and a net combined ratio (COR) of 106.6% (H1 2022 restated: £4.8m profit, COR 94.5%).

The underwriting result at half-year was driven by large losses due to the significant cost of the St Mark's Church fire. A deterioration in prior year liability claims of £4.2m also contributed to the underwriting loss.

General Insurance – Canada

The Canadian business delivered premium growth of 3.2% in local currency, reporting GWP of £40.3m (H1 2022: £39.5m), during the first half of the year. This growth was primarily fuelled by increased new business and a higher renewable base. The business reported an underwriting profit of £5.0m (H1 2022 restated: £5.1m) and a COR of 86.8% (H1 2022 restated: 85.9%).

Although the underwriting result has reduced marginally on the prior year, performance has been strong. The current year includes the impact of the 'Eastern Canada Cold Snap' weather event in February. This is compared with a lower than average number of weather events in the first half of 2022.

General Insurance – Australia

The Australian business reported a 1.9% increase in local currency GWP to £54.2m (H1 2022: £54.2m), primarily driven by growth in the property book. The business reported an underwriting profit of £0.5m (H1 2022 restated: £2.3m). The property result was strong due to the absence of material weather events, but the liability result was impacted by adverse development of historical liability claims.

Net Insurance Financial Result

The net insurance financial result has reduced by £37.3m to £2.6m (H1 2022 restated: £39.9m) primarily driven by changes in interest rates.

Investment Returns

There was a significant improvement in the net investment result for the first half of the year to a profit of £14.7m (H1 2022 restated: £65.5m loss). Investment income increased to £21.1m (H1 2022 restated: £14.2m). Fair value losses of £6.4m in the first half of the year (H1 2022: £79.7m), were primarily due to unrealised losses on unlisted equities and infrastructure investments.

Markets have been impacted by macroeconomic disruptions leading to central banks tightening monetary policy and raising interest rates. Higher interest rates and favourable exchange rate movements have contributed to the increase in investment income.

Life Business

The life business reopened to new business during 2021, launching a new product providing guarantees for pre-paid funeral planning products sold by the Funeral Planning business in Benefact Group (Ecclesiastical Planning Services Limited). The legacy book remains closed to new business and now reports on an IFRS 17 basis. The life business reported a profit before tax of £2.4m at the half year (H1 2022 restated: £7.6m loss). Assets and liabilities within this business are well matched.

Taxation

The Group's taxation charge in the period is £2.8m (H1 2022 restated: £18.8m credit), with an effective tax rate of 27.4%, driven by overseas tax liabilities arising at rates in excess of those applying in the UK. A taxation credit arose in the prior year, due to taxable losses. Changes to profits chargeable to corporation tax arising from the adoption of IFRS 17 are applied prospectively for general insurance and over 10 years for life business.

Balance Sheet and Capital Position

In the first half of the year, total shareholders' equity decreased by £11.7m to £600.2m. Underwriting profits and investment returns were offset by a £6.0m charitable grant to Benefact Trust Limited, the Group's ultimate parent company, expected credit losses arising from the initial application of IFRS 9 *Financial Instruments* and a dividend in specie to distribute the company's holding in EdenTree Investment Management limited and Ecclesiastical Financial Advisory Services Limited to the Group's immediate parent company, Benefact Group plc. Our capital position remains robust with Solvency II capital cover increasing to 298%.

Strategic Highlights

Many businesses say they're different, but Ecclesiastical really is. Ecclesiastical is proud to be part of the Benefact Group – an international family of specialist financial services companies, built on the idea that better business can better lives.

Ecclesiastical is galvanised by the Benefact Group's purpose to contribute to the greater good of society and its charitable ambition is at the heart of everything that Ecclesiastical does – as such colleagues are united and motivated by a common purpose to give profits to good causes. The Benefact Group has been recognised as the UK's third largest charitable donor, out of 5.5m companies in the UK and Ecclesiastical is delighted to have contributed to this achievement, as a key business within the Benefact Group.

This strategic ambition to give profits to good causes shapes and drives Ecclesiastical, our distinctive positioning, and our support for its customers and communities. Thousands of beneficiaries have been awarded local grants through the Movement for Good awards in the UK and Ireland, the Community Impact Grants in Canada, the Community Education Programme in Australia and the Closer to You programme nominated by UK insurance brokers.

Ecclesiastical's resilience and financial strength, demonstrated by the reaffirmation of its credit ratings, underpins its continued investment in its businesses, operations, and people, driving business benefit and enabling charitable giving to communities across our geographies. Significant progress has been made, including: the launch of our new Leisure market segment in the UK; completion and evaluation of several pilots in Schemes; implementation of a new divisional legal structure for the Benefact Group which has streamlined Ecclesiastical; enhanced reporting for Taskforce for Climate Related Disclosure requirements and investment in a project to offset the Group's 2022 direct carbon footprint (across all geographies) as part of the Group's climate response strategy.

Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Group and our approach to managing them are outlined in our latest annual report and in note 4 to these condensed financial statements. There has been no change to the principal risks and uncertainties since the year end.

The Group adopted IFRS 17 and IFRS 9 on 1 January 2023. IFRS 17 and IFRS 9 require management to use judgements, estimates and assumptions.

Outlook

Our robust performance in recent years delivering profitable growth within the insurance business has been underpinned by strong underwriting discipline and a real focus on supporting customers to manage their risks. In order to be able to give more, we are ambitious in our plans to grow the business on the back of our many years of success. We are focussing on ways in which we can deliver even better customer value and reach additional customers and customer groups while retaining our strong underwriting and risk management disciplines.

Persistently high inflation, caused by a series of big shocks to the economy, has pushed interest rates to their highest levels since 2001. Despite these economic pressures, and the uncertainty ahead, the underlying resilience of our businesses means we will continue to grow sustainably and invest for the future.

Challenging times motivate us to continue to pursue our long-term charitable objective and provide as much support as we can for for our customers, stakeholders and beneficiaries.

Ecclesiastical, as part of the Benefact Group, has a clear purpose, a clear intent to make a difference in the world, and a clear and ambitious strategy to enhance and lever its strong competitive position in its markets. The company is set to benefit from the continued investment in technology, brand, offices, people, and proposition development and remains optimistic for strong and profitable business growth in the years ahead.

We invite others, who may be similarly minded, to help support Ecclesiastical and the Benefact Group to build a Movement for Good that transforms lives and communities in the UK and abroad.

By order of the Board
Mark Hews
Group Chief Executive
26 September 2023

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the 6 months to 30 June 2023

	Notes	**30.06.23**	*Restated ** 30.06.22	*Restated ** 31.12.22
		6 months	6 months	12 months
		£000	£000	£000
Insurance revenue		**284,082**	257,858	534,894
Insurance service expenses		**(225,820)**	(228,703)	(444,472)
Insurance service result before reinsurance contracts held		**58,262**	29,155	90,422
Net expense from reinsurance contracts		**(35,265)**	(2,093)	(24,775)
Insurance service result		**22,997**	27,062	65,647
Net insurance financial result		**2,606**	39,892	47,862
Net investment result	7	**14,737**	(65,533)	(63,439)
Other operating expenses		**(28,454)**	(26,293)	(63,196)
Other finance costs		**(1,638)**	(803)	(2,456)
Profit/(loss) before tax		**10,248**	(25,675)	(15,582)
Tax (expense)/credit		**(2,806)**	18,839	4,673
Profit/(loss) for the financial period from continuing operations		**7,442**	(6,836)	(10,909)
Net profit attributable to discontinued operations		**718**	499	13,696
Profit/(loss) for the financial period		**8,160**	(6,337)	2,787

* The comparative financial statements have been restated as detailed in note 3.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 6 months to 30 June 2023

	30.06.23	*Restated ** 30.06.22	*Restated ** 31.12.22
	6 months	6 months	12 months
	£000	£000	£000
Profit/(loss) for the period	**8,160**	(6,337)	2,787
Other comprehensive expense			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial losses on retirement benefit plans	**(595)**	(9,352)	(10,171)
Attributable tax	**149**	2,338	2,543
	(446)	(7,014)	(7,628)
Items that may be reclassified subsequently to profit or loss:			
(Losses)/gains on currency translation differences	**(6,873)**	8,061	5,642
Gains/(losses) on net investment hedges	**5,827**	(6,496)	(4,514)
Attributable tax	**(1,112)**	1,286	825
	(2,158)	2,851	1,953
Net other comprehensive expense	**(2,604)**	(4,163)	(5,675)
Total comprehensive income/(expense)	**5,556**	(10,500)	(2,888)

* The comparative financial statements have been restated as detailed in note 3.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 6 months to 30 June 2023

