Annual Report and Accounts 2023

Together, building a movement for good

BENEFACT GROUP

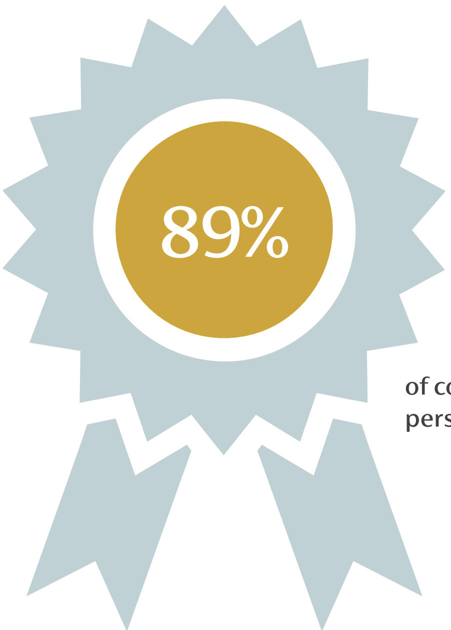
The Benefact Group

The Benefact Group is a diverse family of specialist financial services businesses. Our charitable ownership and commitment to our customers and communities means we have an opportunity to create a positive social and environmental impact in the world. Giving is the driving force behind every business in our Group, fostering positive change and impact. It's a continuous effort to do more and give more at every level – from the millions in grants given by our charitable owner, to the individual efforts of our colleagues.

Together, building a movement for good.

matched payroll giving
– awarded UK Gold standard
4th year running

raised for charities
by colleagues in 2023



of colleagues gave a
personal grant in 2023

volunteering days
recorded in 2023

Giving together

We put giving in the hands of our people and partners. Our colleague-driven programmes enable every employee to give small grants to causes they care about, and we support with volunteering, doubling fundraising and payroll giving – working together as part of our purpose to contribute to the greater good of society.

Running for good

Together, in 2023 Benefact Group employees raised £200,000 for good causes through personal grants and matched donations for fundraising and payroll giving as part of our 'MyGiving' scheme.

Gemma Percival, one of our Benefact Group accountants, embarked on a global marathon challenge – what better way to celebrate turning 40 than taking on a marathon for every decade? Never having run a marathon before, Gemma set out to run a marathon in each of Benefact Group's four regions: UK, Ireland, Canada and Australia. She carefully selected local charities for each region including two children's charities, a homelessness charity and a cancer charity to support along the way – Whizz-Kidz, Depaul Ireland, CCRAN and Canteen. Gemma's journey took her running through the bustling streets of London to the scenic routes of Halifax and Dublin, with the grand finale in Melbourne on New Year's Eve.

Gemma's story is not just about conquering marathons but also defying age-related stereotypes and proving that life truly begins at 40 – as she aptly puts it, 'age is definitely not a limit'. Her initial fundraising target of £4,000 was swiftly achieved after the first marathon and Benefact Group pledged to match every penny, raising a remarkable £10,191 for Gemma's chosen charities.

'On the day, there are just so many people around you, the crowds kept me going when times got tough.'

Giving our all

Charitable giving is at the heart of what we do and our employees live this by making a difference in their local community. All Benefact Group employees are encouraged to volunteer for at least one day a year and are given paid time off to do so.

In total, employees across the Group spent 550 days volunteering in 2023. They gave their time and energy caring for a garden of remembrance at Gloucester Cathedral for Longfield Hospice. Together, they built a woodland trail for Scrubditch Care Farm, and assisted with an archaeological dig for The Cotswold Canals Trust. They cooked breakfast for Gloucester Feed the Hungry, helped to take children from Milestone School on a school trip and painted fences for Teckels Animal Sanctuaries. Just some of the wide range of causes Benefact Group volunteers have supported.

'We're passionate about encouraging and enabling all of our employees to give time, money, and kindness to help support causes they care about.'

Transforming lives

Whether it's in the UK, Canada, Australia or Ireland our giving programmes are making a real difference to a huge diversity of causes. Over the past nine years, we have supported over 10,000 charities that are close to our customers and communities. We're a top corporate donor – 3rd largest in the UK* – and have given over £200m in donations since 2014.

Benefact Group CEO Mark Hews and David Heubel, President Ecclesiastical Canada, donating to Covenant House in Toronto.

Mark Hews, Benefact Group CEO and Nina de Souza Jensen, Vice-President, Pacific Region, Ecclesiastical Canada, donating to Covenant House in Vancouver.

Covenant House
Ecclesiastical Canada

Covenant House is a lifeline for Canada's homeless and trafficked youth. They're committed to helping every young person who needs them, fostering a safe and accessible space for a diverse group of youth facing systemic barriers to care, many of whom are racialised, 2SLGBTQ+ and disabled.

Offering more than just shelter and sustenance, Covenant House delivers comprehensive support services encompassing health, education and employment training – guiding young individuals towards a brighter future. They endeavour to prevent crises, fostering an environment where vulnerable youth can grow, thrive and ultimately succeed.

Ecclesiastical Canada proudly donated a CAD$100,000 Impact Grant to Covenant House providing a welcome boost for them to continue their life-saving work.

Aliye Cornish Moore, CEO of the IBO with Scott Hayes, Head of Relationship Management, Ecclesiastical Ireland.

The Irish Baroque Orchestra
Ecclesiastical Ireland / Movement for Good Awards

The Irish Baroque Orchestra, led by Artistic Director Peter Whelan, are renowned for their world-class historically-informed performances, blending scholarship with musical excellence.

As Ireland's leading period instrument orchestra, they offer a distinctive and enriching experience, redefining the traditional concept of orchestral music through innovative research and practice.

The Irish Baroque Orchestra was awarded a £1,000 Movement for Good Award from Benefact Group thanks to nominations from the public. This grant will go towards the orchestra's 2024 Apprentice Programme, offering musicians at the start of their careers the invaluable opportunity to work closely with their experienced musicians.

*DSC – The guide to UK Company Giving 2023-24

Theatre production of 'I love you mum, I promise I won't die.' The Daniel Spargo-Mabbs Foundation.

The Daniel Spargo-Mabbs Foundation

Benefact Group / Movement for Good Awards

The Daniel Spargo-Mabbs Foundation is a drug education charity founded in response to the tragic loss of Fiona Spargo-Mabbs' son, Dan, to ecstasy at the age of 16.

Dedicated to preventing similar tragedies, the foundation works tirelessly to educate young people, parents, carers and professionals about making safer choices regarding drugs. Over the past decade, they have emerged as a leading voice in drug education, with their influence extending across the UK.

The Benefact Group Movement for Good Award provided a welcome financial boost of £15,000 to the Daniel Spargo-Mabbs Foundation, helping them to achieve their aim of establishing a sustainable funding base to expand their reach and continue their vital work in saving lives through drug education.

Little Dreamers

Ansvar Australia

Little Dreamers focuses on creating an equal world for Young Carers, individuals under 25 who care for family members with disabilities, mental illness, chronic illness or addiction.

The program offers respite, a supportive environment for personal exploration, and opportunities for Young Carers to connect and form friendships with others in similar situations.

Ansvar Community Education Program Grant provided Little Dreamers with a AUD $50,000 grant to go towards 'The Big Dreamers Personal Development program' helping to empower more young carers to develop resilience and provide them with the opportunity to build new skills and find hidden talents.

www.littledreamers.org.au/about-us/

Contents

Section One

Strategic Report

The Strategic Report, Governance, Financial Statements and Other Information sections form the Benefact Group Annual Report and Accounts 2023. The Strategic Report contains information about the Group and how we run our businesses, our strategy, business model, key performance indicators, our approach to risk and the responsibilities we have to our people, communities and the planet.

The Strategic Report is only part of the Annual Report and Accounts which was approved by the Board of directors.

By order of the Board

Mark Hews
Group Chief Executive 23 April 2024

Benefact Group at a glance

Best Ethical Investment Provider

Voted by the Financial Adviser community at the Moneyfacts Life & Pensions Awards for 14 consecutive years (2009–2022).

Since 1994

Ansvar's Australia Community Education Programme has helped over 100 different charities and not for profit organisations supporting the education and life skill development needs of disadvantaged young Australians.

98% +

UK overall customer satisfaction across all the sectors we measure.*

*Based on FY 2022 results for Home New Business and Renewals – Ecclesiastical UK; Church Renewals; Ecclesiastical claims; Risk Management; EFAS.

Rated best insurer by UK brokers in the charity, commercial heritage, education and faith sectors*

*15th consecutive year – 200 broker interviews (randomly selected from BIBA approved panel) carried out by FWD – 2022.

3rd largest corporate donor to charity

*DSC – The guide to UK Company Giving 2023-24.

£34.4m

profit before tax (£0.6m loss before tax in previous year).

Leading insurer for the Anglican Church

in the UK

Our specialist brokers provide tailored insurance products

particularly for customers in the high net worth, farming and rural estates, equine, animal trades and specialist motor insurance sectors.

A leading multi-faith insurer

Protecting churches, synagogues, mosques and Hindu, Sikh and Buddhist temples across our territories.

£222m+

One of the UK's largest charitable donors, we are proud of our ambition to give more than £250m to good causes

Since 2014 we have given over £222m in grants and donations.

£615.0m

Gross written premium (£558.5m in previous year).

Movement for Good

Through our Movement for Good Awards – our biggest ever giving campaign – we gave over £1m to help a wide range of charitable causes.

Trusted to protect over

£300bn of property around the world.

In Canada our Community Impact Grants supported projects that make a positive impact on the community.

Our businesses

This Annual Report and Accounts is for Benefact Group plc. The following terms are used throughout this report:

Terms	Definition
The 'Company' or 'Parent'	Benefact Group plc
The 'Benefact Group' or 'Group'	Benefact Group plc together with its subsidiaries
'Benefact Trust'	Benefact Trust Limited, the ultimate parent undertaking of Benefact Group plc

Benefact Group plc is a holding company primarily engaged in the ownership and management of investments.

The Benefact Group is organised into the divisions Specialist Insurance, Asset Management, and Broking and Advisory. All are underpinned by our specialist knowledge and a reputation for delivering an outstanding service to our customers.

A number of changes have recently been made within the Benefact Group to better align our businesses across the three divisions and support our strategic objectives. On 3 January 2023 the asset management business, EdenTree, and the financial advisory business, Ecclesiastical Financial Advisory Services, were transferred from the subsidiary Ecclesiastical Insurance Office plc, to direct ownership of the Benefact Group. Subsequently, the shares of EdenTree Investment Management Limited and EdenTree Asset Management Limited were transferred to EdenTree Holdings Limited; and the shares of Ecclesiastical Financial Advisory Services Limited, Ecclesiastical Planning Services Limited, Lycetts Holdings Limited and Lloyd & Whyte Group Limited were transferred to Benefact Broking and Advisory Holdings Limited.

The Ecclesiastical Insurance Office Group now exclusively represents our Specialist Insurance division providing products to businesses, organisations and retail customers, both directly and through intermediaries. The EdenTree Holdings Group and Benefact Broking and Advisory Holdings Group now represent our Asset Management and Broking and Advisory divisions. All divisions within the Benefact Group primarily operate from the UK and their associated companies are:

Specialist Insurance

Ecclesiastical UK / Ansvar UK / Ansvar Australia / Ecclesiastical Canada / Ecclesiastical Ireland

Our award-winning insurance businesses offer insurance products and risk management services to customers in the faith, heritage, charity, education, home insurance, specialist schemes, leisure and real estate markets.

We have particular expertise in valuing and protecting distinctive properties both old and new – from cathedrals to concert halls, schools to stately homes and iconic modern buildings to youth hostels.

We also provide a broad range of specialist products including household insurance for churches and congregations and fine art and home insurance to the high net worth market. Committed to being the most trusted and ethical specialist financial services group, we are proud that our UK home insurance has again been awarded the First Place Gold Ribbon in this year's independent Fairer Finance Customer Experience ratings, for the 16th consecutive time.

Asset Management

EdenTree Investment Management (EdenTree)

With over 30 years of experience in responsible and sustainable investing, our Asset Management team manages and sells Environmental, Social and Governance investment products to institutional customers, including the charity and faith markets, and to retail customers through the advisory market. EdenTree also manages the majority of the Group's financial investments. This year, for the 15th consecutive year, EdenTree celebrated winning 'Best Ethical Investment Provider' at the Moneyfacts Investment Life & Pensions Awards.

Broking and Advisory

Ecclesiastical Financial Advisory Services (EFAS) / Ecclesiastical Planning Services (EPSL) / Lycetts Insurance Brokers (Lycetts) / Lycetts Financial Services / Lloyd & Whyte

Our specialist brokers, Lycetts, provide tailored insurance products for customers, particularly those in the high net worth, farming and rural estates, equine, animal trades and specialist motor insurance sectors.

Our specialist brokers, Lloyd & Whyte, provide tailored insurance products and financial services to professional associations and their members.

