Ecclesiastical Insurance Office plc

Half-yearly financial report for 6 months to 30 June 2015

Ecclesiastical Insurance Office plc

Contents

Ecclesiastical Insurance Office plc

Interim management report (unaudited)

In our annual report and accounts we set out the transformation of performance delivered in 2014, and our intention to build on that success in 2015. Our vision and strategic aims outlined in that report are underpinned by the on-going delivery of our clear and consistent business plans and ambitious Group-wide change programme.

I am pleased to report continued success in the first half of 2015. We have seen strong underwriting performance across all our business units and profit before tax in the first half of the year was £35.3m, which exceeded our expectations.

Achieving growth has been challenging as all our markets remain very competitive. In the UK and Ireland another year of benign weather has meant very good underwriting results for property insurers, but has also put rates under pressure. Faced with these market conditions we have maintained our disciplined approach to underwriting and, combined with the final stages of reshaping our portfolio during 2014, this has meant that gross written premium (GWP) fell £10.5m to £153.9m at the half-year. Our underwriting profit was £14.3m (H1 2014: £3.8m), with a combined operating ratio (COR) of 85.8% (H1 2014: 96.7%).

Strong half-year results mean we are able to pay a further substantial charitable grant to our owner, Allchurches Trust. A grant of £15m will be paid in early September which will take our total charitable giving since the start of 2014 to £40.3m, well on track to reach our key strategic goal of donating £50m to charity over the three years to the end of 2016.

Most trusted specialist insurer

UK and Ireland

The actions we took during 2013 and 2014 to address losses in our liability business have delivered the anticipated step change in performance; half-year underwriting profits for liability are higher than anticipated. Performance of the property portfolio has also exceeded expectations, largely due to the very benign weather. Our UK and Ireland business delivered an overall underwriting profit of £13.8m and a COR of 81.9% (H1 2014: £3.9m profit, COR 95.7%).

The completion of our exit from the non-charity care segment and finalisation of other actions taken to improve profitability in our liability business mean premiums are below this time last year. GWP was £115.0m in the six months to 30 June 2015 (H1 2014: £124.7m).

Australia

Our business in Australia has continued to deliver improved performance, returning to an underwriting profit for the first time since the catastrophe events of 2010 and 2011. The Australian portfolio achieved an underwriting profit of £0.1m and a COR of 98.3% (H1 2014: £0.6m loss, COR 106.6%).

Canada

The start of the year was challenging with severe weather events, and one of the coldest Canadian winters on record, significantly affecting property business. Despite this, our Canadian business has continued to deliver stable underwriting performance reporting a half-year underwriting profit of £0.5m and a COR of 96.9% (H1 2014: £0.6m profit, COR 95.5%). GWP has increased 12% (8% after exchange rate movements) to £17.6m as a result of strong premium retention and on-target new business wins.

Investment return

Geopolitical uncertainty and low levels of growth continue to contribute to volatility in equity markets and low bond yields respectively. We continue to maintain an equity portfolio diversified both by geography and market sector to reduce our level of exposure to equity price volatility. Our approach to management of risks resulting from the Group's exposure to financial markets is outlined in note 4 to our latest annual report.

With our conservative bond portfolio and relatively high exposure to equity markets, our investment performance for the first six months has been in line with expectations. The investment return on our general insurance funds was £18.1m (H1 2014: £11.5m).

Ecclesiastical Insurance Office plc

Interim management report (unaudited)

Best ethical investment provider
Our investment management division has had an exciting and successful start to the year. A significant milestone was reached in its growth and development with a successful rebrand of the business as EdenTree Investment Management.

Building on a long and successful past, the decision to rebrand was based on a desire to reach a wider audience and to firmly establish EdenTree as the responsible investment choice for advisers and their clients. Supporting the new brand was the launch of a new EdenTree website, digital advertising, use of social media and national outdoor advertising. The team also delivered a new front office IT platform to support investment trading and compliance activities.

Against challenging investment markets, net inflows of £42m were 31% ahead of the same period last year and assets under management in our pooled funds increased by 6% in the first six months of the year, with total assets under management reaching £2.4bn. EdenTree reported a profit of £1.6m (H1 2014: £2.1m profit), the decrease from 2014 reflecting the investment we have made in the business in the first half of the year.

Most trusted specialist adviser
SEIB Insurance Brokers had a challenging start to the year but continues to provide a stable flow of income for the Group, returning a profit before tax of £1.3m (H1 2014: £1.4m).