	Share capital £000	Share premium £000	Revaluation reserve £000	Translation and hedging reserve £000	Retained earnings £000	Total £000
2023						
As at December 2022	**120,477**	**4,632**	**222**	**19,556**	**466,991**	**611,878**
Adjustment on initial application of IFRS 9	*-*	*-*	*-*	*-*	*(1,395)*	*(1,395)*
At 1 January	**120,477**	**4,632**	**222**	**19,556**	**465,596**	**610,483**
Profit for the period	*-*	*-*	*-*	*-*	*8,160*	*8,160*
Other net expense	*-*	*-*	*-*	*(2,158)*	*(446)*	*(2,604)*
Total comprehensive (expense)/income	-	-	-	**(2,158)**	**7,714**	**5,556**
Dividends on ordinary shares	-	-	-	-	**(5,223)**	**(5,223)**
Dividends on preference shares	-	-	-	-	**(4,591)**	**(4,591)**
Gross charitable grant	-	-	-	-	**(6,000)**	**(6,000)**
At 30 June	**120,477**	**4,632**	**222**	**17,398**	**457,496**	**600,225**
2022						
At 31 December 2021 (as reported)	120,477	4,632	268	17,603	491,981	634,961
Adjustment on initial application of IFRS 17	-	-	-	-	*5,186*	*5,186*
At 1 January (as restated*)	120,477	4,632	268	17,603	497,167	640,147
Loss for the period	-	-	-	-	*(6,337)*	*(6,337)*
Other net income/(expense)	-	-	-	*2,851*	*(7,014)*	*(4,163)*
Total comprehensive income/(expense)	-	-	-	2,851	(13,351)	(10,500)
Dividends on preference shares	-	-	-	-	(4,591)	(4,591)
Gross charitable grant	-	-	-	-	(5,000)	(5,000)
Tax relief on charitable grant	-	-	-	-	950	950
Reserve transfers	-	-	(46)	-	46	-
At 30 June	120,477	4,632	222	20,454	475,221	621,006
2022						
At 31 December 2021 (as reported)	120,477	4,632	268	17,603	491,981	634,961
Adjustment on initial application of IFRS 17	-	-	-	-	*5,186*	*5,186*
At 1 January (as restated*)	120,477	4,632	268	17,603	497,167	640,147
Profit for the year	-	-	-	-	*2,787*	*2,787*
Other net income/(expense)	-	-	-	*1,953*	*(7,628)*	*(5,675)*
Total comprehensive income/(expense)	-	-	-	1,953	(4,841)	(2,888)
Dividends on preference shares	-	-	-	-	(9,181)	(9,181)
Gross charitable grant	-	-	-	-	(20,000)	(20,000)
Tax relief on charitable grant	-	-	-	-	3,800	3,800
Reserve transfers	-	-	(46)	-	46	-
At 31 December	120,477	4,632	222	19,556	466,991	611,878

* The comparative financial statements have been restated as detailed in note 3.

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 13.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2023

	Notes	**30.06.23**	*Restated ** 30.06.22	*Restated ** 31.12.22	*Restated ** 31.12.21
		£000	£000	£000	£000
Assets					
Cash and cash equivalents		**100,736**	91,888	104,664	94,736
Financial investments	10	**867,122**	823,901	870,749	883,770
Current tax recoverable		**3,257**	8,873	4,212	5
Reinsurance contract assets	14	**250,302**	242,181	240,124	202,767
Investment property		**135,088**	169,844	140,846	163,355
Pension assets		**14,231**	16,919	15,338	28,304
Property, plant and equipment		**30,723**	33,498	31,405	33,477
Goodwill and other intangible assets		**28,429**	31,545	30,255	29,598
Deferred tax assets		**7,923**	11,382	9,938	8,857
Other assets		**153,964**	103,937	148,349	89,788
Assets classified as held for distribution		**-**	76,498	14,999	62,483
Total assets		**1,591,775**	1,610,466	1,610,879	1,597,140
Equity					
Share capital		**120,477**	120,477	120,477	120,477
Share premium account		**4,632**	4,632	4,632	4,632
Retained earnings and other reserves		**475,116**	495,897	486,769	515,038
Total shareholders' equity		**600,225**	621,006	611,878	640,147
Liabilities					
Insurance contract liabilities	14	**778,083**	784,452	789,546	769,727
Investment contract liabilities		**74,992**	38,649	58,479	15,519
Current tax liabilities		**910**	432	308	819
Lease obligations		**17,487**	20,455	19,062	21,440
Retirement benefit obligations		**4,781**	5,462	4,960	7,058
Subordinated liabilities	15	**25,363**	25,049	25,818	24,433
Provisions for other liabilities		**8,932**	8,697	5,961	6,143
Deferred tax liabilities		**37,096**	35,519	37,027	50,024
Other liabilities		**43,906**	35,181	47,345	39,750
Liabilities classified as held for distribution		**-**	35,564	10,495	22,080
Total liabilities		**991,550**	989,460	999,001	956,993
Total shareholders' equity and liabilities		**1,591,775**	1,610,466	1,610,879	1,597,140

* The comparative financial statements have been restated as detailed in note 3.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the 6 months to 30 June 2023

		*Restated **	*Restated **
	30.06.23	30.06.22	31.12.22
	6 months	6 months	12 months
	£000	£000	£000
Profit/(loss) before tax	**10,248**	(25,675)	(15,582)
Profit before tax on discontinued operations	**718**	642	14,115
Adjustments for:			
Depreciation of property, plant and equipment	**2,863**	3,016	6,261
Profit on disposal of property, plant and equipment	**-**	(10)	(9)
Amortisation of intangible assets	**2,389**	1,104	3,558
Movement in expected credit loss provision	**(1,272)**	-	-
Profit before tax on disposal of subsidiary	**(718)**	-	(14,293)
Net fair value losses on financial instruments and investment property	**6,406**	79,765	94,121
Dividend and interest income	**(16,868)**	(10,244)	(22,906)
Finance costs	**1,638**	839	2,528
Adjustment for pension funding	**325**	416	695
	5,729	49,853	68,488
Changes in operating assets and liabilities:			
Net increase in reinsurance contract assets	**(17,851)**	(32,228)	(32,053)
Net increase in investment contract liabilities	**16,513**	23,131	42,961
Net increase/(decrease) in insurance contract liabilities	**6,096**	(4,670)	4,879
Net increase in other assets	**(11,743)**	(29,507)	(57,512)
Net increase in other liabilities	**3,403**	8,976	1,491
Cash generated by operations	**2,147**	15,555	28,254
Purchases of financial instruments and investment property	**(74,523)**	(117,263)	(208,588)
Sale of financial instruments and investment property	**66,247**	98,910	156,110
Dividends received	**5,156**	3,889	7,177
Interest received	**10,417**	6,886	17,022
Tax paid	**(459)**	(2,817)	(6,487)
Net cash from/(used by) operating activities	**8,985**	5,160	(6,512)
Cash flows from investing activities			
Purchases of property, plant and equipment	**(318)**	(2,336)	(3,234)
Proceeds from the sale of property, plant and equipment	**18**	27	28
Purchases of intangible assets	**(614)**	(2,772)	(3,900)
Disposal of interest in subsidiary	**(5,177)**	-	36,355
Net cash (used by)/from investing activities	**(6,091)**	(5,081)	29,249
Cash flows from financing activities			
Interest paid	**(1,227)**	(839)	(2,528)
Payment of lease liabilities	**(3,578)**	(1,583)	(3,267)
Dividends paid to Company's shareholders	**(4,591)**	(4,591)	(9,181)
Charitable grant paid to ultimate parent undertaking	**-**	-	(15,000)
Net cash used by financing activities	**(9,396)**	(7,013)	(29,976)
Net decrease in cash and cash equivalents	**(6,502)**	(6,934)	(7,239)
Cash and cash equivalents at the beginning of the period	**109,841**	114,036	114,036
Cash classified as held for distribution	**-**	(18,249)	(5,177)
Exchange (losses)/gains on cash and cash equivalents	**(2,603)**	3,035	3,044
Cash and cash equivalents at the end of the period	**100,736**	91,888	104,664

* The comparative financial statements have been restated as detailed in note 3.

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS

1. General information and basis of preparation

Ecclesiastical Insurance Office 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 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.

The annual financial statements are prepared in accordance with UK adopted International Financial Reporting Standards (IFRSs) applicable at 31 December 2022 issued by the International Accounting Standards Board (IASB) and the Disclosure Guidance and Transparency Rules issued by the Financial Conduct Authority. The condensed set of financial statements included in the 2023 interim results has been prepared in accordance with UK adopted IAS 34 *Interim Financial Reporting.*

The information for the year ended 31 December 2022 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The comparative results for the year ended 31 December 2022 have been taken from the Group's 2022 Annual Report and Accounts except for certain balances which have been restated but not audited following the implementation of IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments (see note 3). A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor reported on those accounts: its report was unqualified, did not draw attention to any matters by way of emphasis without qualifying the report, and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

These condensed consolidated interim financial statements were approved by the Board on 26 September 2023 and were reviewed by the Group's statutory auditor but not audited.