EFAS, Lycetts and Lloyd & Whyte Financial Services offer financial advice to businesses and individual customers including Church of England clergy. EPSL markets and administers prepayment funeral plans under the Perfect Choice brand.

Chair's Statement

2023 was a year of significant progress for Benefact Group as we moved forward with our plans to grow the business.

Our growth ambitions for the Group are significant and aimed at giving even more to good causes and make a real difference in the lives of the people and communities we help protect. Owned by a charity, the Benefact Trust, Benefact Group is driven by its purpose to contribute to the greater good of society. It is the third largest corporate donor in the UK and 2023 marked another impressive giving milestone, surpassing £200m of donations since 2014. This is an incredible achievement that has helped thousands of good causes and communities to transform lives for the better in the UK and overseas. I never fail to be amazed and humbled by the difference the Group is making and I would like to thank every one of our customers, brokers, partners and colleagues for helping us achieve this fantastic milestone.

A strong set of results

Despite challenging conditions, we delivered an acceptable performance in 2023 and are progressing well on our strategic ambitions, delivering growth, launching into new sectors, and investing in new technology and systems.

As a Group, we reported a profit before tax of £34.4m, with resilient performances across our three divisions, boosted by investment returns of £51.7m as markets rose towards the end of the year. This will have enabled us to contribute £21.0m to our owner Benefact Trust, of which £13.0m was paid in year and the remaining £8.0m will be paid in due course, to support its fantastic work providing grant funding to charities.

Achievements and reflections

I'm now in my fifth year as Chairman during which the Group has been on a transformational journey. The Benefact Group today is a more confident, dynamic and diversified business with a renewed sense of ambition and drive. Whenever I spend time in our offices, whether celebrating the opening of our new Lycetts head office in Newcastle, or getting to know colleagues in Australia, there is a genuine excitement around the business about what we can achieve.

This dynamism and energy can be seen in every part of our Group. The General Insurance business has enjoyed impressive growth and in the UK is expanding into new sectors where its specialist expertise is a competitive advantage. Ecclesiastical UK also enjoyed a record new business year, landing a number of prestigious new clients.

We continued to grow our Broking and Advisory division with four new acquisitions in 2023, broadening our reach and expertise in the broking sector. The division has grown significantly in recent years placing over £300m of GWP for its clients and has ambitious plans for future growth.

EdenTree, our award-winning asset management firm, continues to be a respected industry leader in the field of responsible and sustainable investing. Despite net outflows for the year, it was among the top 10 firms for net inflows in Q3, outperforming many of its rivals.

Underpinning all of these achievements is our commitment to first-class customer service. Our customer satisfaction and NPS scores remain high alongside numerous external awards, and I'm incredibly proud that Ecclesiastical UK was recognised as a world-class employer by Best Companies.

Looking ahead

The Group enters 2024 with positive momentum and a desire to grow more to give even more to good causes. There is a clear strategy in place and the focus must now be on maintaining the pace of delivery as we seek to deliver growth in our businesses. Our General Insurance businesses will continue their focus on being the leading experts in their sectors, delivering first-class service and risk management advice to clients, while seeking

'The Group made good progress on its strategic ambitions, delivering growth, launching into new sectors, and investing in new technology and systems.'

growth opportunities through new markets and new methods of distribution. EdenTree will continue to lead the way for responsible and sustainable investing and seek to increase assets under management through new distribution channels and partnership opportunities. The Broking and Advisory division has experienced significant growth with the acquisition of new businesses in recent years and will now shift its focus to embedding these businesses and driving organic growth.

Each of our businesses is a specialist in its own sector and there is much we can learn from each other. A key focus for 2024 will be identifying opportunities for collaboration and sharing best practice so that we can deliver an even better experience for our customers.

I have written in previous reports about the importance of responding to issues of sustainability and climate change and am pleased with the progress we are making towards our climate ambitions. EdenTree launched its Investment Stewardship Plan, challenging the biggest emitters in our investment portfolio to set targets and reduce emissions, while our new offsetting partnership not only helped to offset 1,000 tonnes of carbon, but also supported rural communities in Kenya. Alongside this, we launched an electric car scheme for colleagues and donated £250,000 to climate and environment charities helping to make a difference in their communities.

Board activity

Andrew McIntyre resigned from the Board of Directors on 4 July 2023. There were no other changes to the Board of Directors in 2023 as we carried out our role of independent oversight, ensuring the highest standards of corporate governance at the Group.

Denise Cockrem, Chief Financial Officer, advised the Board of her intention to retire in June 2024. The process to appoint her successor is underway. Denise has made a significant contribution to the Benefact Group over the last five years, playing an important role in the Group's response to the pandemic and market challenges and shaping the Group's strategy. Denise leaves the Group in a strong financial position more capable to take the opportunities in front of us and continue to be one of the largest corporate donors in the UK.

In 2024, we will be focusing on reshaping the Boards of Ecclesiastical Insurance Office plc and Benefact Group plc to increase the independence of Ecclesiastical Insurance Office plc. A number of directors have been asked to resign to reduce commonality of membership. In March 2024, S. Jacinta Whyte and Neil Maidment stepped down from the Board accordingly. I would like to thank them for their service.

The future

It is an immense privilege to be a part of a business with such a special purpose of contributing to the greater good of society. With the right strategy in place, we are well positioned to take the business forward, and in doing so give even more to the Benefact Trust charities and communities to help transform lives for the better.

David Henderson
Chair

'A key focus for 2024 will be identifying opportunities for collaboration and sharing best practice so that we can deliver an even better experience for our customers.'

Chief Executive's Report

It has been said that there are two key dates in your life: 'The date you were born, and the date you find out why'.

Here at the Benefact Group, we are crystal clear on our 'why'. We aim to be a beacon of hope for our communities. Owned by a charity, we are a family of financial services businesses with an inspiring purpose to contribute to the greater good of society. We believe commercial success and social good can sit side by side to transform lives and communities. Guided by this purpose, we are driven to profitably grow the business, so that we may give even more to good causes.

2023 was another challenging year for so many. The world faced a myriad of challenges from rising global tensions, escalating climate concerns and ongoing economic hardship. In these difficult, uncertain times, when it is easy for optimism to be drowned beneath a deluge of negative news, it is even more important that businesses do the right thing and positively contribute to society.

Grow more to give more

Despite challenging conditions, we delivered a strong performance in 2023 and we are on track to deliver our growth ambitions, which will allow us to give even more to good causes. As a Group, we reported a profit before tax of £34.4m, with resilient performances across our three divisions. This compares well with the overall group loss before tax of £0.6m reported for the prior year.

In General Insurance, we reported an underwriting profit of £24.5m, despite our biggest single loss in the UK with the devastating fire at St Mark's Church in London. This result has benefited from strong growth and lower-than-expected claims in the latter part of the year. Gross written premiums (GWP) rose by over 10% to £615.0m. This is thanks to strong retention across our territories and record new business in the UK as we launched into the Leisure sector. Our combined operating ratio rose to 92.6% due to headwinds from prior year claims.

We continued to grow our Broking and Advisory division with four new acquisitions in 2023, broadening our reach and expertise in the broking sector. The division has grown significantly in recent years placing over £300m of GWP for its clients and has ambitious plans for future growth. The division reported income of £55.5m and earnings before interest, tax, depreciation and amortisation of £7.5m. Lloyd & Whyte delivered a good underlying performance and Lycetts reported a profit before tax in line with the previous year. Ecclesiastical Planning Services, our funeral planning business, reported a loss due to higher-than-expected costs of implementing new FCA regulations.

It was a particularly difficult year for the investment industry and most of our competitors saw outflows. However, EdenTree, our award-winning responsible and sustainable asset management firm, despite net outflows for the year, continued to perform relatively strongly, and was among the top 10 firms for net inflows in Q3 2023, resulting in revenue of £16.3m for the financial year. While markets can be affected by short-term volatility, we take a long-term approach to investing and we continue to focus on growing our assets under management over time.

Delivering for our customers

Our charitable purpose drives our values, culture, ethics and ethos and inspires us to make a real difference for our brokers, customers and communities. This was reflected in multiple award wins in 2023, which recognised our businesses as trusted specialists in their markets.

Ecclesiastical UK was named Specialist Insurance Company of the Year at the British Insurance Awards and retained its top spot in the Fairer Finance Home Insurance league table and remains the UK's most trusted home insurance provider. Ecclesiastical Canada was named as P&C Insurance Company of the Year, as well as one of Greater Toronto's Top Employers.

'In 2023, thanks to the support of our customers, brokers, business partners and colleagues, we reached the incredible milestone of giving more than £200m to good causes since 2014.'

Our asset management subsidiary, EdenTree, was named Best Ethical Investment Provider by Moneyfacts for the 15th consecutive year and one of our specialist brokers, Cliverton, was named Schemes Broker of the Year at the UK Broker Awards.

Our insurance customers tell us that our expert service and our compassion make us stand out in the industry. For a third year, independent research consultancy, Gracechurch, put Ecclesiastical UK ahead of all other UK insurers for claims service. The Net Promoter Score, which measures how likely a customer is to recommend a company's products and services, for Ecclesiastical puts us ahead of many well-known and respected brands.

We wouldn't be able to deliver these results without the hard work of all our teams across our Group. We delivered so much together in 2023 and I would like to thank our colleagues for their efforts last year.

Helping to transform lives

In 2023, thanks to the support of our customers, brokers, business partners and colleagues, we reached the milestone of giving more than £200m to good causes since 2014. This level of giving means that Benefact Group is the third largest corporate donor to charity in the UK, and we are on track to achieve our ambition of giving £250m by the end of 2025.

Our parent company, Benefact Trust, is one of the biggest grant-making charities in the UK, and, in respect of 2023 performance, the Board approved total donations of £21m, of which £13m was paid in year and the remaining £8m will be paid in due course, to support its work providing transformative funding to charities both in the UK and abroad. We thank them for their outstanding work.

The impact of our giving is brought home to me every time I meet one of our beneficiaries and see the change we're making to lives. On a recent trip to Canada, I visited a youth homeless charity called Covenant House, where 16- to 24-year-olds had no place to call home, no regular meals, no warmth or feeling of safety. They had no one who loved or cared for them – other than the remarkable staff at this amazing charity. On this visit I heard words from their director that will stay with me forever. She told us that, "because of your donation, you have undoubtedly saved someone's life today". Her words left no room for doubt, and her emotions mirrored the enormity of this impact.

Covenant House is just one of over 10,000 charities supported by us as a Group across the world. Thank you to everyone who supports us. I hope you realise the impact you have – not just transforming lives but saving lives.

Building a world-class team

Our ambition is to build a world-class team and I'm delighted that we continue to achieve market-leading employee engagement scores in our independently run B-Heard surveys. I'm proud that Ecclesiastical UK was recognised as a world-class employer and, during 2023, was named by Best Companies as 'UK Insurance's Number 1 Company to Work For' in their independent league tables.

This shows we're making good progress, and we remain focused and committed to building an inclusive culture where each and every colleague feels valued, respected and treated fairly. In short, we aim to provide life-changing careers that change lives.

Our part in protecting the planet

Benefact Group is committed to sharing in the responsibility of tackling climate change and reaching Net Zero, and we recognise the important role the financial services industry has in influencing change. While we recognise there is much work to be done, last year saw us make positive progress towards our climate ambitions, and we continued to improve our ClimateWise performance.

We signed a carbon offsetting agreement with our partner Cool Effect, helping to offset 1,000 tonnes of carbon, while supporting rural communities in Kenya. This means we are now a net negative contributor in respect of direct emissions.

As a Group, we divested from all 'fossil fuel investments' (such as oil and gas) and have increased our investment in green technologies. We encourage others to consider the same.

EdenTree launched its Investment Stewardship Plan, challenging the biggest emitters in our investment portfolio to set targets and reduce emissions.

And we donated £250,000 to climate and environment charities through a climate special draw and large grants to English Heritage, Heal Rewilding, and Greener and Cleaner to name a few.

Looking ahead

After a strong 2023, we move into 2024 with renewed ambition and drive to grow the business so we can give even more to good causes. We will continue to invest in our capabilities so that we can strengthen our position as a trusted specialist in our markets, and drive forward our growth plans, through new segments, new methods of distribution and greater efficiency.

We've set stretching targets for our General Insurance teams to achieve profitable gross written premium growth across our territories. It's an exciting year for Ansvar Insurance, which has moved into new offices in Brighton, and we will be reinvigorating the brand.

We've sought to build a market-leading investment platform at EdenTree, and the team is focused on leveraging its reputation as a specialist sustainable investment house to grow its client base and assets under management.

The Broking and Advisory division has welcomed a number of new businesses over the past few years, and the focus will be on embedding those businesses within the Group, to share ideas and drive synergies, so we can deliver more organic growth.