Our team of fully independent advisers, Ecclesiastical Financial Advisory Services (EFAS), continue to review and refine their offering to the Anglican clergy. Following the successful sale of its small mortgage portfolio at the start of the year, the business reported a small half-year loss of £0.2m (H1 2014: £nil).

Life business
Ecclesiastical Life Limited reported a profit before tax of £0.2m at the half year (H1 2014: £0.4m) following the decision in 2013 to cease writing new funeral plan business. This is in line with our expectations that modest profits will emerge as the existing book runs off.

Related party transactions
Related party transactions and changes to them since the last annual report are disclosed in note 8 to the condensed set of financial statements. The latest annual report is available from the registered office and at www.ecclesiastical.com/general/investorrelations/reportandaccounts.

Principal risks and uncertainties
The principal risks and uncertainties that could have a material impact on the Group's performance, such that actual results differ from expected and historical results, are detailed in note 1 to the condensed set of financial statements. The principal risks and uncertainties that were disclosed in the Risk Management section of the Strategic Report and notes 3 and 4 to our latest annual report still apply.

Going concern
The Group has considerable financial resources: financial investments of £868.6m, 97% of which are liquid (H1 2014: financial investments of £912.2m, 97% liquid); cash and cash equivalents of £98.2m and no borrowings (H1 2014: cash and cash equivalents of £89.8m and no borrowings); and a regulatory enhanced capital cover of 3.2 (H1 2014: 2.6). As a consequence, the Directors have a reasonable expectation that the Group is well-placed to manage its business risks successfully and continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half-yearly financial report.

There have been no material subsequent events to disclose in this report.

Outlook

We have had a successful start to the year and are very pleased with the continuing consistent financial performance across all our business units.

We operate in a challenging commercial environment, and we expect the current tough conditions to continue for all our businesses into 2016. We will continue to balance our desire for moderate, profitable growth over the coming years with the need to manage our exposure to risk, particularly when we believe prices are at unrealistic levels. We have plenty of room for profitable growth in our chosen specialist niches where we can demonstrate our expertise and deliver superior customer service, but we will not write business at any price and jeopardise our future success or sustainability.

We have a clear strategy and the resources, skills and desire to deliver it. I remain confident that we can continue to make a real difference to the lives of people in the markets and communities in which we operate.

I thank our employees, our customers and our business partners for their ongoing loyalty and support as we continue towards our goal of giving £50m to charity over three years, working together for the greater good.

Mark Hews
Group Chief Executive

Ecclesiastical Insurance Office plc

Responsibility statement (unaudited)

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34, 'Interim Financial Reporting' and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole;

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

The Board of Directors is as per the latest audited annual financial statements.

By order of the Board,

Mark Hews
Group Chief Executive

Will Samuel
Chairman

25 August 2015

Ecclesiastical Insurance Office plc

Condensed consolidated statement of profit or loss (unaudited)

for the 6 months to 30 June 2015

	30.06.15 6 months £000	30.06.14 6 months £000	31.12.14 12 months £000
Revenue			
Gross written premiums	**153,924**	164,473	328,797
Outward reinsurance premiums	**(56,065)**	(74,765)	(135,132)
Net change in provision for unearned premium	**2,824**	26,964	31,178
Net earned premiums	**100,683**	116,672	224,843
Fee and commission income	**29,828**	28,565	62,258
Net investment return	**21,642**	16,844	46,197
Total revenue	**152,153**	162,081	333,298
Expenses			
Claims and change in insurance liabilities	**(63,394)**	(110,072)	(197,170)
Reinsurance recoveries	**17,208**	40,577	62,306
Fees, commissions and other acquisition costs	**(31,844)**	(35,860)	(70,813)
Other operating and administrative expenses	**(38,777)**	(38,236)	(79,381)
Total operating expenses	**(116,807)**	(143,591)	(285,058)
Operating profit	**35,346**	18,490	48,240
Finance costs	**(57)**	(48)	(86)
Profit before tax	**35,289**	18,442	48,154
Tax expense	**(6,150)**	(3,252)	(7,837)
Profit for the financial period attributable to equity holders of the Parent	**29,139**	15,190	40,317