The Directors have assessed the going concern status of the Group. The Directors have considered the Group's plans and forecasts, financial resources, investment portfolio and solvency position. The Group's forecasts and projections, taking into account plausible scenarios, show that the group will have adequate resources to continue operating over a period of at least 12 months from the approval of the condensed consolidated interim financial statements. Accordingly, the Directors continue to adopt the going concern basis in preparing the consolidated interim financial statements.

2. Accounting policies

The same accounting policies and methods of computation are followed in the consolidated interim financial statements as applied in the Group's latest audited annual financial statements except for the new standards, IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments*, as described below.

There are a number of amendments to IFRS that have been issued by the IASB that become mandatory in a subsequent accounting period. The Group has evaluated these changes and none are expected to have a significant impact on the interim condensed consolidated financial statements.

2.1 Insurance and reinsurance contracts

The Group adopted IFRS 17 *Insurance Contracts* on 1 January 2023. IFRS 17 provides a comprehensive and consistent approach to accounting for insurance contracts. It replaces IFRS 4 *Insurance Contracts*, which was issued in 2005 and was largely based on grandfathering of previous local accounting policies. The application of IFRS 17 impacts the measurement and presentation of insurance contracts and reinsurance contracts.

Contracts under which the Group accepts significant insurance risk are classified as insurance contracts. Insurance risk is transferred when the Group agrees to compensate a policyholder should an adverse specified uncertain future event occur. Contracts held by the Group under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts held. Insurance and reinsurance contracts held also expose the Group to financial risk.

Insurance contracts issued and reinsurance contracts held may be initiated by the Group, or they may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' held include contracts issued, initiated, or acquired by the Group, unless otherwise stated.

Under IFRS 17 the presentation of insurance revenue and insurance service expenses in the consolidated statement of profit or loss is based on the concept of insurance service provided during the period.

Accounting policy changes resulting from the adoption of IFRS 17 for the General Insurance business have been applied using a full retrospective approach. Under the full retrospective approach, on 1 January 2022 the Group has identified, recognised and measured each group of insurance contracts as if IFRS 17 requirements had always applied and derecognised previously reported balances that would not have existed if IFRS 17 had always been applied. These implicitly include some deferred acquisition costs for insurance contracts, insurance receivables and payables, and provisions for levies that are attributable to existing insurance contracts. Under IFRS 17, they are included in the measurement of insurance contracts issued and reinsurance contracts held.

The Group is required to use the full retrospective approach for transition from IFRS 4 to IFRS 17 where it is practicable to do so. Where it is impracticable to do so, IFRS 17 permits the use of a modified retrospective approach or a fair value approach. For the Group's life insurance business, it has been concluded that applying the full retrospective approach is impracticable and that the fair value approach is the most appropriate method to apply on transition. The fair value approach uses the fair value of a group of insurance contracts (determined by applying the requirements of IFRS 13 *Fair Value Measurement)* and the fulfilment cash flows at the date of transition to calculate the unearned profit or loss at the transition date. The choice between applying the modified

retrospective approach and the fair value approach impacts the amount of unearned profit or loss recognised at the transition date and future profitability.

Comparative figures in the financial statements have been restated to reflect the impact of adoption of IFRS 17.

Insurance contract liabilities are measured as the sum of the liability for incurred claims (LIC) and liability for remaining coverage (LFRC). The LIC represents the obligation to pay valid claims for insured events that have occurred, which may also include events that have already occurred but have not been reported to the Group. The LFRC represents the Group's liability for insured events that have not yet occurred under the insurance contract. Under IFRS 17, insurance revenue in each reporting period represents the change in the LFRC that relates to services for which the Group expects to receive consideration.

2.1.1 General insurance and reinsurance contracts

(i) Classification

The Group issues general insurance products to both individuals and businesses. The Group offers general insurance products in faith, charity, heritage, education, art and private client and real estate sectors.

The Group does not offer any product with direct participating features.

(ii) Separating components

The Group assesses its insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Group applies IFRS 17 to all remaining components of the host insurance contract. The Group's insurance and reinsurance contracts do not include any components that require separation.

Once the consideration of distinct components has been determined, the Group assesses whether the contract should be separated into several insurance components that, in substance, should be treated as separate contracts. To determine whether a single legal contract does not reflect the substance of the transaction and its insurance components should be recognised and measured separately instead, the Group considers whether there is an interdependency between the different risks covered, whether components can lapse independently of each other and whether the components can be priced and sold separately.

(iii) Level of aggregation

Insurance and reinsurance contracts are aggregated into portfolios and split into annual cohorts and profitability groups for measurement and presentational purposes. The portfolios are comprised of contracts with similar risks which are managed together. Judgement is applied when determining portfolios and includes drivers such as geography, lines of business (where these are separate components) and legal entities within the Group.

Each annual cohort of business recognised within the portfolio is further divided into groups based on the expected profitability, determined at initial recognition and assessed using actuarial valuation models applied to lower level sets of contracts. As a minimum the following groupings are separated:

- Onerous contracts;
- Contracts that have no significant possibility of becoming onerous (based on the probability that changes to assumptions result in contracts becoming onerous); and
- Any remaining contracts.

Contracts are considered onerous if the fulfilment cashflows allocated to that group of contracts in total are a net outflow. Where the Premium Allocation Approach (see section (vi)) is applied, the Group uses an IFRS 17 permitted simplification that assumes that no contracts in a portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. The Group has developed methodology that identifies facts and circumstances that indicate whether a set of contracts is onerous, which is primarily based on internal management budgeting information.

(iv) Recognition and derecognition

An insurance contract issued by the Group is recognised from the earliest of:

- The date the Group is exposed to risk which is ordinarily the beginning of the coverage period (i.e. the period during which the Group provides services in respect of any premiums within the contract boundary of the contract);
- The date the first premium payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; or
- The date when facts and circumstances indicate the contract is onerous.

When a contract is recognised, it is added to an existing group of contracts. However, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future similar contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

The Group derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e. discharged, cancelled or expired); or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Group derecognises the initial contract and recognises a new contract based on the modified terms.

When a modification is not treated as a derecognition, the Group recognises amounts paid or received for the modification with the contract as an adjustment to the relevant LRC.

(v) Contract boundaries

The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. The measurement of a group of contracts includes all the future cash flows within the boundary of each contract in the group, determined as:

Insurance contracts

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends when:

- The Group has the practical ability to reassess the risks of the policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- The Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not consider risks that relate to periods after the reassessment date.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations and, therefore, may change over time.

Reinsurance contracts

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer ends when the Group is no longer compelled to pay amounts to the reinsurer and if the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations and, therefore, may change over time.

(vi) Measurement model – Premium Allocation Approach (PAA)

The Group applies the PAA when measuring the liability for remaining coverage of groups of insurance and reinsurance contracts when the following criteria are met at inception:

Insurance contracts:

- The coverage period of each contract in the group is one year or less; or
- Where the coverage period of a group of contracts is longer than one year, it is reasonably expected that the measurement of the liability for remaining coverage for the group containing those contracts under PAA does not differ materially from the measurement that would be recognised by applying the General Measurement Model (GMM) (see section (iv) of 2.1.2).

Reinsurance contracts held:

- The coverage period of each contract in the group is one year or less; or
- The Group reasonably expects that the resulting measurement of the asset for remaining coverage under the PAA would not differ materially from the result of applying the GMM.

The vast majority of the Group's non-life business has a duration of one year or less and the PAA model is eligible automatically. Where the PAA model is not automatically eligible, financial modelling is performed comparing the financial effects under the two models. Where the financials are not expected to be materially different under the GMM and PAA, the relevant unit of account is treated as PAA eligible.

Initial recognition

On initial recognition of each group of contracts, the carrying amount of the LRC is measured as the premiums received less any insurance acquisition cash flows allocated to the group at that date. For reinsurance contracts held, the measurement of the reinsurance contract held includes all expected cash flows within the boundary of the reinsurance contract, including those cash flows related to recoveries from future underlying insurance contracts that have not yet been issued by the Group, but are expected to be issued during the coverage period of the reinsurance contract held.

Subsequent measurement

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- Increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses; and
- Decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition.

For reinsurance contracts held, at each of the subsequent reporting dates, the Group applies the same accounting policies to measure a group of reinsurance contracts held, adapted where necessary to reflect features that differ from those of insurance contracts.