Join our movement for good

Everything we do at Benefact Group is aimed at helping those in society who need us most. Our giving has helped transform thousands of lives and communities, and the impact of our work inspires us to do even more in the future.

On behalf of the Board and thousands of our beneficiaries, we say a heartfelt, sincere “thank you” to all our customers, business partners and dedicated colleagues for their exceptional support.

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

Mark Hews
Group Chief Executive

‘After a strong 2023, we move into 2024 with renewed ambition and drive to grow the business so we can give even more to good causes.’

Our business model and strategy

Benefact Group is a diverse family of specialist financial services businesses, driven by a shared ambition to do right by our customers, clients and business partners, and united by a common purpose to give all available profits to charity and good causes.

Benefact Group is a family of award-winning businesses that gives all our available profits to good causes in order to transform lives and communities. This sets the Group apart from others in the financial services sector. We exist to contribute to the greater good of society. We do this by managing a successful, ethically run portfolio of businesses and by using the profits that these businesses generate to help good causes through independent grants from our charitable owner (Benefact Trust) or via our own considerable donations. We're committed to doing the right thing for our customers and to delivering growing donations to our owner so they can continue with their good work, helping to improve people's lives.

Benefact Group is organised on a divisional basis: our three divisions are Specialist Insurance, Asset Management, and Broking and Advisory. Legal entity changes took effect in 2023, enabling the Group to create greater focus on our strategic ambitions across our businesses.

The Group's overarching strategy brings alignment and strategic focus across the entire Group. Every business in the Benefact family is a specialist in their respective field, built on genuine insight and ethics. Together we offer products and services that help protect in the present, pre-empt the possible and invest in a healthier financial future.

This is illustrated by three strategic aims:

Seeking to be the most trusted specialist insurer
We aim to be the most trusted specialist insurer in our chosen markets, operating with the highest ethical standards. Offering unrivalled expertise and knowledge, with appealing customer propositions and an excellent claims service that meet the concerns and needs of our customers and business partners.

Seeking to be the leader in responsible and sustainable asset management
We aim to be the best ethical asset manager and thought leader on socially responsible investment, building on our industry-leading reputation and consistent, proven approach to deliver long-term investment success. Building on an impressive track record, we will continue to enhance our proposition and our ethical credentials, leading the debate on the ethical investment issues that matter to our customers.

Seeking to be the most trusted specialist adviser
We aim to be the most trusted specialist adviser in our chosen markets, delivering excellent service with long-term sustainable relationships with clients and insurer partners. Providing our customers with the best independent and impartial insurance or financial advice in order to meet their needs.

We have a long-term outlook where sustainable value generation is prized over short-term results. This has created deep and long-standing relationships with our customers and brokers, as demonstrated by their elevated levels of trust, loyalty and engagement with our business. These enduring relationships have helped us build deep understanding and expertise within our sectors, enabling us to provide highly valued products and services that, in turn, support our sustainable giving.

These factors combine to support our drive to deliver sustainable and growing returns over the long term, creating long-term value for our charitable owner and demonstrating that a distinctly ethical, specialist financial services group can succeed in competitive markets.

> 'Benefact Group is a family of award-winning businesses that gives all our available profits to good causes in order to transform lives and communities.'

Strategy in action

Introduction

The Group is delighted to continue to make significant contributions to good causes, and in respect of 2023 performance will have donated a further £21m to its charitable owner, Benefact Trust, of which £13m was paid in the year and the remaining £8m will be paid in due course. This accomplishment has been made possible through the significant efforts of all the businesses across Benefact Group, which have focused on meeting the needs of their customers, clients and business partners.

The Group's overarching strategy encompasses all divisions and businesses to ensure alignment and strategic focus. This strategy demonstrates our ambitions for the future, responding to global trends and the external market context, while building on our distinctive position in our chosen markets and our intent to have a positive impact on all communities that are important to us. Our growth ambitions for the Group are significant and aimed at giving even more to good causes and to make a real difference in the lives of the people and communities we help protect.

Throughout 2023, we continued to progress the key elements of this ambitious strategy, delivering value to our customers, clients and business partners, and enabling further investment in the Group and its businesses. Highlights of where progress was made on our strategy are shown below:

Striving to be the most trusted and ethical business in our chosen markets

- Delivered a valued and trusted approach across our diverse family of specialist financial services businesses, driven by our shared ambition to do right by our customers and clients
- Continued to attract and retain prestigious customers across all divisions of the Group
- Achieved high levels of customer satisfaction exceeding market benchmarks in all divisions of the Group, with many of the Group's strategic business units achieving 'World-Class' levels of customer advocacy
- Received external recognition for our distinctive approach with 21 awards across all three divisions including products, service quality, specialist expertise, customer engagement and thought leadership
- Continued to enhance customer propositions with added value including specialist advice tailored to customer needs in market segments such as heritage, education, faith and charity, addressing issues such as sustainability, risk management and fundraising guidance

Seeking to be the most trusted specialist insurer, operating with the highest ethical standards

- Demonstrated strong business growth, launched new products including Leisure, Charity Direct, and Clubs, Groups and Societies, and several new schemes to support customer needs
- Attracted and retained prestigious customers with excellent retention levels across all segments and in all of our geographies, reflected by very strong levels of customer satisfaction
- Enhanced our offering, refreshed key products in the UK and Ireland, created a One Protect policy framework in Canada, and established a dedicated service centre for SME clients in Australia
- Addressed the needs of our customers by providing specialist risk management advice on diverse topics including guidance on Contact sport in schools; Are you flood smart? and Arson in heritage properties
- Continued to offer targeted support to broker partners from our established regional offices and teams, as well as pop-up offices in Leeds, Exeter and Limerick; the 'Covered in 15' podcast addressing key issues for brokers such as Consumer Duty, protecting charity clients against copyright claims, and the opportunities and pitfalls of renewable energy
- Supported customer communities including Wexford Festival and its Volunteer Programme (Ireland) for the past 10 years, Privacy Awareness Week (Australia), student bursaries at Willowbank School of Restoration Arts (Canada) and offered fundraising support to churches and charities (UK, Ireland and Canada)

Seeking to be the leader in responsible and sustainable asset management, building on industry-leading reputation and consistent, proven approach to deliver long-term investment success

- Continued delivery of EdenTree growth strategy, growing market share and built a strong client pipeline
- Entered new markets including the UK IFA channel, attracting over 700 new clients since 2021
- Launched the Green Future Fund into the Nordics which is Article 9 accredited under the EU's Sustainable Finance Disclosure Regulation (SFDR), meaning that it has sustainable investment as its primary objective
- Delivered an extensive client out-reach programme, holding roadshows for almost 500 financial advisers
- Remediated subscale EdenTree funds, retaining 85% of the impacted charity clients and migrated them to new funds within the EdenTree range
- Published our inaugural Climate Stewardship Report which launches our refreshed climate change strategy and demonstrates our long-standing commitment to tackling climate risk
- Continued to advocate for transparency including embracing the new Sustainability Disclosure Requirements
- Provided an expert voice with regular responsible investment insights and research published to the market

Seeking to be the most trusted specialist adviser, providing excellent service with long-term sustainable relationships with clients and insurer partners

- Continued to grow in line with agreed organic growth and optimisation plans alongside continued growth through acquisitions, becoming majority shareholder in Lloyd & Whyte who acquired three broking businesses to strengthen their community broking and affinity divisions
- Attracted and retained prestigious customers with exceptionally high levels of customer satisfaction and 'World-Class' net promoter scores (across measured businesses)
- Undertook a divisional restructure and created a new holdings company, Benefact Broking and Advisory Holdings Ltd, to facilitate the continued sharing of expertise and the identification of synergies where it makes sense to do so, such as carrier placement, compliance, finance, marketing and technology
- Continued to strengthen operational resilience and scalability within specialist broking, standardising processes as part of our tiered service offering to Lycetts clients, and successfully piloted robotics to automate some manual administrative tasks, increasing efficiency within Lloyd & Whyte Specialist Broking
- Achieved 20% increase in funeral plan sales at Ecclesiastical Planning Services during our first full year of funeral plan regulation and worked in partnership with funeral directors to support Child Bereavement UK
- Supported customer communities including championing equine leadership, yards and jockeys, recognised charity champions, and worked in partnership with local charities and our suppliers to build stronger community ties and provide opportunities for young people including apprenticeships

Developing the Benefact Group and its businesses

- Continued to embed the Benefact Group brand across the Benefact family, increasing breadth of reach of the Benefact Group brand including articulation of the 'Benefact Group difference' within sales processes
- Developed propositions and products to support customer needs including initial pilots targeting new business and schemes, evaluated future specialist propositions, and expanded distribution of EdenTree funds into new channels and overseas jurisdictions
- Tested new capabilities including priority improvements in underwriting capability, and trials of robotics and automation, to build greater resilience into underwriting processes, create increased capacity and automate some manual administrative tasks
- Continued to refresh the Group's office portfolio, moved Lycetts to a modern head office building, and completed major upgrades to our Melbourne and Sydney offices
- Delivered regulatory initiatives including Consumer Duty day 1 requirements achieved in all UK regulated businesses (with activity underway to meet further requirements), IFRS 17 was embedded effectively with first accounts published under new standards, and met new French language regulations in Quebec
- Published 'Climate Positive Plan' bringing together the Group's climate response under four categories of measurement, decarbonisation, offsetting and giving
- Worked with highly assured and charitable offsetting provider Cool Effect to offset 1,000 tonnes of carbon (exceeding reported 2022 direct footprint of 843 tonnes) to achieve Net Zero for direct emissions and become 'carbon positive'
- Firmly established the Group as top quartile in climate response amongst insurance industry peers, improving its benchmark score to 86% (ClimateWise, up from 75% in 2022)

Developing a world-class team

- Continued to invest in the Benefact Group employee proposition across the Benefact family
- Strengthened employee engagement further with 3* World-Class accreditation across the UK
- Agreed strategy and roadmap to becoming a 3* World-Class employer across the Benefact Group
- Invested in employee wellbeing with continued embedding of integrated approach to diversity, equity and inclusion
- Continued to invest in leadership development, establishing pathways for early and emerging talent, including underwriting apprenticeships, and new graduate roles in actuarial, finance and communications
- Simplified values and performance management, creating greater alignment across the Group
- Embedded an improved and consistent learning platform to support development, talent and succession planning across all of the Group's geographies

Continuing to be recognised for excellence

Benefact Group

- Top 50 Large Companies in the UK, Best Companies
- Top 10 Insurance Company (2nd place), Best Companies
- In-house PR team of the year, CIPR PRide Awards

Insurance division

Ansvar Australia

- Insurance Business Australia Hot List

Ecclesiastical Canada

- Property & Casualty Insurer of the Year, Insurance Business Canada
- Excellence in Philanthropy & Community Service, Insurance Business Canada
- Greater Toronto Top Employer 2023 (5th consecutive year)
- Governor's Award, National Trust for Canada

Ecclesiastical Ireland

- Investors in Diversity Bronze Award, Irish Centre for Diversity

Ecclesiastical UK

- Specialist Insurance Company of the Year, Insurance Post British Insurance Awards
- Claims Product Solution of the Year (Insurer), Insurance Times Claims Excellence Awards
- 1st for Home Insurance, Fairer Finance (17th and 18th consecutive times, for 9 years)
- Best Buy Home Insurance, Which? Magazine
- Best Home Insurer, Times Money Mentor Awards
- Large Business of the Year, SoGlos Gloucestershire Business Awards

Asset management division

EdenTree Asset Management

- Best Ethical Investment Provider, Moneyfacts awards (15th consecutive year)
- Best Thought Leadership, ESG Clarity Award
- Knowledge Award, Fintel Partnership
- Relationship Account Manager, Fintel Partnership

Broking and advisory division

Cliverton, part of Lycetts

- Schemes Broker of the Year, Insurance Age UK Broker Awards

SEIB, part of Lloyd & Whyte

- Insurance Institute of Chelmsford and South Essex, Brett Wexler Trophy

Additionally, the Group's businesses were shortlisted for many more awards

Responsible Business Report highlights

Socially positive

£200m

given to charities since 2014

Award-winning across the Group including Best Ethical Investment Provider for 15 consecutive years

World-Class Company demonstrating outstanding levels of employee engagement – assessed by Best Companies

80%

of colleagues feel that mental health resources support their needs

Top 3

Corporate Giver

According to the Directory of Social Change 2023/24 Guide to UK Company Giving

£24.0m

donations to the Benefact Trust and charities direct

MOVEMENT FOR GOOD

Environmentally positive

>£250,000

Nearly £250,000 of charitable funding for climate-related projects

19,000

nominations in climate charity special draw

Carbon positive for direct impact – 1,000 tonnes of carbon offset with charitable partner Cool Effect

66% lower

Group equity investment footprint: 29.5 tCO_2e/£m invested – 66% lower than the benchmark*

*ISS ESG 31/12/2022

Commitment by 2023 for direct impact, 2040 for the Group

Net Zero

ClimateWise

member

ClimateWise Insuring a sustainable future

Socially positive

Charitable giving

The Benefact Group is a unique family of financial services businesses committed to giving to good causes, and is proud to be a top company donor, ranked third in the Directory of Social Change's Guide to UK Company Giving. The following table summarises giving across the 'Benefact Group' which includes Ecclesiastical Insurance Office plc, its subsidiaries and the subsidiaries of the Benefact Group. This table also summarises giving from the 'Benefact Trust', the ultimate parent undertaking of Ecclesiastical Insurance Office plc.