Ecclesiastical Insurance Office plc

Condensed consolidated statement of comprehensive income (unaudited)

for the 6 months to 30 June 2015

	30.06.15 6 months £000	30.06.14 6 months £000	31.12.14 12 months £000
Profit for the period	**29,139**	15,190	40,317
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Fair value gains on property	**-**	-	30
Actuarial losses on retirement benefit plans	**(11,239)**	(10,226)	(13,184)
Attributable tax	**2,264**	2,045	2,647
	(8,975)	(8,181)	(10,507)
Items that may be reclassified subsequently to profit or loss:			
(Losses)/gains on currency translation differences	**(5,059)**	60	(1,697)
Net other comprehensive income	**(14,034)**	(8,121)	(12,204)
Total comprehensive income attributable to equity holders of the Parent	**15,105**	7,069	28,113

Ecclesiastical Insurance Office plc

Condensed consolidated statement of changes in equity (unaudited)

for the 6 months to 30 June 2015

	Share capital £000	Share premium £000	Equalisation reserve £000	Revaluation reserve £000	Translation reserve £000	Retained earnings £000	Total £000
2015							
At 1 January	**120,477**	**4,632**	**25,299**	**541**	**12,643**	**331,041**	**494,633**
Profit for the period	**-**	**-**	**-**	**-**	**-**	***29,139***	***29,139***
Other net expense	**-**	**-**	**-**	**-**	***(5,059)***	***(8,975)***	***(14,034)***
Total comprehensive income	**-**	**-**	**-**	**-**	**(5,059)**	**20,164**	**15,105**
Dividends	**-**	**-**	**-**	**-**	**-**	**(4,591)**	**(4,591)**
Reserve transfers	**-**	**-**	**(349)**	**(97)**	**-**	**446**	**-**
At 30 June	**120,477**	**4,632**	**24,950**	**444**	**7,584**	**347,060**	**505,147**
2014							
At 1 January	120,477	4,632	25,837	700	14,340	328,157	494,143
Profit for the period	-	-	-	-	-	*15,190*	*15,190*
Other net income/(expense)	-	-	-	-	*60*	*(8,181)*	*(8,121)*
Total comprehensive income	-	-	-	-	60	7,009	7,069
Dividends	-	-	-	-	-	(4,591)	(4,591)
Gross charitable grant	-	-	-	-	-	(8,500)	(8,500)
Tax relief on charitable grant	-	-	-	-	-	1,827	1,827
Reserve transfers	-	-	(396)	(136)	-	532	-
At 30 June	120,477	4,632	25,441	564	14,400	324,434	489,948
2014							
At 1 January	120,477	4,632	25,837	700	14,340	328,157	494,143
Profit for the year	-	-	-	-	-	*40,317*	*40,317*
Other net income/(expense)	-	-	-	*40*	*(1,697)*	*(10,547)*	*(12,204)*
Total comprehensive income	-	-	-	40	(1,697)	29,770	28,113
Dividends	-	-	-	-	-	(9,181)	(9,181)
Gross charitable grant	-	-	-	-	-	(23,500)	(23,500)
Tax relief on charitable grant	-	-	-	-	-	5,053	5,053
Group tax relief in excess of standard rate	-	-	-	-	-	5	5
Reserve transfers	-	-	(538)	(199)	-	737	-
At 31 December	120,477	4,632	25,299	541	12,643	331,041	494,633

The equalisation reserve is not distributable and must be kept in compliance with the insurance companies' reserves regulations. The revaluation reserve represents cumulative net fair value gains on owner-occupied property. The translation reserve arises on consolidation of the Group's foreign operations.

Ecclesiastical Insurance Office plc

Condensed consolidated statement of financial position (unaudited)