To identify onerous contracts, the PAA facts and circumstances test uses the latest signed-off Corporate Strategic Plan, identifying sets of contracts with a gross COR > 100% (including risk adjustment), when aligned to the relevant period being tested. Where the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts held.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group recognises a loss within insurance service expenses in the consolidated statement of profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. Measurement of the loss component arising from the identification of onerous contracts is based on the future expected profitability calculation attributed to the annual cohort(s) which are indicated to be loss making.

The Group recognises the LIC of a group of insurance contracts at the discounted amount of the future cash flows relating to claims incurred but not yet settled and attributable expenses.

Discount rates are applied to reflect the time value of money and characteristics of the liability cash flows and contracts (including liquidity).

The change in the LIC due to the effects of the time value of money and financial risk is recognised within the net insurance financial result in the consolidated statement of profit or loss.

The Group recognises the loss arising from onerous contracts as part of the insurance service expense in the statement of comprehensive income. If there are no changes in expectations in subsequent periods, the release of the loss component is recognised as an adjustment to insurance service expenses in the consolidated statement of profit or loss in line with the pattern of earned premium.

(vii) Risk adjustment

The risk adjustment reflects the compensation required by the Group for bearing uncertainty about the cash flows that arises from non-financial risks. The Group uses a combination of techniques to measure the risk adjustment, aligning the risk adjustment to risk management and risk appetite.

The risk adjustment is calibrated separately for earned and unearned business, given that the risk profiles are different and change significantly in nature and diversification type at the point at which business is earned.

The change in the risk adjustment for earned business is recognised within insurance service expenses in the consolidated statement of profit or loss.

(viii) Insurance acquisition cash flows

Insurance acquisition cash flows are costs considered directly attributable to selling, underwriting or starting a portfolio of insurance contracts and are presented within the liability for remaining coverage. Insurance acquisition cash flows include direct costs and indirect costs. The PAA provides an option to expense insurance acquisition cash flows as incurred, however the Group has chosen not to apply this option. Insurance acquisition cash flows are amortised over the coverage period of the group of insurance contracts which they relate to.

Under IFRS 17, insurance acquisition cash flows for insurance contracts, insurance receivables and payables, and provisions for levies that are attributable to existing insurance contracts are included in the measurement of insurance contracts issued and reinsurance contracts held, resulting in the derecognition of some deferred acquisition costs.

(ix) Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and net of cancellations) allocated to the period. The Group allocates the expected premium receipts to each period of insurance contract services based on the passage of time, which is usually 12 months.

For the periods presented, all insurance revenue has been recognised based on the passage of time.

(x) Insurance service expenses

Insurance service expenses include fulfilment and acquisition cash flows which are costs directly attributable to insurance contracts and comprise both direct costs and the allocation of fixed and variable overheads. It is comprised of the following:

- Incurred claims, excluding investment components;
- Other incurred directly attributable expenses;
- Insurance acquisition cash flows amortisation using the pattern that is consistent with the insurance revenue;
- Losses on onerous contracts and reversals of such losses; and
- Adjustments to the LIC that do not arise from the effects of the time value of money, financial risk and changes therein.

Other expenses not meeting the above categories are included in other operating expenses in the consolidated statement of profit or loss.

(xi) Net income or expense from reinsurance contracts

Net income or expense from reinsurance contracts represents the insurance service result for groups of reinsurance contracts held and comprises of the allocation of reinsurance premiums and other incurred directly attributable claims and expenses.

Reinsurance premium and expenses are recognised using the principles used to determine insurance revenue and expenses. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Group expects to pay in exchange for those services.

The estimates of the present value of future cash flows of the reinsurance contracts held will reflect the risk of non-performance by the reinsurer and the risk adjustment for reinsurance contracts held and is measured and recognised separately from insurance contracts issued.

In addition, the allocation of reinsurance premiums includes changes in the reinsurance assets arising from retroactive reinsurance contracts held and voluntary reinstatement ceded premiums.

Reinsurance expenses reflect the allocation of reinsurance premiums paid or payable for receiving services in the period.

The Group treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be recovered under the reinsurance contract held.

(xii) Net insurance financial result

Net insurance financial result comprises the change in the carrying amount of groups of insurance contracts issued and reinsurance contracts held arising from the effect of the time value of money and changes in the time value of money and the effect of financial risk and changes in financial risk.

2.1.2 Life insurance

(i) *Classification*

The adoption of IFRS 17 did not change the classification of the Group's life insurance business contracts. All of the Group's life insurance business contracts written up to April 2013 are classified as insurance contracts and measured in accordance with IFRS 17. Contracts written from August 2021 are classified as investment contracts and measured in accordance with IFRS 9 *Financial Instruments*.

(ii) Level of aggregation

The Group's life insurance business comprises whole of life insurance contracts with similar risks which are managed together. These are aggregated into a single portfolio of insurance contracts.

The portfolio of contracts is divided into groups based on the expected profitability, determined at initial recognition and assessed using actuarial valuation models. As a minimum the following groupings are separated:

- Onerous contracts;
- Contracts that have no significant possibility of becoming onerous (based on the probability that changes to assumptions result in contracts becoming onerous); and
- Any remaining contracts.

As the fair value approach has been applied on transition, the Group is not required to recognise separate cohorts for contracts issued more than one year apart.

(iii) Contract boundary

The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of insurance contracts. The measurement of the contracts includes all the future cash flows within the boundary of each contract in the group.

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends when:

- The Group has the practical ability to reassess the risks of the policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- The Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not consider risks that relate to periods after the reassessment date.

The Group has concluded that it has no practical ability to reassess the risks of its portfolio and set a price to reflect them after inception of the life insurance contract. Therefore no contract boundary is assumed to exist before the expiry of the insurance contract.

(iv) Measurement Model – General Measurement Model (GMM)

The GMM is the default method used to measure insurance contracts under IFRS 17.

Initial recognition

On initial recognition, the carrying amount of the LRC is measured as the sum of discounted probability-weighted fulfilment cash flows within the contract boundary, an explicit risk adjustment and a contractual service margin (CSM), representing the unearned profit of the contract to be recognised as revenue over the coverage period. If the portfolio of contracts is expected to be onerous at inception, the loss is recognised immediately within insurance service expenses in the statement of consolidated profit or loss and the CSM is set to zero.

Subsequent measurement

The carrying amount of the LRC is updated at each reporting date to reflect the re-measurement of the fulfilment cash flows to reflect estimates based on current assumptions. The changes in fulfilment cash flows are reflected either in the insurance service result or by adjusting the CSM, depending upon their nature. If the fulfilment cash flows exceed the CSM, the portfolio of contracts becomes onerous, and the loss is recognised immediately within insurance service expenses in the statement of consolidated profit or loss.

The Group recognises the LIC of a group of insurance contracts at the discounted amount of the fulfilment cash flows relating to claims incurred but not yet settled and attributable expenses.

(v) Risk adjustment

The risk adjustment reflects the compensation required by the Group for bearing uncertainty about the cash flows that arises from non-financial risks. The Group uses the value at risk/confidence level approach, choosing a confidence level and deriving the risk adjustment directly from it. The risk adjustment is calculated at entity level.

(vi) Insurance revenue

The amount of CSM recognised in profit or loss in each period to reflect services provided is determined by considering, for each group of contracts, coverage units that reflect the quantity of the benefits provided in each period and the expected coverage period. Coverage units are reviewed and updated at each reporting date. The quantity of benefits provided is based on the level of maximum benefit provided under the insurance contract and the coverage period is set as the probability-weighted average expected duration for the group of contracts.

(vii) Insurance service expenses

Insurance service expenses include fulfilment cash flows which are costs directly attributable to insurance contracts and comprise both direct costs and the allocation of fixed and variable overheads. It is comprised of the following:

- Incurred claims, excluding investment components;
- Other incurred directly attributable expenses;
- Losses on onerous contracts and reversals of such losses; and
- Adjustments to the LIC that do not arise from the effects of the time value of money, financial risk and changes therein.

Other expenses not meeting the above categories are included in other operating expenses in the consolidated statement of profit or loss.

(viii) Insurance acquisition cash flows

For life insurance contracts, acquisition costs comprise direct costs such as initial commission and the indirect costs of obtaining and processing new business. As with general insurance business, those attributable are included in the measurement of insurance contracts issued and reinsurance contracts held.

2.2 Financial instruments

The Group adopted IFRS 9 *Financial Instruments* from 1 January 2023 replacing IAS 39 *Financial Instruments*. IFRS 9 incorporates new classification and measurement requirements for financial assets and introduces a new impairment model based on expected credit loss which replaces the IAS 39 incurred loss model. As permitted by IFRS 4, the Group deferred the application of IFRS 9 to align with the adoption of IFRS 17 from 1 January 2023.

In accordance with the transition requirements of IFRS 9, the comparative period is not restated and measurement differences arising on transition are reported in opening retained earnings as at 1 January 2023.