Introduction

This Responsible Business Report is a summary of positive social and environmental impact. It covers social impact including approach to diversity, equity and inclusion, colleague wellbeing and charitable giving. It also summarises climate impact and is supported by a separate report featuring full disclosure in line with the Taskforce on Climate-related Financial Disclosures (TCFD), which is published on the Company's website. A separate report enables the Benefact Group to explain climate-related disclosures in much more detail for the benefit of an increasing range of interested stakeholders.

Giving via	**Benefact Trust** – ambition to be one of the UK's most impactful Christian grant-making charities	**Benefact Group** – Group-led giving programmes designed to achieve maximum reach and impact	**Businesses** – giving led by subsidiary businesses of the Benefact Group focused on customers and communities	**Colleagues** – enabling Benefact Group colleagues to give to causes they care about and doubling their efforts
Highlights	– In 2023 Benefact Trust awarded £23.4m in grants – Nearly 1,500 applications received a decision with a 95% success rate – A total of 1,418 grants were awarded (an increase of 44% on 2022) – On average the Trust awarded over 100 small grants each month – The Trust launched two new flagship programmes: Community Impact Grants and Building Improvement Grants	– The £1m+ Movement for Good continues to give through small donations and large grants – It generated over a million nominations for charities from the public – the highest ever total – Hundreds of charities benefited from £1k donations – £500k in large grants – £250k+ to climate/environmental projects – Continuing partnership with The King's Foundation – 2,500+ attendees of free fundraising webinars	– £100,000 to charities UK insurance brokers care about – Ecclesiastical Canada started a two-year partnership with Food Banks Canada – EdenTree launched its 'Swim with Alice' challenge, supporting the Black Swimming Association – SEIB's giving awards celebrated charities customers care about – Ansvar ran their fourth community campaign, giving £25,000 to charities across the UK – Lycetts supported The King's Foundation Build A Legacy Award	– Over £550,000 given in total – Highest-ever level of colleague fundraising – over £180,000 – Retained gold payroll giving standard and grew number of givers – 550+ volunteering days – Nearly £300,000 in personal grants to colleagues' charities of choice – Triple matching of donations to charities supporting Turkey-Syria earthquake – Ran the first ever internal giving celebration week, where 300 colleagues gave or volunteered – 50+ colleagues went out to visit Movement for Good winning charities
Further info	Visit www.benefacttrust.com	Visit www.movementforgood.com	See Group company websites	

Giving via	**Benefact Trust** – ambition to be one of the UK's most impactful Christian grant-making charities	**Benefact Group** – Group-led giving programmes designed to achieve maximum reach and impact	**Businesses** – giving led by subsidiary businesses of the Benefact Group focused on customers and communities	**Colleagues** – enabling Benefact Group colleagues to give to causes they care about and doubling their efforts
Commentary	The Group's distinct ownership model means it can continue to give all its available profits to Benefact Trust as its charitable owner. In 2023 the Trust continued to distribute grants through a number of programmes, supporting church organisations and Christian charities. In 2023 the Trust continued its ambition to address urgent social issues. The Community Impact Grants programme led to grants of £8.5m supporting mental health, children and young people's needs, effects of poverty, marginalised and vulnerable populations and climate change and environment. The Trust received over 650 applications for the Building Improvement Grants programme which supported heritage, accessibility, energy efficiency, protecting buildings to remain in good condition and equipping them to meet operational needs. In its second year, the Crisis Response programme gave £850k to combat the effects of the Ukraine war, the cost of living in the UK & Ireland and natural disasters including those in Libya and Turkey/Syria. Roof Alarm Grants provided support to protect churches against metal theft and the Heritage Skills Grants helped safeguard skills such as stonemasonry.	Movement for Good is the Group's biggest giving initiative and continues to deliver huge breadth of reach, depth and impact. Small donations reach a diversity of predominantly small charities where £1k can make a massive difference. Large grants benefit causes close to customers and communities. Projects supported the rural community, schools and heritage. In 2023 charities tackling environmental and climate issues were targeted, giving £200k to support ambition to have a positive environmental impact. But support doesn't stop there, a range of services and support was provided to charities including free fundraising webinars, masterclasses and in-person forums. In 2023 a 'Movement for Good network' was launched to bring together a community of charities.	The Benefact Group is a growing family of specialist financial services businesses each proud of how close it is to customers and communities. Business giving programmes provide the opportunity to target charities customers and partners care most about. For example, our 'Closer to You' broker programme gives brokers working with Ecclesiastical UK the chance to choose charities. Specialist investment business EdenTree continues to support causes aligned with positive investment themes. Brokers SEIB and Lycetts are totally connected to their communities, funding equine charities such as World Horse Welfare and rural charities such as the County Trust. Ecclesiastical Ireland provides a wide range of support to Jigsaw, the national centre for youth mental health. In Australia the Community Education Programme continues to support the education and life skills development of disadvantaged Australians under the age of 25.	Giving colleagues the opportunity to support causes they care about continues to be the foundation of the Group's giving approach. In 2023 colleague giving scheme 'MyGiving' continued to offer colleagues small grants to give to any cause they care about, flexible volunteering time and 100% matching of fundraising and Payroll Giving. In 2023 colleagues raised more for good causes than ever before, supporting charities with vital funds. The Group's first ever giving celebration week gave colleagues a range of opportunities to connect with charities and give. The biggest fundraisers were celebrated with special recognition and a 'MyGiving Superstar' award. Volunteering projects were widespread and diverse including canal cleans and providing free human resources guidance.
Further info	Visit www.benefacttrust.com	Visit www.movementforgood.com	See Group company websites	

Colleagues

In 2023 the Benefact Group brand celebrated its one-year anniversary. The brand continues to be a powerful way to unite colleagues across a specialist group of financial services businesses focused on growth and sustainable success in the service of generating profits to give to good causes.

Engagement and wellbeing

A healthy and engaged global team of colleagues is the cornerstone of the Group's success, so a range of support continued to be a high priority in 2023. The now well-established 'healthy working check-in' ensured feedback was gathered from colleagues now working flexibly at home, in other work settings and in fantastic offices the Group continues to invest in. 71% of colleagues said they felt healthy or very healthy at work and 75% said they knew what mental health resources were available to them, and of those that had used them 80% said they met their needs.

A new private medical offering for menopause, fertility, men's health and neurodiversity support was launched alongside a new 'Smart Health' app enabling direct access to private GP appointments. A formal network of mental health first aiders was also publicised to give trusted colleagues to connect with.

Investment in great workplaces continued in 2023, notably with the move of the Newcastle-based Lycetts team to a new head office in the city. Not only is this a fantastic new collaborative working space, but it also cements Lycetts' place in Newcastle where they have been based for over 60 years.

The building also has high sustainability standards including air source heating, renewable energy and 80 bike spaces and 10 charging points for electric bikes.

Independent assessment of engagement levels was benchmarked through the B-Heard survey provided by Best Companies. With almost 2,000 responses the survey is now a well-established way to listen and celebrate. The Group overall continues to sustain a two-star 'outstanding' rating, plus the UK and overseas businesses who have been responding to the survey since its inception improved by an impressive margin to achieve three-star 'world-class' status. Team members celebrated this achievement at an awards event in London at which the Group was also recognised as one of the Top 50 best large companies to work for.

Diversity and inclusion

The Group continues to be committed to diversity, equity and inclusion. In 2023 a group-wide inclusion network was established which now has over 30 members. The group is supporting specialist groups focusing on areas including LGBTQ+, women and colleagues from ethnically diverse backgrounds. Communications and meetings throughout the year covered topics including Diwali, neurodiversity, motor neurone disease, Black History Month, PRIDE and men's health.

A number of key events brought people together, notably a Women in Leadership event hosted at the Benefact Group head office in Gloucester. It welcomed 80 attendees from local businesses and the community, featured a panel discussion and raised several thousand pounds for local charity The Nelson Trust who work with vulnerable women.

The Group's investment business EdenTree is taking active measures to broaden their talent pool and worked with a number of partners including Investment 20/20, Ambitious about Autism, Blind in Business and Career Collective. Support included helping to amend job descriptions, recruit interns and full-time staff, offering training and raising awareness in the wider investment industry. In December, EdenTree were pleased to repeat their much-loved family day, a great opportunity for colleagues to introduce their families, partners and friends to one another and for the children to see where their parents work.

Plans for 2024 include a women in leadership programme, a full review of attraction and recruitment practices and an inclusive leadership training programme for all people leaders.

Key employee statistics

Gender by level 2023

	Male No.	Female No.	Total No.
Group Management Board	7	2	9
Senior Leader	102	61	163
Manager	275	233	508
Team Member	599	951	1550
Grand Total	983	1247	2230

The Board split is Male:Female 7:3

Gender pay gap

	2022	2023
Fixed pay gap mean/median	25.2/19.1	26.3/19.4
Bonus pay gap mean/median	43.7/26.4	54.4/27.0

The gender pay gap is calculated as the difference between average hourly earnings (excluding overtime) of men and women as a proportion of men's average hourly earnings (excluding overtime). The table above shows median and mean gender pay gap for fixed pay and bonuses paid to men and women, in relation to the 2023 performance year. For more detail see our annual Gender Pay Gap Report available on our website.

Ethnicity 2023

White No.	Prefer not to say No.	BME No.
1343	822	65

Leadership and development

The Group continued to focus on investment in leadership and development for everyone. A new programme for 14 colleagues aspiring to be team leaders called the 'Benefact Emerging Talent Programme' was piloted and plans for a Group-wide roll-out are underway. The Benefact Leadership Development Programme welcomed another cohort of colleagues who developed their leadership skills, connected with colleagues around the Group, tackled business challenges and applied their creative thinking to a challenge facing charity partner Sport 4 Life. A number of leaders also benefit from a partnership with the Windsor Leadership Trust including a charity CEO who was supported to complete the programme.

Corporate Chartered Insurer and Broker status in the UK and Ireland promotes and sustains high levels of professionalism. Access and consistency of learning opportunities was supported with a single platform for learning resources available globally. Colleagues were supported with regulatory training, professional development and formal qualification programmes, and through a range of learning resources, workshops and support across technical, behavioural and business skills.

Customers and partners

2023 marked another major milestone in the Group's history with the celebration of giving £200m to charities since 2014. This has supported over 10,000 good causes. This is a significant step towards the Group's ambition to give £250m to good causes by 2025 and is thanks to everyone who has been part of this journey – colleagues, customers, partners, supporters, charities and their beneficiaries.

Supporting customers and partners

The Group continued to grow in specialist markets while expanding its business with further acquisitions of insurance brokers in the Group's Broking and Advisory division and new insurance and investment products. Ecclesiastical UK launched a product for the Leisure sector targeting visitor attractions and fine dining experiences for example. EdenTree's range of green funds including the Green Bond Fund continued to attract investors.

The Group's support for charities extended beyond funding with a range of advice and support to enable charities to be more successful and sustainable. Free webinars were attended by an average of over 400 charities, and dedicated forums, masterclasses and training programmes gave charities the skills and confidence to succeed while enabling them to network. In total more than 2,500 charities were supported through the programme.

Charitable giving from the Group's Movement for Good programme is designed to reach any cause with small donations and causes close to customers and communities with larger grants. Large grants were awarded to charities reflecting the Group's commitment to customers. For example, partnerships with heritage charities English Heritage and Historic Royal Palaces enabled research on the climate impact on historic properties and support for young people to access heritage sites. Climate and environmental charities were supported to restore wetlands, rewild farmland, install new technology to help churches become Net Zero and help school children to make climate action plans for their schools. Other projects supported drugs education and the mental health and wellbeing of schoolchildren, access to swimming for all and bringing alive the countryside for children least able to access it.

To deliver on the Group's promise to do the right thing, colleagues and suppliers are expected to share this commitment. Through partners and suppliers the Group can have a significant social impact and influence. To ensure the highest standards are upheld regarding human rights, anti-corruption and anti-bribery a supplier code of conduct has been developed, alongside a range of measures including robust risk management, employee code of conduct and employee regulatory training on topics such as data protection and whistleblowing. One hundred per cent of our people complete an annual code of conduct attestation. The Group continues to submit a Modern Slavery Act declaration and suppliers paid within 30 days to 86% under the Payment Practices and Performance Reporting (2022: 75%) continued to improve.