at 30 June 2015

	30.06.15	30.06.14	31.12.14
	£000	£000	£000
Assets			
Goodwill and other intangible assets	**29,351**	29,126	28,998
Deferred acquisition costs	**27,074**	29,665	31,117
Deferred tax assets	**1,199**	2,398	1,295
Pension assets	**9,572**	23,466	21,068
Property, plant and equipment	**7,139**	6,559	6,405
Investment property	**83,013**	60,779	69,775
Financial investments	**868,595**	912,216	886,186
Reinsurers' share of contract liabilities	**141,523**	157,952	157,465
Current tax recoverable	**-**	12	-
Other assets	**137,468**	137,101	119,394
Cash and cash equivalents	**98,210**	89,772	107,526
Current assets classified as held for sale	**-**	-	6,204
Total assets	**1,403,144**	1,449,046	1,435,433
Equity			
Share capital	**120,477**	120,477	120,477
Share premium account	**4,632**	4,632	4,632
Retained earnings and other reserves	**380,038**	364,839	369,524
Total shareholders' equity	**505,147**	489,948	494,633
Liabilities			
Insurance contract liabilities	**773,024**	835,822	820,328
Finance lease obligations	**1,360**	1,410	1,259
Provisions for other liabilities	**1,826**	4,928	3,588
Pension liabilities	**282**	-	250
Retirement benefit obligations	**12,697**	12,729	12,547
Deferred tax liabilities	**35,310**	37,297	36,014
Current tax liabilities	**6,174**	4,264	5,767
Deferred income	**15,394**	16,909	16,432
Other liabilities	**51,930**	45,739	44,615
Total liabilities	**897,997**	959,098	940,800
Total shareholders' equity and liabilities	**1,403,144**	1,449,046	1,435,433

Ecclesiastical Insurance Office plc

Condensed consolidated statement of cash flows (unaudited)

for the 6 months to 30 June 2015

	30.06.15 6 months £000	30.06.14 6 months £000	31.12.14 12 months £000
Profit before tax	**35,289**	18,442	48,154
Adjustments for:			
Depreciation of property, plant and equipment	**825**	871	1,638
Revaluation of property, plant and equipment	**(25)**	-	-
Loss/(profit) on disposal of property, plant and equipment	**223**	(113)	(32)
Amortisation of intangible assets	**563**	886	1,751
Loss on disposal of intangible assets	**-**	-	19
Net fair value (gains)/losses on financial instruments and investment property	**(5,704)**	689	(8,918)
Dividend and interest income	**(13,330)**	(16,897)	(34,709)
Finance costs	**57**	48	86
Changes in operating assets and liabilities:			
Net decrease in insurance contract liabilities	**(33,719)**	(11,576)	(21,413)
Net decrease/(increase) in reinsurers' share of contract liabilities	**12,288**	(25,272)	(26,814)
Net decrease in deferred acquisition costs	**3,279**	4,972	3,327
Net (increase)/decrease in other assets	**(17,780)**	(13,045)	3,792
Net increase in operating liabilities	**7,444**	9,781	8,814
Net decrease in other liabilities	**(1,718)**	(1,575)	(3,498)
Cash used by operations	**(12,308)**	(32,789)	(27,803)
Dividends received	**3,654**	3,706	8,624
Interest received	**11,446**	13,284	26,889
Interest paid	**(57)**	(48)	(86)
Tax (paid)/recovered	**(4,129)**	641	1,127
Net cash (used by)/from operating activities	**(1,394)**	(15,206)	8,751
Cash flows from investing activities			
Purchases of property, plant and equipment	**(1,534)**	(592)	(1,369)
Proceeds from the sale of property, plant and equipment	**6**	562	677
Purchases of intangible assets	**(1,087)**	(772)	(1,548)
Acquisition of business	**-**	(5,000)	(5,000)
Disposal of business	**5,260**	-	-
Purchases of financial instruments and investment property	**(58,675)**	(80,448)	(152,899)
Sale of financial instruments and investment property	**56,377**	97,241	185,401
Net cash from investing activities	**347**	10,991	25,262
Cash flows from financing activities			
Payment of finance lease liabilities	**(163)**	(195)	(359)
Payment of group tax relief in excess of standard rate	**-**	-	(15)
Dividends paid to Company's shareholders	**(4,591)**	(4,591)	(9,181)
Donations paid to ultimate parent undertaking	**-**	(8,500)	(23,500)
Net cash used by financing activities	**(4,754)**	(13,286)	(33,055)
Net (decrease)/increase in cash and cash equivalents	**(5,801)**	(17,501)	958
Cash and cash equivalents at the beginning of the period	**107,526**	107,241	107,241
Exchange (losses)/gains on cash and cash equivalents	**(3,515)**	32	(673)
Cash and cash equivalents at the end of the period	**98,210**	89,772	107,526

Notes to the condensed set of financial statements (unaudited)

1. General information

The information for the year ended 31 December 2014 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. 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.

The half-yearly financial report was approved by the Board on 25 August 2015. The Group results for the six month periods to 30 June 2015 and 30 June 2014 are unaudited, but have been reviewed by Deloitte LLP whose review report is presented on page 20.