The Group's IFRS 9 accounting policies are described below:

(i) Classification and measurement

All financial assets under IFRS 9 are to be initially recognised at fair value, plus or minus (in the case of a financial asset not at FVTPL) transaction costs that are directly attributable to the acquisition of the financial instrument. Classification and subsequent measurement of financial assets depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Debt instruments

There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) are measured at amortised cost. Interest income from these financial assets is included in 'net investment result' using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI, except where an election is made to classify as FVTPL. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'net investment result. Interest income from these financial assets is included in 'net investment result' using the effective interest rate method.
- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. In order to eliminate or significantly reduce an accounting mismatch, an irrevocable election can be made (on an instrument-by-instrument basis) to classify and measure debt instruments at FVTPL instead of amortised cost or FVOCI. A gain or loss on a debt investment that is measured at FVTPL is recognised in profit or loss and presented net within 'net investment result'.

Equity instruments

- FVTPL: By default, the group classifies and measures equity investments at FVTPL. Changes in the fair value of equity instruments at FVTPL are recognised in 'net investment result' in the consolidated statement of profit or loss.
- FVOCI: An irrevocable election can be made (on an instrument-by-instrument basis) on the date of acquisition to classify and measure equity instruments at FVOCI. Designation is not permitted if the equity instrument is held for trading. Where this election has been made, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss within 'net investment result' when the Group's right to receive payments is established.

(ii) Impairment

The Group recognises a forward-looking loss allowance for expected credit losses (ECL) on financial assets measured at amortised cost or FVOCI. ECL is an unbiased, probability-weighted estimate of credit losses and considers all reasonable and supportable information. The impairment methodology applied depends on whether there has been a significant increase in credit risk or default.

The Group elects to apply the simplified approach permitted by IFRS 9 and recognises lifetime ECL for trade receivables and lease receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for current and forecast economic conditions.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected losses that will result from all possible default events over the expected life of a financial instrument. 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. A financial asset is written off to the extent there is no reasonable expectation of recovery. Any subsequent recovery in excess of the financial asset's written down value is credited to profit or loss.

Impairment losses are presented within 'other operating expenses' in the consolidated statement of profit or loss.

3. Adoption of new and revised accounting standards

3.1 IFRS 17 Insurance Contracts

IFRS 17 *Insurance Contracts* replaces IFRS 4 *Insurance Contracts*. The Group adopted IFRS 17 from 1 January 2023 and has restated 2022 comparatives. The transitional provisions within IFRS 17 have been applied. The effect of changes to accounting policies as a result of adopting IFRS 17 are set out below.

(i) Transition

For general insurance (non-life) business in scope of the PAA the Group has used the fully retrospective approach (FRA). On 1 January 2022, the transition date to IFRS 17, the Group identified, recognised and measured each group of non-life insurance contracts as if IFRS 17 had always applied, derecognised any existing balances that would not exist had IFRS 17 always applied and recognised any resulting net difference in equity.

For the Group's life business, the Group has applied judgement when determining whether the FRA is practicable and whether reasonable and supportable information exists. The Group concluded the FRA was impracticable primarily due to the lack of certain data and certain assumptions and calculations would not be possible without the use of hindsight. Therefore, the Group has applied the fair value approach (FVA).

Where the Group has applied the FVA, fair value has been determined in accordance with IFRS 13 *Fair Value Measurement*, except for applying the provisions of paragraph 47 of IFRS 13 relating to demand features. The Group has leveraged existing Solvency II (SII) technical provisions which are consistent with Market Consistent Embedded Value principles. The fair value represents the price a market participant would require to assume the insurance contract liabilities in an orderly transaction.

On transition to IFRS 17 on 1 January 2022, the Group's equity was positively impacted by £5.2m after tax, primarily due to changes that apply IFRS 17 principles to reserving for general insurance liabilities and the application of revised expense allocation models, offset by the establishment of a contractual service margin (CSM) in the life business. IFRS 17 also results in presentation changes as described below.

The following table summarises the impact of IFRS 17 on the Group's consolidated balance sheet on transition:

	As reported 31 December 2022 (IFRS 4) £m	Impact on adoption of IFRS 17 £m	As restated 31 December 2022 (IFRS 17) £m	As restated 1 January 2022 (IFRS 17) £m
Total assets	1,891	(280)	1,611	1,597
Total liabilities	(1,276)	277	(999)	(957)
Total equity	616	(4)	612	640

(ii) Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the Group's insurance contracts. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance and reinsurance contracts. IFRS 17 introduces a general measurement model (GMM) that bases the measurement of a group of contracts on the present value of future cash flows with a risk adjustment for non-financial risk and a CSM representing unearned profit recognised in profit or loss over the period insurance service is provided (the coverage period). Entities have the option to use a simplified measurement model, the premium allocation

approach (PAA), for short-duration contracts; this model is applicable to all the Group's general insurance and reinsurance contracts except in limited circumstances where the GMM is required.

IFRS 17 accounting under the PAA is similar to IFRS 4, but differs as follows:

- The identification of groups of onerous contracts is done at a more granular level than liability adequacy tests performed under IFRS 4. Under IFRS 17, the loss component of onerous contracts measured based on projected profitability is recognised immediately in profit or loss, potentially resulting in earlier recognition compared to IFRS 4.
- The liability for incurred claims includes an explicit risk adjustment. The Group's approach to IFRS 4 risk margins reflected reserving risk appetite considering the inherent uncertainty in the net discounted claim liabilities estimates, whereas the IFRS 17 risk adjustment more explicitly requires consideration of the compensation required for bearing the uncertainty that arises from non-financial risk. As with risk margins, the risk adjustment includes any benefit of diversification considered by the entity.

(iii) Changes to presentation and disclosure

IFRS 17 provides specific guidance for the presentation and disclosures of insurance and reinsurance contracts. Groups of insurance contracts issued that are either asset or liabilities, and groups of reinsurance contracts held that are either assets or liabilities are presented separately in the statement of financial position. The presentation of insurance revenue and expenses within the consolidated statement of profit of loss is based on the concepts of insurance services being provided during the period.

Consolidated statements of profit or loss

Changes introduced by IFRS 17 require separate presentation of insurance revenue, insurance service expenses and net insurance financial result. Gross written premiums, outward reinsurance premiums, net change in provision for unearned premium, net earned premiums, claims and change in insurance liabilities and reinsurance recoveries are no longer disclosed.

Consolidated statement of financial position

IFRS 17 introduces changes to the statement of financial position. Previous line items insurance contract liabilities, deferred acquisition costs and insurance debtors and creditors included within other assets and liabilities are now presented together within insurance contract liabilities. Previously reported reinsurers' share of contract liabilities and reinsurance debtors and creditors within other assets and liabilities are presented together within reinsurance contract assets.

3.2 IFRS 9 Financial instruments

The Group adopted IFRS 9 *Financial instruments* on 1 January 2023. The comparative information was not restated and continues to be reported under IAS 39 *Financial instruments*. The reclassifications and adjustments arising from the new expected credit loss provisions are therefore not reflected in the restated balance sheet as at 31 December 2022, but are recognised in the opening balance sheet on 1 January 2023. The net impact to retained earnings as a result of the adoption of IFRS 9 at 1 January 2023 was a reduction of £1.4m on amortised cost loans and receivables resulting from the replacement of credit loss provisions measured under IAS 39 to expected credit loss provisions in accordance with the IFRS 9 credit loss model.

The following table summarises the classification and measurement impacts of IFRS 9 on transition:

	Measurement category		**Carrying amount**		
Financial assets	**Original (IAS 39)**	**New (IFRS 9)**	**As previously reported (IAS 39)**	**Impact of IFRS 9[2]**	**IFRS 9**
			£000	**£000**	**£000**
Equity securities	FVTPL	FVTPL	354,023	-	354,023
Debt securities	FVTPL	FVTPL	459,719	-	459,719
Structured notes	FVTPL	FVTPL	56,138	-	56,138
Derivatives[1]	Hedge accounted derivatives	FVOCI	655	-	655
	FVTPL	FVTPL	100	-	100
Other loans	Loans and receivables	Amortised cost	114	-	114
Other assets	Loans and receivables	Amortised cost	140,246	(1,395)	138,851
Cash and cash equivalents	Loans and receivables	Amortised cost	104,664	-	104,664

[1] Derivatives accounted for as a hedge of a net investment in a foreign operation (net investment hedge) were, and continue to be measured at FVOCI. Derivatives not accounted for as a net investment hedge or acquired principally for the purpose of selling in the near term are measured at FVTPL.

[2] The impact on adoption of IFRS 9 is from the application of the Group's IFRS 9 expected credit loss model accounting policy. The reclassifications of the financial instruments on adoption of IFRS 9 did not result in any changes to measurements.
No changes have arisen from the more principles-based hedge accounting requirements.