Awards and recognition

External awards and recognition for the Group's outstanding levels of support for customers reinforce the Group's sustainable success. Ecclesiastical UK's home insurance continued to top the tables. Fairer Finance placed Ecclesiastical first for the 18th year running assessing customer happiness, trust, complaints performance and transparency. EdenTree's unprecedented run of recognition at the Moneyfacts Investment Life and Pensions awards was extended to 15 years at the top. Other awards for Ecclesiastical UK included Specialist Insurer of the Year at the British Insurance Awards and Claims Product Solution of the Year at the Insurance Times Claims Excellence Awards. One of the Group's insurance brokers Cliverton won Schemes Broker of the Year at the Insurance Age broker awards. Ecclesiastical Canada was recognised for their community contributions and as one of Greater Toronto's Top Employers for the fifth consecutive year. Ecclesiastical's Irish business was also commended in the Long-Term Partnership category for its charitable support for the Wexford Festival.

Individual and team awards were also bestowed upon Grace Holmes at brokers SEIB for being the youngest member to achieve best results in insurance exams, the Group's PR team as In House PR Team of the Year at the Chartered Institute of Public Relations Pride Awards and Ansvar Australia CEO Warren Hutcheon was named in Insurance Business Australia's Hot List.

Environmentally positive

This report is a summary of the Group's climate response. A full climate report in line with the Taskforce on Climate-related Financial Disclosures (TCFD) is published separately. The Group continues to develop its climate and sustainability reporting in line with regulatory requirements and best practice.

The Benefact Group is a member of ClimateWise, a voluntary initiative to drive climate responsibility and action. Climate strategy is centred around the ClimateWise framework which is aligned to TCFD principles. This summary report uses the seven ClimateWise principles as its structure.

ClimateWise and TCFD principles

Governance – be accountable

Climate risk has strong governance and oversight and is subject to effective and robust controls. This includes regular reporting to, and challenge from, Board, Committees, management and business groups.

Climate topics were reported to the Board regularly in 2023 supported by a dedicated Non-Executive Director for climate, Sir Stephen Lamport. The Board and Board Committees also received training on key topics including reporting requirements and climate strategy. A network of 'champions' across businesses drive environment and climate action supported by the central Group Impact Team which was strengthened with the appointment of a Climate Impact Manager.

Targets are included in the Group's long-term remuneration scheme to hold senior leaders to account on climate. External review of carbon footprinting and reporting was also completed in 2023 to challenge and benchmark the approach. The Group continues to focus on a range of Net Zero targets – including achieving Net Zero for operational emissions from 2023 and committing to Net Zero for all emissions across the entire Group by 2040. A 'climate positive plan' was launched in 2023 to explain the journey to Net Zero. It focuses on increasing measurement and understanding, decarbonising and investing in offsetting and giving.

Training on tackling transition

In October the Board received a training session on 'just transition', the consideration of complete social and environmental impact resulting from climate action. The session included a Q&A session with responsible investment experts at EdenTree and discussing how companies are looking more closely at the social impacts of transition, particularly in the energy sector. The session highlighted the Group's strong position to use its charitable giving to deliver both positive social and environmental impact.

Strategies and investments

Insurers, investors and advisers have a huge responsibility and opportunity to play a positive role in tackling, mitigating and seeking opportunity from climate change. The Group's current strategy runs to 2026 and includes 'sustainability champion' which focuses on climate response and action.

For both investment and underwriting the Group's strategy is underpinned by scenario analysis and a strategic and emerging risk process. Guided by its responsible and sustainable investment policy, the Group does not insure traditionally emissions-intensive industries including fossil fuels, aviation or heavy industry or invest in polluting industries.

The Group increased its understanding of its insurance and investment climate impact through key pieces of work. Using the Partnership for Carbon Accounting Financials (PCAF) methodology an initial assessment of the Group's underwriting footprint was completed. A third party completed an assessment of the Group's property investment portfolio which included setting targets. EdenTree's Green Fund range (seeded by the Group) grew steadily in 2023. Charitable giving to environment and climate charities also increased to £250,000 supporting a range of projects including rewilding, wetland restoration, restorative farming, schools' education and transition.

Influencing through investments

EdenTree launched a 'climate stewardship plan' in 2023 designed to influence companies in which it invests to accelerate their response to climate change. It includes targets for Paris-alignment of funds and proportions of companies reporting to science-based targets. The Group's funds remain aligned with the Paris warming target.

Managing climate risk

Understanding and assessing physical, transition and liability risk is a key role of insurance and investment. The Group's responsibility is to evaluate the implications of climate change for business performance and build this into decision-making.

The Group has a well-established risk management approach including a centrally-led risk framework and taxonomy. Businesses throughout the Group develop measurement and management approaches and workshops for senior management teams provide training for those managing risks. The Group continues to work with key partners including reinsurers and mapping providers to inform pricing, risk selection and strategy.

Protecting the historic environment

As a leading provider of protection for the heritage sector, the Group has deep partnerships with leading organisations. A partnership with English Heritage was developed in 2023 to research the climate risk faced by a range of their historic sites. The research will help English Heritage to take a more climate-informed approach to decision-making across the organisation, enabling better preservation and protection of their estate.

Managing our own impact

Climate impact in investment and underwriting groups is dominated by financing, but opportunities exist to control and reduce the direct impact of operations and supply chains.

The following table provides details of the carbon associated with the direct operation of businesses that are part of the Benefact Group.

Emissions source	**2021**				**2022**				**2023**			
	UK	Non-UK	Total	Scope 1 & 2 tCO_2/ employee	UK	Non-UK	Total	Scope 1 & 2 tCO_2/ employee	UK	Non-UK	Total	Scope 1 & 2 tCO_2/ employee
Scope 1: fuel, fluorinated gas losses and fuel combustion in offices and company vehicles	97	6	103		143	23	166		142	7	149	
Scope 2: electricity and cooling in premises (location based)[1]	383	97	480		584	92	676		696	84	780	
Scope 2: electricity and cooling in premises (market based)[2]	68	97	165		82	92	174		97	75	172	
Scope 3: business travel[3], waste, water use	172	22	194		734	217	931		439	568	1007	
Total CO_2e[4]	337	125	462*	0.23*	959	332	1291*	0.61*	678	650	1328*	0.56*

1 The average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data)
2 Emissions based on how an organisation buys its energy
3 Air, rail, bus, taxi, ferry, car rental and grey fleet
4 tCO_2e is tonnes of CO_2 and equivalent gases.
* Scopes 1, 2 (market based) and scope 3

In 2023, total energy use is 4,153,785 kWh of which 3,962,931 kWh is UK and 190,853 kWh is non-UK based.
In 2022, total energy use was 4,139,168 kWh, of which 3,775,241 kWh was UK and 363,927 kWh was non-UK based.

Measuring our operational emissions

The Group's operational footprint comprises:

- Scope 1 emissions (fluorinated gas losses and fuel combustion in premises and company vehicles)
- Scope 2 emissions (premises electricity and cooling)
- Scope 3 emissions (business travel, waste, water and commuting).

Methodology

These emissions are measured and reported according to GHG protocols, to Streamlined Energy and Carbon Reporting (SECR) standards. The Group has reported on all emission sources required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Its GHG reporting year runs from September 2022 to August 2023. The emissions reporting boundary is defined as all entities and facilities either owned by or under operational control of the Benefact Group. That is, emissions relating to the Group's premises and associated travel by employees based at those premises. Its data represents 90% of our Group by headcount. We strive to continue improving the coverage and quality of data which informs our report. Scopes 1, 2 and 3 emissions have been calculated using UK government greenhouse gas reporting emission factors (Department for Environment, Food and Rural Affairs), and independently verified according to ISO – 14064-3:2019 Specifications with Guidance for the Validation and Verification of Greenhouse Gas Statements.

The Group continued to build its understanding of the typical 'carbon cost of an insurance claim' and challenged climate expectations of suppliers. The Group's strategy for reducing its operational impact focuses on switching to renewable energy contracts, getting off gas, greening the car fleet and increasing energy efficiency. Improving the sustainability performance of the Group's offices included recycling heat from the Gloucester office's server room and moving the Lycetts head office in Newcastle to a new building with high sustainability standards (BREEAM excellent).

Various initiatives supported more sustainable travel, including a salary sacrifice electric vehicle scheme, incentives for cycling, a personal carbon calculator and a Group-wide commuting survey. To achieve Net Zero for its operational impact the Group worked with charitable partner Cool Effect to offset 1,000 tonnes of carbon through supporting a highly assured project in Kenya which has both social and environmental benefits for the local community.

Engaging colleagues in nature

One of the 2023 Movement for Good large grants was awarded to Heal, a rewilding charity based in Somerset. Colleagues were engaged in the project to rewild over 450 acres of farmland by 'adopting a square' of the land, visiting for volunteering and receiving updates on the impact of the project.

Informing public policy

Another key role of the financial services sector in climate action is to influence opinion and drive change. The Group is supportive of industry bodies whilst focusing on areas where it can create an impact and have a voice.

The Group is committed to using its knowledge and experience to influence in the most effective way. Examples of this in action during 2023 include partnering with the council local to the Gloucester head office to launch and host a sustainability festival to inform and educate local residents, businesses and community leaders. Funding for charity, the InterClimate Network enabled an event for children across the region to come together and create climate action plans for their schools.

Key areas of research and partnership on topics include broker attitudes and understanding of Net Zero, and climate action. This research resulted in widespread publicity and education through webinars and podcasts. A major project with English Heritage is also researching the impact of climate on historic properties.

Influencing the water industry

One of EdenTree's thematic engagement projects covered the condition of rivers including water and utility company performance. This project included a partnership with Olympic open water swimmer Alice Dearing and a river clean employee volunteering programme. A 'River Health' report was also created and sent to water regulators and utility companies seeking to influence action.

Customer/client awareness

Helping customers to understand climate-related risk and providing support and tools to assess their levels of risk is a key role of the Group as a financial services business.

Examples of the Group's advice and support for customers include engaging with large customers for strategic conversations on climate, sharing research and insight on broker attitudes to climate and Net Zero, a podcast on climate strategy and a webinar on renewable energy. EdenTree's research and insight work covers a range of topics including river quality, palm oil and nuclear energy.

The Group's Movement for Good charitable giving programme increased its focus and impact on climate charities in 2023. In total it distributed £250,000 including large grants to specific projects. A 'climate special draw' gave £5,000 donations to 10 charities randomly drawn and attracted nearly 20,000 nominations from customers, partners and supporters.

Strategic customer conversations

In 2023 the enterprise risk management and climate impact teams collaborated to support a key Ecclesiastical customer, 20,000 acre Swinton Estate. A workshop with the CEO and senior team at Swinton was held to unpack current and potential climate impacts on their organisation. This is a strategic approach to customer engagement which is shared overseas in the Ansvar Australia business where climate conversations are held with their largest customers to build mutual understanding of climate impact.

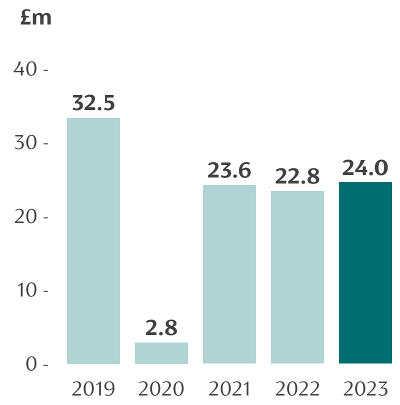
Enhance reporting

The Group's annual ClimateWise report is independently-audited to ensure performance is challenged and the process can be an effective means of continuous improvement. This climate report is supported by a full TCFD report published separately and summary information on the Group's website and its various businesses.

Key performance indicators

Financial

Measure	Performance
Donations The amount donated by Benefact Group to charities, including our charitable owner, each year. This is the main measure of our ambition, which was to exceed £250m in charitable giving by the end of 2025.	Strong investment returns and a robust underwriting performance enabled us to maintain a high level of charitable giving at £24.0m. This includes grants of £21.0m to our charitable owner, Benefact Trust, in respect of the Group's 2023 performance, £13m paid in year and the remaining £8m will be paid in due course, and a further £3.0m to good causes. We reached £200m of donations in 2023, and are on track for reaching our target of £250m by the end of 2025.



Measure	Performance

Regulatory capital

The Group's regulatory capital requirements are defined under the Solvency II directive as issued by the European Union and adopted by the Prudential Regulation Authority (PRA).

As the Group assessment is conducted at the level of Benefact Group plc, the following refers to the regulatory capital of Ecclesiastical Insurance Office plc (Ecclesiastical Insurance Office Group's parent company).