The principal risks and uncertainties of the Group are in respect of insurance risk and financial risk. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount and timing of the resulting claim. Factors such as the business and product mix, the external environment including market competition and reinsurance capacity all may vary from year to year, along with the actual frequency, severity and ultimate cost of claims and benefits. The Group's underwriting strategy is designed to ensure that the underwritten risks are well diversified in terms of type and amount of risk and geographical spread. In all operations pricing controls are in place, underpinned by sound statistical analysis, market expertise and appropriate external consultant advice. Gross and net underwriting exposure is protected through the use of a comprehensive programme of reinsurance using both proportional and non-proportional reinsurance, and is supported by proactive claims handling and customer education on risk management. The overall reinsurance structure is regularly reviewed and modelled to ensure that it remains optimum to our needs. The optimum reinsurance structure can best be described as the one that provides us with sustainable, long-term capacity to support our specialist business strategy. This combines effective balance sheet protection with, over time, the required underwriting result and return on capital.

The most important components of financial risk are interest rate risk, credit risk, currency risk and equity price risk. The Group is exposed to equity price risk because of financial investments held by the Group and stated at fair value through profit or loss. The Group mitigates this risk by holding a diversified portfolio across geographical regions and market sectors and, from time to time, through the use of derivative contracts which would limit losses in the event of a fall in equity markets. These principal risks and uncertainties, together with details of the financial risk management objectives and policies of the Group, are disclosed in the latest annual report.

The Group derives insurance premiums from a range of geographical locations and classes of business. Depending on the location and class of the risk, there may be a seasonal pattern to the incidence of claims. However, given the mix of business that the Group writes, overall the half-yearly results are not subject to any significant impact arising from the seasonality or cyclicality of operations.

The Group has considerable financial resources and, as a consequence, the Directors have a reasonable expectation that the Group is well placed to manage its business risks successfully and continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the half-yearly financial report.

2. Accounting policies

Ecclesiastical Insurance Office plc (hereafter referred to as the "Company"), a public limited company incorporated and domiciled in England, together with its subsidiaries (collectively the "Group") operates principally as a provider of general insurance and in addition offers a range of financial services, with offices in the UK and Ireland, Australia and Canada.

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34, *Interim Financial Reporting*.

The same accounting policies and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest audited annual financial statements.

There have been no newly issued Standards or changes to existing Standards during the interim period which significantly impact on the condensed set of financial statements.

3. Segment information

The Group segments its business activities on the basis of differences in the products and services offered and, for general insurance, the underwriting territory. Expenses relating to Group management activities are included within 'Corporate costs'. This reflects the management and internal Group reporting structure. Group activities that are not reportable operating segments on the basis of size are included within an 'Other activities' category. Changes have been made to segments during 2015 as follows:

- The United Kingdom and Ireland segments have been combined on the basis of their similar economic characteristics, products and customer base
- Corporate costs which were previously included in 'Central operations' have been identified as a discrete segment and the definition of corporate costs has been widened during the period
- The 'Central operations' segment has been renamed 'Other insurance operations'

The prior period has been restated to the revised basis.

The activities of each operating segment are described below.

- General business

United Kingdom and Ireland

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

Australia

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

Canada

The Group operates a general insurance Ecclesiastical branch in Canada.

Other insurance operations

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

- Investment management

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

- Broking and Advisory

The Group provides insurance broking through South Essex Insurance Brokers Limited and financial advisory services through Ecclesiastical Financial Advisory Services Limited.

- Life business

Ecclesiastical Life Limited provides long-term insurance policies to support funeral planning products. It is closed to new business.

- Corporate costs

This includes costs associated with Group management activities.

- Other activities

This includes costs relating to acquisition of businesses.

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

3. Segment information (continued)

Segment revenue

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

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

	6 months ended 30.06.15			*(restated)* 6 months ended 30.06.14		
	Gross written premiums £000	**Non-insurance services £000**	**Total £000**	Gross written premiums £000	Non-insurance services £000	Total £000
General business						
United Kingdom and Ireland	**114,956**	**-**	**114,956**	124,666	-	124,666
Australia	**19,744**	**-**	**19,744**	21,124	-	21,124
Canada	**17,634**	**-**	**17,634**	16,300	-	16,300
Other insurance operations	**1,524**	**-**	**1,524**	2,283	-	2,283
Total	**153,858**	**-**	**153,858**	164,373	-	164,373
Life business	**66**	**-**	**66**	100	-	100
Investment management	**-**	**5,837**	**5,837**	-	6,256	6,256
Broking and Advisory	**-**	**4,847**	**4,847**	-	4,926	4,926
Group revenue	**153,924**	**10,684**	**164,608**	164,473	11,182	175,655