4. Critical accounting estimates and judgements

In preparing these interim financial statements and applying the Group's accounting policies, the Directors have made judgements and estimates based on their best knowledge of current circumstances and expectation of future events. The judgements made in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 31 December 2022 consolidated financial statements. Estimates and their underlying assumptions continue to be reviewed on an ongoing basis with revisions to estimates being recognised prospectively. There have been no significant changes since 31 December 2022 except for those resulting from the adoption of IFRS 17 *Insurance contracts* and IFRS 9 *Financial instruments*. Management have considered the current economic environment including the impact of high inflation in their estimates and judgements.

IFRS 17: Insurance and reinsurance contracts

Level of aggregation accounting judgement

The Group separates insurance contracts into portfolios of similar risks that are managed together. For the non-life business the majority of the Group's insurance contracts represent a combination of component risks which are sold as an overall product and this unit has not been unbundled because the combination is not solely for administrative or customer convenience. For contracts eligible for the PAA (materially all of the non-life business), the primary indicator of the portfolios for gross business has been judged to be the geographic territory of the risk. The life business represents a separate portfolio, as a single product line. Portfolios of insurance contacts are divided into profitability groups for measurement purposes. Under the PAA model the default assumption is made that no groups are onerous unless facts and circumstances indicate otherwise, which is determined through review for go-forward expected losses for groupings identified in the Group Corporate Strategic Plan.

Risk adjustment accounting judgement

A risk adjustment for non-financial risk is determined to reflect the compensation that the Group would require for bearing non-financial risk and its degree of risk aversion. The risk adjustment for non-financial risk has been determined using a combination of confidence level techniques, and scenarios, with the judgement made that the techniques previously used for quantifying reserve risk appetite and setting reserves explicitly above the best estimate represent the most appropriate mechanism for quantifying compensation required.

Discount rates accounting estimate

IFRS 17 requires entities to determine discount rates that reflect the characteristics of the liabilities using either the 'bottom up' or 'top down' approach. The 'top down' approach involves using discount rate curves derived from a portfolio of reference assets adjusted to remove all characteristics of the assets that are not present in insurance contracts, but not requiring to eliminate the illiquidity premium. The Group selected to continue to apply its previous practice for non-life business of using the 'bottom up' approach which requires the use of risk-free rate curves and adding the illiquidity premium, and moving the life business discounting to a similar method. The Group derives illiquidity by reference to the illiquidity estimated to apply to a suitable reference portfolio of assets with similar liquidity characteristics.

Transition accounting judgement

For the Group's life business, the choice of transition approach has created a judgement when determining whether the FRA is practicable and whether reasonable and supportable information exists. The Group concluded the FRA was impracticable primarily due to the lack of certain data and certain assumptions and calculations would not be possible without the use of hindsight.

The IFRS 17 Standard does not specify how the fair value of a group of contracts at the transition date should be calculated. IFRS 13 defines the fair value as, "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." An approach based on Solvency II technical provisions has been used to leverage existing data and processes to calculate the fair value. The fair value was calculated as a best estimate liability plus a cost of the capital that a market participant would be required to hold.

IFRS 9: Financial instruments

Classification of financial instruments accounting judgement

The Group exercises judgement in assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding. The Group assesses its business models at a portfolio level based on its objectives for the relevant portfolio, how the performance of the portfolio is managed and reported, and the frequency of asset sales and has concluded on the classification category of each portfolio of financial instrument in accordance with IFRS 9. Other than in relation to the implementation of IFRS 17 and IFRS 9, there have been no significant changes in the basis upon which judgement and estimates have been determined, compared to that applied at 31 December 2022.

Other key areas of critical accounting judgement and estimation uncertainty that have the most significant effect on the interim financial statements are further disclosed in note 2 of the Annual Report and Accounts for the year ended 31 December 2022.

5. Risk management

The principal risks and uncertainties, together with details of the financial risk management objectives and policies of the Group, have not changed significantly during the first half of the year. These risks are disclosed in the latest annual report.

6. Segment information

The Group’s primary operating segments are based on geography and are engaged in providing general insurance and life insurance services. The Group also considers investments a separate reporting segment, also based on geography. Expenses relating to Group management activities are included within 'Corporate costs'. The Group’s life insurance business is carried out within the United Kingdom.

The Group’s chief operating decision maker is considered to be the Group Management Board whose members include the company’s executive directors.

The activities of each operating segment are described below.

- General insurance 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 and operations that are in run-off or not separately reportable due to their immateriality.

- Life insurance business

Ecclesiastical Life Limited provides long-term policies to support funeral planning products. The business reopened to new investment business in 2021 but it is closed to new insurance business.

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.

Segment performance

The Group uses the following key measures to assess the performance of its operating segments:

- Gross written premium
- Underwriting result
- Investment return

Gross written premium is the measure used in internal reporting for turnover of the general and life insurance business segments. The underwriting result is used as a measure of profitability of the insurance business segments. The investment return is used as a profitability measure of the Group’s investments. Gross written premium and underwriting result are attributed to the geographical region in which the customer is based.

The Group also 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 gross written premiums, underwriting profit or loss and COR, which are alternative performance measures, are detailed in note 18.

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

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

Segment gross written premiums

Gross written premiums	**6 months ended 30.06.23 £000**	6 months ended 30.06.22 £000	12 months ended 31.12.22 £000
General business			
United Kingdom and Ireland	**190,949**	165,501	344,788
Australia	**54,238**	54,201	99,698
Canada	**40,329**	39,547	108,761
Other insurance operations	**2,681**	2,644	5,297
Total	**288,197**	261,893	558,544
Life business	**(23)**	(8)	7
Group revenue	**288,174**	261,885	558,551

Segment results

6 months ended 30 June 2023	***Combined operating ratio***	**Underwriting £000**	**Investments £000**	**Other £000**	**Total £000**
General business					
United Kingdom and Ireland	**106.6%**	**(6,465)**	**13,692**	**(1,334)**	**5,893**
Australia	**97.8%**	**462**	**3,512**	**(454)**	**3,520**
Canada	**86.8%**	**4,993**	**2,063**	**(65)**	**6,991**
Other insurance operations		**1,357**	**-**	**-**	**1,357**
	99.8%	**347**	**19,267**	**(1,853)**	**17,761**
Life business		**457**	**1,950**	**-**	**2,407**
Corporate costs		**-**	**-**	**(10,639)**	**(10,639)**
Other activities		**-**	**-**	**719**	**719**
Profit/(loss) before tax		**804**	**21,217**	**(11,773)**	**10,248**

6 months ended 30 June 2022	*Combined operating ratio*	Underwriting £000	Investments £000	Other £000	Total £000
General business					
United Kingdom and Ireland	94.5%	4,843	(21,521)	(646)	(17,324)
Australia	88.8%	2,266	3,109	(69)	5,306
Canada	85.9%	5,056	(1,270)	(74)	3,712
Other insurance operations		747	787	-	1,534
	91.3%	12,912	(18,895)	(789)	(6,772)
Life business		(293)	(7,280)	-	(7,573)
Corporate costs		-	-	(11,330)	(11,330)
Profit/(loss) before tax		12,619	(26,175)	(12,119)	(25,675)

12 months ended 31 December 2022	*Combined operating ratio*	Underwriting £000	Investments £000	Other £000	Total £000
General business					
United Kingdom and Ireland	87.1%	23,618	(13,301)	(1,962)	8,355
Australia	99.0%	409	1,441	(131)	1,719
Canada	88.1%	8,886	(764)	(146)	7,976
Other insurance operations		(1,395)	648	-	(747)
	89.6%	31,518	(11,976)	(2,239)	17,303
Life business		49	(7,191)	-	(7,142)
Corporate costs		-	-	(25,743)	(25,743)
Profit/(loss) before tax		31,567	(19,167)	(27,982)	(15,582)

7. Net investment return

	30.06.23 £000	*Restated ** 30.06.22 £000	*Restated ** 31.12.22 £000
Investment income	**21,143**	14,232	30,682
Fair value movements on financial instruments at fair value through profit or loss	**(3,544)**	(87,554)	(72,912)
Fair value movements on investment property	**(2,862)**	7,789	(21,209)
Net investment return/(loss)	**14,737**	(65,533)	(63,439)

* The comparative financial statements have been restated as detailed in note 3.

8. Tax

Income tax for the six month period is calculated at rates representing the best estimate of the average annual effective income tax rate expected for the full year, applied to the pre-tax result of the six month period.

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 period-end date.

9. Preference shares

Interim dividends paid on the 8.625% Non-Cumulative Irredeemable Preference shares amounted to £4.6m (H1 2022: £4.6m). At the point these dividends were paid, consideration was given to the distributable reserves and capital position.