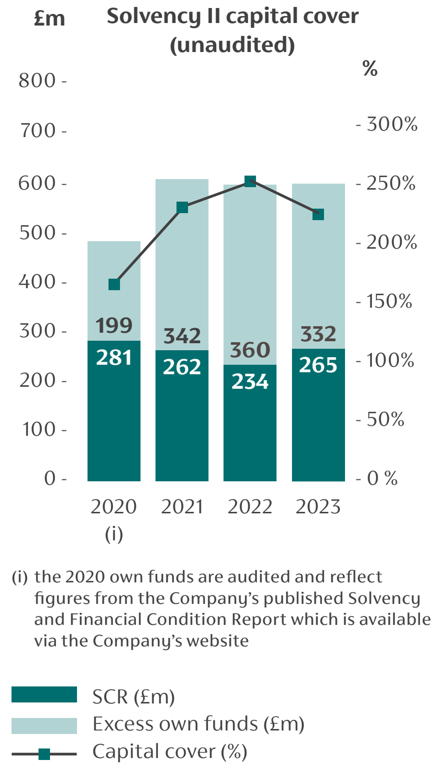
The Solvency Capital Requirement (SCR) is a risk-based statistical calculation that quantifies risks specific to our business. The Group sets a target level of capital that is in excess of the SCR to ensure ongoing compliance.

Benefact Group's capital cover under Solvency II has improved.

During 2023, own funds have decreased due to a grant payment agreed in 2023, but not yet paid. The solvency ratio has decreased due to the large increase in the SCR, driven by increased insurance risk. Our Solvency II regulatory capital position remains above regulatory requirements and risk appetite.

The figures for 2023 are based on the information provided to the Board as part of its ongoing management of the business and are unaudited.

We continue to balance the need to retain profit within the business to support our strategy for future growth and investment in technology and innovation, with our aspiration to meet charitable giving targets.



(i) the 2020 own funds are audited and reflect figures from the Company's published Solvency and Financial Condition Report which is available via the Company's website

Measure	Performance

Profit or loss before tax

The Group's profit before deduction of tax.

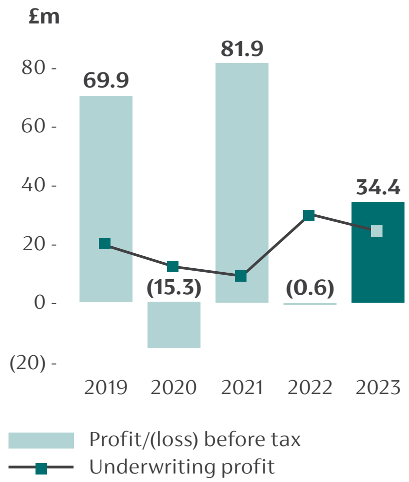
Each year, refreshed targets are set in relation to the Group's business plans for profit before tax. Details of the target that was set for 2023 can be found in the Group Remuneration Report. Our short-term target is to generate sufficient profit to enable us to meet our targets for charitable donations.

The Group reported a profit before tax in 2023 of £34.4m (2022 restated: £0.6m loss) driven by a strong insurance service result and net investment result.

Increased profits from our insurance and asset management businesses contributed to the Group result, while our broking business reported a decrease in profits.

More information on underwriting performance is given below.

See the Chief Financial Officer's Report within the Strategic Report for more details.



Combined operating ratio (COR)

The sum of Ecclesiastical's general insurance incurred losses and expenses divided by earned premiums for each financial year.

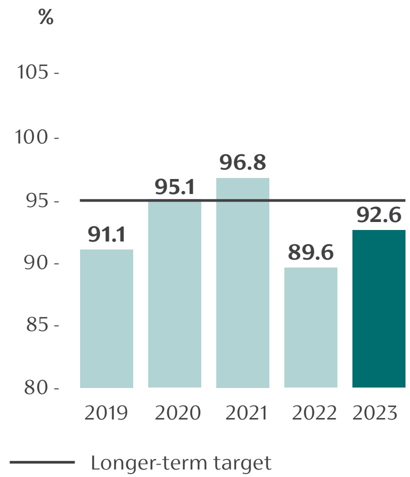
Each year, refreshed targets are set in relation to the Group's business plans for the Group COR. Details of the target that was set for 2023 can be found in the Group Remuneration Report. Our target over the longer term is to achieve 95% COR.

Our COR increased in 2023. This reflects adverse fire and freeze events and higher than expected prior year claims.

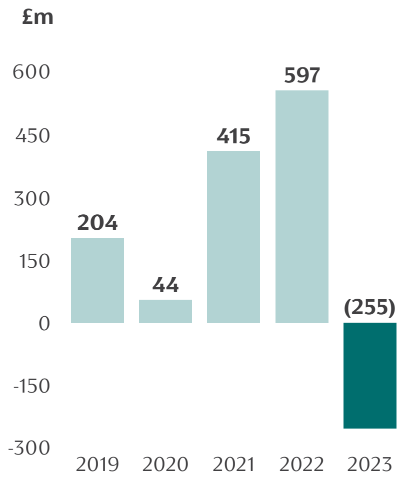
The Group continues to keep underwriting and pricing discipline at the centre of its strategy, prioritising profit over growth in the competitive business environment. There has been sustained growth in premiums, and the successful launch into the Leisure sector.

For a breakdown of how COR is calculated see note 40 to the financial statements.

See the Chief Financial Officer's Report within the Strategic Report for more details.



Measure	Performance
Net inflows (Asset Management) Net inflows are the difference between the funds invested and the funds withdrawn during the period by third parties in the range of funds our Asset Management division offers. Net inflows contribute to funds under management which is a key driver of the division's revenue. Each year, refreshed targets are set which take into account current market conditions and potential new initiatives	Investment markets were impacted in 2023 as turbulent markets impacted investor sentiment. The Group's asset management business, EdenTree, maintained investment into growing the business, through growing its distribution capability and with a widening of its product range. Against this backdrop, EdenTree recorded net outflows of £255m, in contrast with the previous high being inflows of £597m in 2022.



Key performance indicators
Non-financial

We place equal importance on financial and non-financial key performance indicators. Details of the non-financial performance indicators can be found within our Strategy in action section and our Responsible Business Report.

Chief Financial Officer's Report

The Group reported a profit before tax for 2023 of £34.4m (2022: £0.6m loss). The increase on the prior year was materially driven by the net investment result of £51.7m (2022: £65.6m loss) which reflects the improved market conditions towards the end of the year, with funds ahead of benchmark. There has been good momentum in income across the Group's core businesses and costs have continued to be managed tightly, despite the ongoing inflationary pressures.

The Group's insurance service result of £72.8m (2022: £81.0m) was strong despite the impact from a significant fire claim at the start of the year and adverse development of prior year casualty liability and weather-related claims. Gross written premium increased by over 10% to £615.0m (2022: £558.5m) as a result of new business and rate improvements. The Group recognised a net insurance financial loss of £16.9m (2022: £37.7m gain).

Within the Group's Broking and Advisory division, which reported a loss of £0.6m (2022: £20.3m profit), we saw continued growth from our broking businesses with income up 35% to £55.5m as a result of organic and inorganic growth. 2022 included profit on disposal of subsidiary of £14.3m. Overall earnings before interest, tax, depreciation and amortisation for the division was a profit of £7.5m (2022: £23.1m). The Group's pre-paid funeral planning business has had challenges with the development of new systems and incurred higher expenses, which were expected, arising as a result of the business becoming regulated in 2022.

The performance of funds within the Group's asset management business was positive with assets under management of £3.6bn, up slightly on 2022. Although in common with many asset managers, net new money in 2023 was negative and despite this saw EdenTree 12th in the Pridham Report. Overall the division reported a higher than expected loss of £6.5m (2022: £3.5m loss) due to lower income generated on assets held under management.

The Group's strong credit ratings with both Moody's and AM Best were reaffirmed during the year and our Solvency II regulatory capital position remains well above both regulatory requirements and our internal risk appetite.

Executing our strategy

Within Benefact Group, we made a number of changes to the legal entity structure to better align our businesses to the way in which we manage and achieve our growth ambitions across our Specialist Insurance, Broking and Advisory, and Asset Management divisions. These changes have helped organise the Group into its three divisions, to support our strategic objectives, and is providing a clearer approach to how the Group and its businesses operate and are governed.

The Group has continued to grow the broking division with a small number of select acquisitions during the year. On 30 June 2023, the Group acquired an additional 10% share in Lloyd & Whyte Group Limited and in February 2024, the insurance broker Access Underwriting Limited was acquired. Access Underwriting have deep expertise in the charity sector and a strong ethical approach to serving customers and doing the right thing and are an excellent addition to our portfolio of specialist businesses.

General insurance

The Group's underwriting businesses have performed well across territories, resulting in a Group Combined Operating Ratio (COR) of 92.6% (2022 89.6%). We have delivered growth in insurance revenue, with this increasing by 9.7% to £580.1m (2022: £528.6m) reflecting both increased new business and rate strengthening and an insurance service result of £72.8m (2022: £81.0m). Underwriting has been impacted

'Our Solvency II regulatory capital position remains well above both regulatory requirements and our internal risk appetite.'

by larger than expected prior year liability claims in the UK, as well as a major fire claim in January 2023.

Our strategy to focus on profitable growth opportunities has continued to deliver, with sustained growth in premiums and the successful launch into the Leisure sector as part of plans to move into adjacent sectors. The strong growth in insurance revenue reflects targeted rate increases as well as strong retention and excellent service delivered to brokers and customers. Our programme of investment has continued, particularly across our technology platforms and with our colleagues. Our investments in these platforms are an important part of supporting the growth of our business and meeting our customers' needs for the long term.

The Group uses a number of financial performance measures when managing and monitoring the performance of the general and life insurance businesses. These include gross written premium underwriting result and the investment return.

United Kingdom and Ireland

In the UK and Ireland, underwriting profits fell to £16.4m (2022: £23.6m) resulting in a COR of 92.1% (2022: 87.1%) driven by a deterioration in prior year casualty claims. Gross written premium grew by 15.9% to £399.7m (2022: £344.8m). Current year performance was slightly above expectations despite the devasting fire which destroyed St Mark's Church in London at the start of 2023. Storms Babet and Ciaran affected many of our customers but our support and the impact on profits was in line with expectations.

Many of our core segments grew by more than 20% including Heritage, Schemes, and Real Estate. The new Leisure product launch has been a success and is a good example of how we are using our specialist knowledge to grow into adjacent segments. Pricing remained robust in many of our core areas although there are early signs of increased competitiveness in some markets. Gross written premium in respect of our Faith business remained in line with prior year, in real terms, reflecting a good result in this market, as we continue to focus on providing service to this sector.

Our strategy over the medium term is to continue to deliver growth, while maintaining our strong underwriting discipline to increase the profit contribution to the Group. Our specialisms will continue to deepen through investment in people, technology and innovation together with the propositions, specialism and excellent service that our customers and broker partners value.

Ansvar Australia

Our Australian business reported an underwriting loss of AUD $9.6m resulting in a COR of 113.4% (2022: AUD $0.1m profit, COR of 99.0%). Premium grew by 8.1% in local currency to AUD $192.2m (2022: AUD $177.8m) driven by strong rate increases and higher new business growth and retention rates compared to prior year, partly offset by lower actual expiring premium.

The earn through of rate increases and continued de-risking of the portfolio has favourably impacted the result of the underlying business. Prior year strengthening in the public liability portfolio has outweighed the favourable impact of lower catastrophe claims in the year and is the main driver behind the underwriting loss for the year. The level of historic physical and sexual abuse (PSA) claims being notified continues to be in line with expectations.

Canada

Our Canadian business continued its track record of premium growth, albeit at a lower pace than prior years, reporting gross written premium of CAD$179.4m (2022: CAD$175.4m), supported by strong rate increases and new business of nearly CAD$7.8m. The premium growth of 2.3% was achieved despite increased competition in some business segments.

Canada reported an excellent underwriting profit of CAD$25.0m resulting in a COR of 80.4% (2022: CAD$14.3m profit, COR of 88.1%). The liability book experienced favourable development on prior year claims.

Investments

The Group's net investment result for the year was £51.7m (2022: £65.6m loss), principally from fair value gains towards the later part of the year as markets improved. The Group remains committed to its long-term investment philosophy and is well-diversified and relatively defensively positioned.

Investment income of £42.7m (2022: £32.5m) was strong, while fair value gains on financial instruments of £15.6m (2022: £76.9m losses) reflect the improved market conditions seen in particular during the last quarter of the year. We recognised fair value losses of £6.7m (2022: £21.2m losses) on our investment properties, driven by a continued fall in the value of industrial sector capital values in the portfolio.

Sustainability and ESG consideration gained more prominence, influencing investor preferences, and have continued to shape our approach to responsible investing. Our responsible and sustainable investment policy plays an important part in how we invest responsibly, and the organisation remains committed to aligning our investments with ESG principles, recognising its significance in the contemporary investment landscape. In 2023 a 'climate stewardship plan' was launched in EdenTree, designed to influence companies in which it invests to accelerate their response to climate change. The plan includes targets for Paris-alignment of funds with the Group's funds remaining aligned with the Paris warming target.