	(restated) 12 months ended 31.12.14		
	Gross written premiums £000	Non-insurance services £000	Total £000
General business			
United Kingdom and Ireland	245,528	-	245,528
Australia	40,083	-	40,083
Canada	39,365	-	39,365
Other insurance operations	3,654	-	3,654
Total	328,630	-	328,630
Life business	167	-	167
Investment management	-	12,045	12,045
Broking and Advisory	-	9,865	9,865
Group revenue	328,797	21,910	350,707

3. Segment information (continued)

Segment result

General business segment results comprise the insurance underwriting profit or loss, investment activities and other expenses of each underwriting territory. The Group uses the industry standard net combined operating ratio (COR) as a measure of underwriting efficiency. The COR expresses the total of net claims costs, commission and underwriting expenses as a percentage of net earned premiums.

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

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

6 months ended 30 June 2015	***Combined operating ratio***	**Insurance £000**	**Investments £000**	**Other £000**	**Total £000**
General business					
United Kingdom and Ireland	**81.9%**	**13,801**	**16,151**	**(2)**	**29,950**
Australia	**98.3%**	**139**	**1,164**	**(49)**	**1,254**
Canada	**96.9%**	**464**	**827**	**-**	**1,291**
Other insurance operations		**(85)**	**-**	**-**	**(85)**
	85.8%	**14,319**	**18,142**	**(51)**	**32,410**
Life business		**181**	**2,170**	**(2)**	**2,349**
Investment management		**-**	**1,596**	**-**	**1,596**
Broking and Advisory		**-**	**-**	**1,085**	**1,085**
Corporate costs		**-**	**-**	**(2,151)**	**(2,151)**
Profit before tax		**14,500**	**21,908**	**(1,119)**	**35,289**

6 months ended 30 June 2014 (restated)	*Combined operating ratio*	Insurance £000	Investments £000	Other £000	Total £000
General business					
United Kingdom and Ireland	95.7%	3,921	6,784	(47)	10,658
Australia	106.6%	(592)	3,824	-	3,232
Canada	95.5%	627	895	-	1,522
Other insurance operations		(145)	-	-	(145)
	96.7%	3,811	11,503	(47)	15,267
Life business		407	494	(2)	899
Investment management		-	2,118	-	2,118
Broking and Advisory		-	-	1,403	1,403
Corporate costs		-	-	(948)	(948)
Other activities		-	-	(297)	(297)
Profit before tax		4,218	14,115	109	18,442

3. Segment information (continued)

12 months ended 31 December 2014 (restated)	*Combined operating ratio*	Insurance £000	Investments £000	Other £000	Total £000
General business					
United Kingdom and Ireland	94.0%	10,359	23,648	70	34,077
Australia	106.2%	(1,129)	7,619	(139)	6,351
Canada	94.2%	1,662	1,598	-	3,260
Other insurance operations		(172)	-	-	(172)
	95.2%	10,720	32,865	(69)	43,516
Life business		(178)	1,522	(4)	1,340
Investment management		-	3,164	-	3,164
Broking and Advisory		-	-	2,071	2,071
Corporate costs		-	-	(1,521)	(1,521)
Other activities		-	-	(416)	(416)
Profit before tax		10,542	37,551	61	48,154

4. 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 release of £7m (H1 2014: £17m).

5. 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.

6. Dividends

Dividends paid on the 8.625% Non-Cumulative Irredeemable Preference shares amounted to £4.6m (H1 2014: £4.6m).

7. Retirement benefit schemes

On 30 June 2015, Ecclesiastical gave formal notice to the Trustees of the Ecclesiastical Insurance Office plc Pension & Life Assurance Scheme to wind-up the defined benefit pension scheme. The wind-up formally commenced on 1 July and is expected to complete by the end of the year. At 31 December 2014, the scheme had a surplus of £0.6m which was derecognised in the statement of financial position due to uncertainty over its recoverability. It is the intention of the Trustee to distribute some or all of the surplus to Ecclesiastical Insurance Office plc on wind-up.

8. 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 other changes to related party transactions in the period which require disclosure.