10. Financial investments

Financial investments summarised by measurement category are as follows:

	30.06.23	30.06.22	31.12.22
	£000	£000	£000
Financial investments at fair value through profit or loss			
Equity securities			
- listed	**266,198**	244,973	268,623
- unlisted	**79,140**	61,612	85,400
Debt securities			
- government bonds	**217,761**	199,092	206,394
- listed	**227,247**	284,022	253,325
- unlisted	**-**	34	-
Structured notes	**73,952**	33,232	56,138
Derivative financial instruments			
- options	**100**	365	100
- forwards	**1,650**	-	-
	866,048	823,330	869,980
Financial investments at fair value through other comprehensive income			
Derivative financial instruments			
- forwards	**1,000**	-	655
Total financial investments at fair value	**867,048**	823,330	870,635
Measured at amortised cost			
Other loans	**74**	571	114
Total financial investments	**867,122**	823,901	870,749

11. Financial instruments held at fair value disclosures

IAS 34 requires that interim financial statements include certain disclosures about the fair value of financial instruments set out in IFRS 13 *Fair Value Measurement* and IFRS 7 *Financial Instruments Disclosures*.

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

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

Level 2: fair values measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (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 period or prior period.

	Fair value measurement at the end of the reporting period based on			
	Level 1	Level 2	Level 3	Total
30 June 2023	**£000**	**£000**	**£000**	**£000**
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	**266,199**	**-**	**79,139**	**345,338**
Debt securities	**444,196**	**812**	**-**	**445,008**
Structured notes	**-**	**73,952**	**-**	**73,952**
Derivative financial instruments	**-**	**1,750**	**-**	**1,750**
	710,395	**76,514**	**79,139**	**866,048**
Financial assets at fair value through other comprehensive income				
Financial investments				
Hedged accounted derivatives	**-**	**1,000**	**-**	**1,000**
Total financial assets at fair value	**710,395**	**77,514**	**79,139**	**867,048**
Financial liabilities at fair value through profit or loss				
Investment contract liabilities	**-**	**74,992**	**-**	**74,992**
	-	**74,992**	**-**	**74,992**
Financial liabilities at fair value through other comprehensive income				
Other liabilities				
Hedged accounted derivatives	**-**	**37**	**-**	**37**
Total financial liabilities at fair value	**-**	**75,029**	**-**	**75,029**
30 June 2022				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	244,441	206	61,939	306,586
Debt securities	481,776	1,337	34	483,147
Structured notes	-	33,232	-	33,232
Derivative financial instruments	-	365	-	365
	726,217	35,140	61,973	823,330
Financial assets at fair value through other comprehensive income				
Financial investments				
Derivative financial instruments	-	-	-	-
Total financial assets at fair value	726,217	35,140	61,973	823,330
Financial liabilities at fair value through profit or loss				
Other liabilities				
Derivative financial instruments	-	1,493	-	1,493
Investment contract liabilities	-	38,649	-	38,649
	-	40,142	-	40,142
Financial liabilities at fair value through other comprehensive income				
Other liabilities				
Hedged accounted derivatives	-	835	-	835
Total financial liabilities at fair value	-	40,977	-	40,977

31 December 2022				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	268,297	-	85,726	354,023
Debt securities	458,420	1,299	-	459,719
Structured notes	-	56,138	-	56,138
Derivative financial instruments	-	100	-	100
	726,717	57,537	85,726	869,980
Financial assets at fair value through other comprehensive income				
Financial investments				
Hedged accounted derivatives	-	655	-	655
Total financial assets at fair value	726,717	58,192	85,726	870,635
Financial liabilities at fair value through profit or loss				
Other liabilities				
Derivative financial instruments	-	2,475	-	2,475
Investment contract liabilities	-	58,479	-	58,479
	-	60,954	-	60,954
Financial liabilities at fair value through other comprehensive income				
Other liabilities				
Hedged accounted derivatives	-	759	-	759
Total financial liabilities at fair value	-	61,713	-	61,713

Fair value measurements in level 3 consist of financial assets, analysed as follows:

	Financial assets at fair value through profit or loss		
	Equity securities £000	**Debt securities £000**	**Total £000**
2023			
At 1 January	**85,726**	**-**	**85,726**
Total losses recognised in profit or loss	**(6,587)**	**-**	**(6,587)**
At 30 June	**79,139**	**-**	**79,139**
Total losses for the period included in profit or loss for assets held at the end of the reporting period	**(6,587)**	**-**	**(6,587)**
2022			
At 1 January	68,947	34	68,981
Total losses recognised in profit or loss	(7,009)	-	(7,009)
At 30 June	61,938	34	61,972
Total losses for the period included in profit or loss for assets held at the end of the reporting period	(7,009)	-	(7,009)
2022			
At 1 January	68,947	34	68,981
Total gains/(losses) recognised in profit or loss	16,779	(34)	16,745
At 31 December	85,726	-	85,726
Total gains/(losses) for the period included in profit or loss for assets held at the end of the reporting period	16,780	(34)	16,746

All the above gains or losses included in profit or loss for the period are presented in net investment return within the consolidated 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 not traded on active markets. Their fair value is linked to an index that reflects the performance of an underlying basket of observable securities, including derivatives, provided by an independent calculation agent.

Investment contract liabilities (Level 2)

These financial liabilities are not traded on active markets. Their fair value is obtained directly from the value of structured notes which are linked to an index that reflects the performance of an underlying basket of observable securities, including derivatives, provided by an independent calculation agent. The fair value is also subject to a minimum guarantee.

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-tangible book ratio, 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 or credit rating discount applied changes by +/-10%, the value of unlisted equity securities could move by +/-£9m (H1 2022: +/-£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.

12. Changes in estimates

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

During the six month period, changes to claims reserve estimates made in prior years as a result of reserve development resulted in a net increase in reserves of £0.8m (H1 2022: £1.0m decrease).

The estimation of the ultimate liability arising from claims made under life insurance business contracts is also a critical accounting estimate. Estimates are made as to the expected number of deaths in each future year until claims have been paid on all policies, as well as expected future real investment returns from assets backing life insurance contracts. During the six month period there was a £0.8m decrease (H1 2022 restated: £5.9m decrease) in reserves due to discount rate movements.

13. Translation and hedging reserve

	Translation reserve £000	Hedging reserve £000	Total £000
2023			
At 1 January	**18,838**	**718**	**19,556**
Losses on currency translation differences	**(6,873)**	**-**	**(6,873)**
Gains on net investment hedges	**-**	**5,827**	**5,827**
Attributable tax	**-**	**(1,112)**	**(1,112)**
At 30 June	**11,965**	**5,433**	**17,398**
2022			
At 1 January	13,196	4,407	17,603
Gains on currency translation differences	8,061	-	8,061
Losses on net investment hedges	-	(6,496)	(6,496)
Attributable tax	-	1,286	1,286
At 30 June (as restated*)	21,257	(803)	20,454
2022			
At 1 January	13,196	4,407	17,603
Gains on currency translation differences	5,642	-	5,642
Losses on net investment hedges	-	(4,514)	(4,514)
Attributable tax	-	825	825
At 31 December (as restated*)	18,838	718	19,556

* The comparative financial statements have been restated as detailed in note 3.

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.

14. Insurance contract liabilities and reinsurers' share of contract liabilities

	30.06.23	*Restated ** 30.06.22	*Restated ** 31.12.22
	6 months	6 months	12 months
	£000	£000	£000
Gross			
Insurance contract liabilities for incurred claims	**636,123**	632,334	636,638
Insurance contract liabilities for remaining coverage	**86,587**	88,706	93,645
Life business provision	**55,373**	63,412	59,263
Total gross insurance contract liabilities	**778,083**	784,452	789,546
Recoverable from reinsurers			
Reinsurance contract assets for incurred claims	**196,572**	195,149	202,474
Reinsurance contract assets for remaining coverage	**53,730**	47,032	37,650
Total reinsurance contract assets	**250,302**	242,181	240,124
Net			
Insurance contract liabilities for incurred claims	**439,551**	437,185	434,164
Insurance contract assets for remaining coverage	**32,857**	41,674	55,995
Life business provision	**55,373**	63,412	59,263
Total net insurance contract liabilities	**527,781**	542,271	549,422

* The comparative financial statements have been restated as detailed in note 3.

Risk adjustment of £63.0m net of reinsurance has been included in the measurement of closing net insurance contract liabilities, representing an increase over the half year of £0.8m (H1 2022 restated: increase of £0.3m).