In an era marked by growing environmental concerns, responsible business practices have become imperative, and our strategy includes a focus on responsible investment and encompasses action to respond to climate risk and operations, investing in ways that support the transition to a low-carbon economy. The Group continues to focus on a range of Net Zero targets – including committing to Net Zero for all emissions across the entire Group by 2040. More information on the Group's approach to responsible investment including actions we take to mitigate the risks of transitioning to a low-carbon economy can be found in our Responsible Business Report.

Asset management

The Group's asset management business, EdenTree, reported gross flows of £736.2m

(2022: £1,218m) and net outflows, excluding group flows, of £255m (2022: £597m net inflows). The impact from turbulence in markets during the majority of 2023 and the higher interest rate environment had an adverse impact on investor sentiment; however, after markets improved towards the end of the year, assets under management ended at £3.6bn (2022: £3.6bn). The division reported a loss before tax for the year of £6.5m (2022: £3.5m) as conscious investment choices have continued to grow the business through distribution capability and a widening of product range. In 2023, EdenTree continued to be recognised for excellence and won Best Ethical Investment Provider at the Moneyfacts awards for the 15th consecutive year.

Broking and advisory

This division includes insurance brokers, a pre-paid funeral planning business and businesses providing financial advisory services. Revenue growth across the division has been strong despite some increasing competition in some markets. The overall result of a loss before tax of £0.6m (2022: £20.3m profit) was impacted by expected higher expenses arising in the pre-paid funeral planning business as it has invested for, and adapted to, industry regulation and from the amortisation of broker-related intangible assets.

On 30 June 2023 the division acquired an additional 10% share in the broker group Lloyd & Whyte, increasing its ownership to more than 50% and obtaining control. The effect of this transaction was to change the accounting treatment from that of an investment in associate to that of an investment in a subsidiary. As a consequence, the Group recognised a fair value loss of £1.1m in the year.

In February 2024, the division welcomed the insurance broker Access Underwriting to the Group. This was acquired for consideration of approximately £13m and the division expects to recognise, in 2024, certain intangible assets related to the books of businesses acquired. Like other businesses in the Group, the team at Access Underwriting have deep specialist expertise and a strong ethical approach to serving customers and doing the right thing.

Long-term business

Our life business, Ecclesiastical Life, provides a product backing policies sold by the Group's pre-paid funeral plan business as well as legacy book of life insurance business which remains closed to new business. Profit before tax was £0.5m for the year (2022: £5.3m loss), driven by investment returns due to the improvement in markets in the later part of the year. Assets and liabilities in relation to the life insurance business remain well matched.

Outlook

The continued high cost of living pressures have been challenging for many in 2023 but with further evidence of easing inflationary pressures, this is expected to allow a move towards less restrictive monetary policies in the countries the Group operates within. We expect market conditions will continue to bring change and geo-political uncertainty but this will bring opportunities to help our customers and clients to navigate these challenges. While these global uncertainties persist, the Group continues to take a long-term view of risk, and the underlying resilience of our businesses means we will continue to grow sustainably and invest for the future.

During the year the Board approved total donations of £21m in respect of the Group's 2023 performance. £13m was paid in year and the remaining £8m will be paid in due course, surpassing £200m cumulatively given to charitable causes since 2014, as we look to achieve our ambition of giving £250m by the end of 2025.

This is my final report as Group Chief Financial Officer ahead of my retirement as an Executive Director in June 2024. It's been a privilege to serve the Board for over five years, helping steer the Group through the development of its strategy, the challenges faced through the pandemic and supporting the Group on its journey to deliver its growth ambitions. The Benefact Group is in a strong financial position and demonstrates how financial services can be done well and can deliver a positive impact beyond generating sustainable profits. I'd like to extend my personal thanks to the Board and to all my colleagues for their support during my time with the Group.

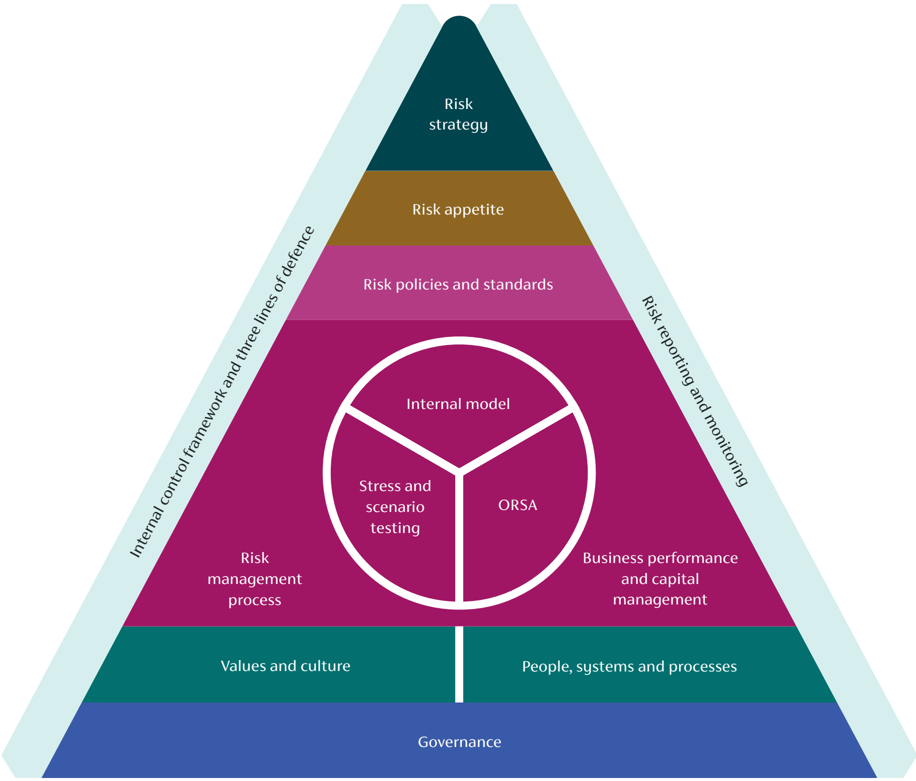
Denise Cockrem
Group Chief Financial Officer

Note: The Group adopted IFRS 17 Insurance Contracts that became effective from 1 January 2023. Unless otherwise stated, comparatives figures for prior periods are restated on an IFRS 17 basis. Further details of the impact of the adoption of IFRS 17 are included in note 38 to the financial statements.

'While these global uncertainties persist, the Group continues to take a long-term view of risk.'

Risk Management Report

Strong governance is fundamental to what we do and drives the ongoing embedding of our Enterprise-Wide Risk Management Framework. This provides the tools, guidance, policies, standards and defined responsibilities that enable us to achieve our strategy and objectives, whilst ensuring that individual and aggregated risks to our objectives are identified and managed on a consistent basis.



The Risk Management Framework is integrated into the culture of the Group and is owned by the Board. Responsibility for facilitation of the implementation and oversight is delegated via the Group Chief Executive to the Group Risk Function, led by the Group Chief Risk and Compliance Officer.

The Risk Management process demands accountability and is embedded in performance measurement and reward, thus promoting clear ownership for risk and operational efficiency at all levels. On an annual basis, the Group Risk Committee ("GRC"), on behalf of the Board, carries out a formal review of the key strategic risks for the Group with input from the Group Management Board ("GMB") and the Strategic Business Units (SBUs). The GRC allocates responsibility for each of the risks to individual members of the Group's Executive Management team. Formal monitoring of the key strategic risks is undertaken quarterly, which includes progress of Risk Management actions and is overseen by Executive Risk Committees.

The Benefact Group has clearly defined the accountabilities, roles and responsibilities of all key stakeholders in implementing and maintaining its Risk Management Framework. These are defined, documented and implemented through the Terms of Reference of Board Sub Committees, Management and Executive Forums, Statement of Responsibilities and Functional Charters.

The Group's Risk Management Framework is part of a wider Internal Control Framework. Systems of internal control are designed to manage rather than eliminate the risk of failure to achieve business objectives, and provide reasonable, but not absolute, assurance as to the prevention and detection of financial misstatements, errors, fraud or violation of law or regulations.

Key to the successful operation of the Internal Control Framework is the deployment of a strong Three Lines of Defence Model whereby:

- 1st Line (Business Management) is responsible for strategy execution, performance and identification and management of risks and application of appropriate controls.
- 2nd Line (Reporting, Oversight and Guidance) is responsible for assisting the Board in formulating risk appetite, establishing minimum standards, developing appropriate risk management tools, providing oversight and challenge of risk profiles and risk management activities within each of the business units and providing risk reporting to Executive Management and the Board.
- 3rd Line (Assurance) provides independent and objective assurance of the effectiveness of the Group's systems of internal control. This activity principally comprises the Internal Audit function, which is subject to oversight and challenge by the Group Audit Committee.

We seek to develop and improve our Risk Management Framework and strategy on an ongoing basis to ensure it continues to support the delivery of our strategy and objectives.

The Group Risk Appetite defines the level of risk-taking that the Board considers to be appropriate for the Group as we pursue our business objectives. It is defined in line with the different categories of risk that the Group faces, and provides the backdrop against which the business plan is developed and validated. This ensures that the risk profile resulting from the business plan is in line with the risk-taking expectations of the Board. Compliance with the risk appetite is formally monitored every quarter and reported to GRC at each meeting.

The risk appetite is formally reviewed annually with approval and sign-off by the Board and there are ongoing assessments to ensure its continued appropriateness for the business.

The Own Risk and Solvency Assessment (ORSA) process is carried out at least once a year and is a key part of the business management and governance structure. This integrates the risk management, business planning and capital management activities and ensures that risk, capital and solvency considerations are built into the development and monitoring of the Group's business strategy and plans and all key decision making.

The Group has Regulatory approval for the use of an Internal Model to determine our Regulatory Capital requirement. In addition, the Internal Model's capability to quantify material risks and assess the impacts on Capital requirements across a range of scenarios allows us to gain a deeper insight into the relationship between Risk and Capital Management.

The Internal Model is used extensively to inform key business decisions across the Group, including setting business strategies and objectives, producing risk profiles and capital requirements for different scenarios, informing risk-taking guidelines, informing and defining the Group Risk Appetite and Investment Strategy and determining risk mitigation mechanisms and responses to regulatory capital requirements.

Risk environment

The Risk environment is monitored on an ongoing basis and key areas of concern are escalated to GRC.

Significant focus in the year related to indirect impacts of the global instability, both economically and politically, and the knock-on impacts on the economies we operate in. While inflation has settled during 2023, this is still a major area of focus, alongside the continual challenges of the cost of living. Against this backdrop, for our reinsurance placement, we have been able to use our strong, long-term relationships to ensure we continue to meet our capacity requirements at the appropriate reinsurance cost.

With market volatility continuing against the backdrop of instability, we maintained our existing investment approach and made no material changes to our asset mix, holding a diversified portfolio of assets including equities and property held for prospects of long-term returns. As a consequence, we continue to choose to take a relatively high level of market risk, which is well understood and closely monitored and managed. Within EdenTree, we continue to aim to lead the way in Responsible and Sustainable investing.

Within our insurance businesses, the strategy remains to achieve controlled and profitable growth within defined specialist markets, ensuring that the business written and retained is profitable and sustainable, and against a continued backdrop of competitor activity. During 2023 we have maintained our strong underwriting discipline and risk appetite, in the face of specific weather and single events, such as the catastrophic fire at St Mark's Church.

Additionally, there have been a number of challenges with the development of our insurance platform, one of our key strategic projects. A replan was carried out in the year to support the future strategic direction of our insurance businesses in the UK.

We continue to actively manage the potential for adverse development of long-tail liability claims, particularly in respect of PSA claims. New claims volumes emerging during 2023 in the UK has led to increases in levels of reserves held. We continue to monitor the experience and claims environment in all of the territories in which we operate.

Regulatory focus in 2023 has been on Consumer Duty in the UK and Operational Resilience across the Group. Management of change in the regulatory environment will remain a key focus area to ensure that we operate within relevant legal, regulatory and consumer protection requirements and guidelines, and that our people maintain the highest standards of conduct with continued commitment to placing customers at the centre of everything we do.

Cyber risk remains a constantly evolving threat, which the Group has not been immune to. We hold customer data, and therefore any event involving a significant loss of such data could result in harm to the data subjects, significant operational disruption and an impact on our service to customers, as well as sizeable regulatory fines and reputational damage. The societal focus on data security and appropriateness of use, together with regulations such as GDPR, results in increased scrutiny and prominence. Hybrid working is now considered the norm, and this is seen as an exploitable opportunity for external attackers, and there continues to be a general increase in both the types and volumes of attacks across the financial sector. Employee awareness and vigilance is therefore highly important at this time, and the Group operates an ongoing programme of training and awareness exercises for its staff.