9. Holding company

The ultimate holding company is Allchurches Trust Limited, a company limited by guarantee and a registered charity.

10. Financial instruments' fair value disclosures

IAS 34 requires that interim financial statements include certain of the 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 (i.e. as prices) or indirectly (i.e. derived from prices). This category includes listed debt or equity securities in a market that is not active and derivatives that are not exchange-traded.

Level 3: fair values measured using inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes unlisted debt and equities, including investments in venture capital, and suspended securities. Where a look-through valuation approach is applied, underlying net asset values are sourced from the investee and adjusted to reflect illiquidity and a credit rating adjustment 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.

	Fair value measurement at the end of the reporting period based on			
	Level 1	**Level 2**	**Level 3**	**Total**
30 June 2015	**£000**	**£000**	**£000**	**£000**
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	**282,147**	**208**	**20,417**	**302,772**
Debt securities	**559,355**	**4,462**	**238**	**564,055**
Derivatives	**-**	**1,751**	**-**	**1,751**
	841,502	**6,421**	**20,655**	**868,578**
30 June 2014				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	269,114	201	20,927	290,242
Debt securities	610,184	4,165	207	614,556
	879,298	4,366	21,134	904,798
31 December 2014				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	269,347	209	20,349	289,905
Debt securities	591,542	4,485	238	596,265
	860,889	4,694	20,587	886,170

10. Financial instruments' fair value disclosures (continued)
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**
30 June 2015			
Opening balance	**20,349**	**238**	**20,587**
Total gains recognised in profit or loss	**68**	**-**	**68**
Closing balance	**20,417**	**238**	**20,655**
Total gains for the period included in profit or loss for assets held at the end of the reporting period	**68**	**-**	**68**
30 June 2014			
Opening balance	19,390	317	19,707
Total gains/(losses) recognised in profit or loss	1,537	(110)	1,427
Closing balance	20,927	207	21,134
Total gains/(losses) for the period included in profit or loss for assets held at the end of the reporting period	1,537	(110)	1,427
31 December 2014			
Opening balance	19,390	317	19,707
Total gains/(losses) recognised in profit or loss	959	(79)	880
Closing balance	20,349	238	20,587
Total gains/(losses) for the period included in profit or loss for assets held at the end of the reporting period	959	(79)	880

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

10. Financial instruments' fair value disclosures (continued)
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. Where material, these valuations are reviewed by the Group Audit Committee.

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 and interest rates corresponding to the maturity of the contract. Over-the-counter equity or index options and futures are valued by reference to observable index prices.

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. Where material, these valuations are reviewed by the Group Audit Committee.

The valuation is most sensitive to the level of underlying net assets, the euro exchange rate, the price-to-book ratio chosen, together with an illiquidity margin and credit rating adjustment applied to the valuation to account for the risks associated with holding the asset. If the price-to-book ratio and illiquidity discount applied changed by +/- 10% the value of unlisted equity securities could move by +/- £3m.

The increase in value during the period is the result of an increase in underlying net assets, partially offset by the movement in the euro exchange rate, with the other inputs remaining unchanged from the year end.

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. Where material, these valuations are reviewed by the Group Audit Committee.

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.

There has been no change in the value of unlisted debt during the period.

11. Disposal of business

Ecclesiastical Financial Advisory Services Limited, which is included in the Broking and Advisory segment, ceased to offer new mortgages following a strategic review in 2007, although it continued to administer the existing book. Management decided to dispose of the mortgage book in order to more clearly focus their attention on the core business operations. During the prior year, the company entered into an agreement to transfer its legacy mortgage business to Holmesdale Building Society. The transfer was completed on 1 February 2015.

	£000
The net assets at the date of disposal were:	
Financial investments	6,084
Consideration and costs of sale:	
Cash received	(5,260)
Contingent consideration arrangement	(824)
Sale costs and related net expenses	19
Loss on disposal	19

The net cash inflow arising on disposal was £5,260,000.

The deferred consideration will be settled over the next seven years and is dependent on the development of the mortgage book.

12. Non-adjusting events after the reporting period

A change in the UK standard rate of corporation tax was announced in the Budget on 8 July 2015. It is expected that the rate will reduce from 20% to 19% in 2017 and to 18% in 2020. These changes have yet to be substantively enacted.

Independent review report to Ecclesiastical Insurance Office plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 which comprises the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows and related notes 1 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, 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 Ireland) 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
25 August 2015