The table below provides an analysis of the insurance result:

	30.06.23	*Restated ** 30.06.22	*Restated ** 31.12.22
	6 months	6 months	12 months
	£000	£000	£000
Insurance revenue	**284,082**	257,858	534,894
Incurred claims and other insurance service expenses	**(183,878)**	(188,069)	(363,268)
Losses on onerous contracts and reversal of those losses	**(348)**	268	(781)
Insurance acquisition cash flows amortisation	**(41,594)**	(40,902)	(80,423)
Insurance service expenses	**(225,820)**	(228,703)	(444,472)
Insurance service result before reinsurance contracts held	**58,262**	29,155	90,422
Allocation of reinsurance premiums	**(76,104)**	(64,067)	(130,675)
Recoveries of incurred claims and other insurance service expenses	**40,707**	62,187	105,086
Recoveries of losses on onerous contracts and reversal of those losses	**132**	(213)	814
Net expense from reinsurance contracts	**(35,265)**	(2,093)	(24,775)
Insurance service result	**22,997**	27,062	65,647
Finance income from insurance contracts issued	**1,787**	47,310	54,566
Finance income/(expense) from reinsurance contracts held	**819**	(7,418)	(6,704)
Net insurance financial result	**2,606**	39,892	47,862
Total amount recognised in the condensed consolidated statement of profit or loss	**25,603**	66,954	113,509

* The comparative financial statements have been restated as detailed in note 3.

15. Subordinated debt

	30.06.23	30.06.22	31.12.22
	6 months	6 months	12 months
	£000	£000	£000
6.3144% EUR 30m subordinated debt	**25,363**	25,049	25,818

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.

16. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

Charitable grants to the ultimate parent company are disclosed in the condensed consolidated statement of changes in equity.

There have been no material related party transactions in the period or changes thereto since the latest annual report which require disclosure.

17. Ultimate parent company and controlling party

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

18. Reconciliation of Alternative Performance Measures

The Group uses alternative performance measures (APMs) in addition to the figures which are prepared in accordance with IFRS. The financial measures in our key financial performance data include gross written premiums and the combined operating ratio (COR). These measures are commonly used in the industries we operate in and we believe they 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.

The tables below provide a reconciliation of the gross written premiums and the combined operating ratio to their most directly reconcilable line items in the financial statements.

		30.06.23 6 months £000
Gross written premiums		**288,197**
Change in the gross unearned premium provision		**(7,671)**
Insurance revenue	**[1]**	**280,526**

		30.06.23					
		Underwriting		Investment return	Corporate costs	Other income and charges	Total
		General £000	Life £000	£000	£000	£000	£000
Insurance revenue	**[1]**	**280,526**	**3,206**	**353**	**-**	**(3)**	**284,082**
Insurance service expenses		**(228,380)**	**(3,169)**	**5,941**	**-**	**(212)**	**(225,820)**
Insurance service result before reinsurance contracts held		**52,146**	**37**	**6,294**	**-**	**(215)**	**58,262**
Net expense from reinsurance contracts		**(35,265)**	**-**	**-**	**-**	**-**	**(35,265)**
Insurance service result		**16,881**	**37**	**6,294**	**-**	**(215)**	**22,997**
Net insurance financial result		**-**	**837**	**1,769**	**-**	**-**	**2,606**
Net investment result		**-**	**119**	**14,618**	**-**	**-**	**14,737**
Other operating expenses		**(16,534)**	**(536)**	**(1,464)**	**(10,639)**	**719**	**(28,454)**
Other finance costs		**-**	**-**	**-**	**-**	**(1,638)**	**(1,638)**
Profit/(loss) before tax	**[2]**	**347**	**457**	**21,217**	**(10,639)**	**(1,134)**	**10,248**

Reconciliation to net earned premiums

Insurance revenue	**[1]**	**280,526**
Outward reinsurance premiums earned		**(119,423)**
Net earned premiums	**[3]**	**161,103**
Combined operating ratio = ([3] - [2]) / [3]		**99.8%**

The underwriting profit of the Group is defined as the profit/(loss) before tax 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 ([3] - [2]) / [3].

		30.06.22 6 months £000
Gross written premiums		261,893
Change in the gross unearned premium provision		(7,568)
Insurance revenue	[1]	254,325

		30.06.22					
		Underwriting		**Investment return**	**Corporate costs**	**Other income and charges**	**Total**
		General	**Life**				
		£000	**£000**	**£000**	**£000**	**£000**	**£000**
Insurance revenue	[1]	254,325	3,246	289	-	(2)	257,858
Insurance service expenses		(226,064)	(2,737)	82	-	16	(228,703)
Insurance service result before reinsurance contracts held		28,261	509	371	-	14	29,155
Net expense from reinsurance contracts		(2,093)	-	-	-	-	(2,093)
Insurance service result		26,168	509	371	-	14	27,062
Net insurance financial result		-	5,873	34,019	-	-	39,892
Net investment result		-	(6,604)	(58,929)	-	-	(65,533)
Other operating expenses		(13,256)	(71)	(1,636)	(11,330)	-	(26,293)
Other finance costs		-	-	-	-	(803)	(803)
Profit/(loss) before tax	[2]	12,912	(293)	(26,175)	(11,330)	(789)	(25,675)

Reconciliation to net earned premiums

Insurance revenue	[1]	254,325
Outward reinsurance premiums earned		(105,853)
Net earned premiums	[3]	148,472
Combined operating ratio = ([3] - [2]) / [3]		91.3%

		31.12.22 12 months £000
Gross written premiums		558,544
Change in the gross unearned premium provision		(30,619)
General Measurement Model insurance revenue		25
Insurance revenue	[1]	527,950

		31.12.22					
		Underwriting		**Investment return**	**Corporate costs**	**Other income and charges**	**Total**
		General	**Life**				
		£000	**£000**	**£000**	**£000**	**£000**	**£000**
Insurance revenue	[1]	527,950	6,311	642	-	(9)	534,894
Insurance service expenses		(437,738)	(5,267)	(1,693)	-	226	(444,472)
Insurance service result before reinsurance contracts held		90,212	1,044	(1,051)	-	217	90,422
Net expense from reinsurance contracts		(24,775)	-	-	-	-	(24,775)
Insurance service result		65,437	1,044	(1,051)	-	217	65,647
Net insurance financial result		-	10,196	37,666	-	-	47,862
Net investment result		-	(10,737)	(52,702)	-	-	(63,439)
Other operating expenses		(33,919)	(454)	(3,080)	(25,743)	-	(63,196)
Other finance costs		-	-	-	-	(2,456)	(2,456)
Profit/(loss) before tax	[2]	31,518	49	(19,167)	(25,743)	(2,239)	(15,582)

Reconciliation to net earned premiums

Insurance revenue	[1]	527,950
Outward reinsurance premiums earned		(223,955)
General Measurement Model revenue		(25)
Net earned premiums	[3]	303,970

Combined operating ratio = ([3] - [2]) / [3] 89.6%

RESPONSIBILITY STATEMENT

Each of the directors, whose names and functions are listed in the Board of Directors section of the Company's latest Annual Report and Accounts, confirm that, to the best of their knowledge:

(a) the consolidated interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and gives a true and fair view of the assets, liabilities, financial position and performance of the Company;

(b) the interim management report includes a fair review of the information required by:

- DTR 4.2.7R being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- DTR 4.2.8R being material related party transactions in the first six months of the financial year and any material changes in the related party transactions described in the last Annual Report and Accounts.

By order of the Board
Mark Hews
Group Chief Executive
26 September 2023

DISCLAIMER

Certain statements in this document are forward-looking with respect to plans, goals and expectations relating to the future financial position, business performance and results of the Group and wider group. The statements are based on the current expectations of management of the Group. Management believe that the expectations reflected in these forward-looking statements are reasonable, however, can give no assurance that these expectations will prove to be an accurate reflection of actual results. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the Group's ability to control or estimate precisely including, amongst other things, UK domestic and global economic and business conditions, market-related risks, inflation, the impact of competition, changes in customer preferences, risks relating to sustainability and climate change, the policies and actions of regulatory authorities, the impact of tax or other legislation and other regulations in the jurisdictions in which the Group operates.

Independent review report to Ecclesiastical Insurance Office plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Ecclesiastical Insurance Office plc's condensed consolidated interim financial statements (the "interim financial statements") in the 2023 interim results of Ecclesiastical Insurance Office plc for the 6 month period ended 30 June 2023 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Condensed Consolidated Statement of Financial Position as at 30 June 2023;
- the Condensed Consolidated Statement of Profit or Loss and Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Statement of Cash Flows for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the 2023 interim results of Ecclesiastical Insurance Office plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the 2023 interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The 2023 interim results, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the 2023 interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the 2023 interim results, including the interim financial statements, the directors are responsible for assessing the group'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 to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the 2023 interim results based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

PricewaterhouseCoopers LLP
Chartered Accountants
Bristol
26 September 2023