The Group aims to be the most trusted, specialist financial services provider and therefore maintaining a positive reputation is critical. Our reputation could potentially be damaged as a result of a range of factors including poor business practices and behaviours. High standards of conduct are a core part of the Group's brand, values and culture and there is an ongoing focus on ensuring this is maintained.

During the year, we increased our investment to over 50% in Lloyd & Whyte, to continue to expand our Broking and Advisory business. Acquisitions continue to bring opportunities for the Group to increase and stabilise future earnings in this sector.

Climate change presents increasing levels of risk to our businesses and our customers. Recent extreme weather events in our territories continues to illustrate the increasing impact of climate change on our industry.

Whilst the greatest impacts of these risks are expected to materialise in the medium to long term, we continue to monitor our performance against our risk appetite, and additionally maintain our ESG bias within the investment portfolio. Our exposures to climate change risk include transition risk, primarily related to our investment portfolio, and physical risk that additionally affects the insurance risks that we cover.

'High standards of conduct are a core part of the Group's brand, values and culture and there is an ongoing focus on ensuring this is maintained.'

Principal risks

There is an ongoing risk assessment process which has identified the current principal risks for the Group as follows:

Insurance risk

The risk that arises from the fluctuation in the timing, frequency and severity of insured events relative to the expectations of the firm at the time of underwriting.

Risk detail	Key mitigants	Change from last year
Underwriting risk The risk of failure to price insurance products adequately and failure to establish appropriate underwriting disciplines. The premium charged must be appropriate for the nature of the cover provided and the risk presented to the Group. Disciplined underwriting is vital to ensure that only business within the Company's risk appetite and desired niches is written.	• A robust pricing process is in place • The Underwriting Licencing process has been refreshed • A documented underwriting strategy and risk appetite is in place together with standards and guidance and monitored by SBUs • This is supported by formally documented authority levels for all underwriters which must be adhered to. Local checking procedures ensure compliance • Monitoring of rate strength compared with technical rate is undertaken on a regular basis within SBUs • There are ongoing targeted underwriting training programmes in place • A portfolio management framework is in place to ensure clear understanding and allow targeted actions to be taken	There have not been material changes to this risk during the year.
Reserving risk Reserving risk is the risk of actual claims payments exceeding the amounts we are holding in reserves. This arises primarily from our long-tail liability business. Failure to interpret emerging experience or fully understand the risks written could result in the Group holding insufficient reserves to meet our obligations.	• Claims development and reserving levels are closely monitored by the Group Reserving team • For statutory and financial reporting purposes, uncertainty margins are added to a best estimate outcome to allow for uncertainties • Claims reserves are reviewed and signed off by the Board acting on the advice and recommendations of the Group Chief Actuary following review by the GI Reserving Executive Meeting • An independent review is also conducted by the Group Investments Life and Actuarial Risk Director with reporting to the Board	This risk is not considered to have changed materially during the year, with inflationary impacts being a key consideration in the reserving process during 2023. A rise in the numbers of Physical and Sexual Abuse claims in the Australian and Canadian businesses over the past year has led to an increase in reserves.

Risk detail	Key mitigants	Change from last year
Catastrophe risk The risk of large-scale extreme events giving rise to significant insured losses. Through our general insurance business we are exposed to significant natural catastrophes in the territories in which we do business.	• Modelling is undertaken to understand the risk profile and inform the purchase of reinsurance • There is a comprehensive reinsurance programme in place to protect against extreme events. All placements are reviewed and approved by the Group Reinsurance Board • Exposure monitoring is undertaken on a regular basis • A GI Catastrophe Risk Meeting provides oversight and sign-off of reinsurance modelling and exposure management across the Group • The Group Risk Appetite specifies the reinsurance purchase levels and retention levels for such events. • Local risk appetite limits have been established to manage concentrations of risk and these are monitored by SBUs	There have been no material changes to this risk; however, a single extreme event did occur in the year, with the catastrophic fire at St Mark's Church. We continue to monitor our aggregations and exposures to such events and ensure careful management utilising appropriate protections.
Reinsurance risk The risk of failing to access and manage reinsurance capacity at a reasonable price. Reinsurance is a central component of our business model, enabling us to insure a portfolio of large risks in proportion to our capital base.	• We take a long-term view of reinsurance relationships to deliver sustainable capacity • A well-diversified panel of reinsurers is maintained for each element of the programme • A GI Reinsurance Executive Meeting approves all strategic reinsurance decisions	Despite continuing challenges in the reinsurance market, due to the impacts of global catastrophic events and political and economic volatility, we have been able to use our strong, long-term relationships to ensure we continue to meet our capacity requirements at the appropriate reinsurance cost. We continue to review the appropriateness of the Group's reinsurance arrangements, ensuring that reinsurance continues to be purchased in the optimal way to meet the Group's current and future requirements, while not exceeding risk appetite. The level of this risk has remained broadly similar since last year when the environment became more challenging.

Other financial risks

The risk that proceeds from financial assets are not sufficient to fund the obligations arising from insurance contracts.

Risk detail	Key mitigants	Change from last year
Market and investment risk The risk of adverse movements in net asset values arising from a change in interest rates, equity and property prices, credit spreads and foreign exchange rates. This principally arises from investments held by the Group. We actively take such risks to seek enhanced returns on these investments. The Group's balance sheet is also exposed to market risk within the defined benefit pension fund.	• An investment strategy is in place which is reviewed at least annually and signed off by the Finance and Investment Committee (F&I). This includes consideration of the Group's liabilities and capital requirements • A Market and Investment Oversight Meeting is in place and provides oversight and challenge of these risks and the agreed actions. There is a formalised escalation process to GMB and F&I in place • There are risk appetite metrics in place which are agreed by the Board and include limits on Asset / Liability Matching and the management of investment assets • Derivative instruments are used to hedge elements of market risk, notably currency. Their use is monitored to ensure effective management of risk • There is tracking of risk metrics to provide early warning indicators of changes in the market environment The Pension Scheme Trustee Board has an Investment Committee that oversees the market risks in the pension fund. The company, as employer sponsor of the fund, maintains regular communication with this Committee. Further information on this risk is given in note 4 to the financial statements on page 109.	Overall the market risk profile has not materially changed and we remain invested for the long term. We continue to monitor market conditions and the socio-political environment.

Risk detail	Key mitigants	Change from last year
Credit risk The risk that a counterparty, for example a reinsurer, fails to perform its financial obligations to the company or does not perform them in a timely manner resulting in a loss for the Group. The principal exposure to credit risk arises from reinsurance, which is central to our business model. Other elements are our investment in debt securities, cash deposits and amounts owed to us by intermediaries and policyholders.	• Strict ratings criteria are in place for the reinsurers that we contract with and a GI Reinsurance Security Executive Meeting approves all of our reinsurance partners • Group Reinsurance monitors the market to identify changes in the credit standing of reinsurers • There are risk appetite limits in place in respect of reinsurance counterparties which are agreed by the Board • Strong credit control processes are in place to manage broker and policyholder exposures Further information on this risk is given in note 4 to the financial statements on page 109.	The level of this risk has remained broadly similar to the previous year where we were cognisant to the continuing challenges of the current cost of living crisis.
Liquidity risk The risk that the Group, although solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure them only at excessive cost. We may need to pay significant amounts of claims at short notice if there is a natural catastrophe or other large event in order to deliver on our promise to our customers.	• The Group holds a high proportion of assets in readily realisable investments to ensure it could respond to such a scenario • Maintains cash balances that are spread over several banks • Arrangements within its reinsurance contracts for reinsurers to pay recoverables on claims in advance of the claim settlement	There have been no material changes to this risk since last year.
Climate change The financial risks arising through climate change. The key impacts for the Company are physical risks (event driven or longer term shifts), the transition risks of moving towards a lower carbon economy and liability risks associated with the potential for litigation arising from an inadequate response.	• Catastrophe risk is managed through reinsurance models • The Group considers flood risk and other weather-related risk factors in insurance risk selection • There is an ESG overlay on the Investment Strategy • The Group actively manages exposures and is up to date on market developments	Whilst there is now more awareness of the challenges faced as a result of climate change, there have been no material changes to this risk since last year. A programme of work continues to fully analyse the impact on the Group and to develop appropriate risk management responses.

Operational risk

The risk of loss arising from inadequate or failed internal processes, people and systems, or from external events.

Risk detail	Key mitigants	Change from last year
Systems risk The risk of inadequate, ageing or unsupported systems and infrastructure and system failure preventing processing efficiency. Systems are critical to enable us to provide excellent service to our customers.	• A defined IT strategy is in place • Systems monitoring is in place together with regular systems and data backups • A strategic systems programme is underway to deliver improved systems, processes and data • Business recovery plans are in place for all critical systems and are tested according to risk appetite	This level of risk remains stable, as the Group continues to invest in IT infrastructure to maintain and improve future stability.
Cyber risk The risk of criminal or unauthorised use of electronic information, either belonging to the Group or its stakeholders, e.g. customers, employees etc. Cyber security threats from malicious parties continue to increase in both number and sophistication across all industries.	• A number of security measures are deployed to ensure protected system access • Security reviews and assessments are performed on an ongoing basis • There is ongoing maintenance and monitoring of our systems and infrastructure in order to prevent and detect cyber security attacks • There is an ongoing Information Security training and awareness programme	Cyber risk remains a constantly evolving threat, with malicious threat attackers continuing to seek to exploit businesses. Employee awareness and vigilance is therefore highly important at this time, which is continuing to be proactively managed.
Mergers & Acquisitions risk The risks arising from undertaking mergers and acquisitions, including overpayment for the target company, overestimating, or failing to capture synergies, inadequate due diligence, integration shortfalls (including culture & change management), poor communication, incurrence of unexpected costs and/or simultaneous unforeseen market disruption.	• Due Diligence Process to ensure an appropriate internal review of key aspects of a target • Values and Culture Alignment, to help ensure any acquisition is appropriately aligned to the Benefact Group vision • Post Acquisition steps in place to review the integration process	Acquisition risk remains as in the prior year, with the need to appropriately review and understand any potential target for both cultural and financial value. In the period, the Group increased their ownership to over 50% in Lloyd & Whyte.

Risk detail	Key mitigants	Change from last year
Change risk The risk of failing to manage the change needed to transform the business. A number of strategic initiatives are underway under three themes: support and protect; innovate and grow; and transform and thrive. These include a transformation of our core system and key processes, which will deliver significant change for the company over the next few years. There are a number of material risks associated with major transformation, not only on the risks to project delivery itself, but also the potential disruption to business as usual, or delays to planned benefits.	• The Group has a clearly articulated Group Strategic Programme, identifying areas of priority across the Group • Ensures that there is adequate resourcing for change projects using internal and external skills where appropriate • A Change Board and change governance processes are in place and operate on an ongoing basis • The Group Management Board undertakes close monitoring and oversight of the delivery of the strategic initiatives and key Group change programmes	The level of this risk has not materially changed. There continues to be a significant volume of change within the business, which is monitored closely, relating to both IT systems and to meet the ever-changing regulatory landscape. Appropriate strengthening of expertise has continued in the year to reflect and meet this volume of change.
Operational resilience The risk that the Group does not prevent, respond to, recover and learn from operational disruptions. The Group provides a wide range of services to a diverse customer base and has a reputation for delivering excellent service. Therefore, we seek to minimise the potential for any such disruption that would impact on the service provided to our customers.	• A recovery and resilience framework is in place aligned to the delivery of customer services • Recovery exercises including IT systems are regularly performed across the Company with actions identified addressed within an agreed timescale • All suppliers are subject to ongoing due diligence • There is ongoing maintenance and monitoring of our systems and infrastructure in order to prevent and detect issues	Operational resilience continues to have been successfully tested during the year, with the continued need to meet the needs of our customers. Focus continues from the prior year on meeting the enhanced regulatory requirements around resilience.
Data management and governance The risk that the confidentiality, integrity and/or availability of data held across the Group is compromised, or data is misused. The Group holds significant amounts of customer and financial data and there could be significant implications if this is compromised or is found to be inaccurate.	• A Group Data Governance Committee is in place • Group Data Governance and Group Data Management and Information Security Policies are in place • A Group Data Optimisation Programme is in place which is responsible for ensuring the delivery of the data strategy and all aspects relating to the governance, management, use and control of the Group's data in line with regulatory requirements	Enhancements continue to be made to the governance, management, use and control of data, in order to meet the evolving requirements. It continues to be monitored and managed within the context of major change programmes.

Regulatory and conduct risk

The risk of regulatory sanction, operational disruption or reputational damage from non-compliance with legal and regulatory requirements or the risk that the Group's behaviour may result in poor outcomes for the customer.

Risk detail	Key mitigants	Change from last year
Regulatory risk The risk of regulatory sanction, operational disruption or reputational damage from non-compliance with legal and regulatory requirements. We operate in a highly regulated environment which is experiencing a period of significant change.	• Undertakes close monitoring of regulatory developments and uses dedicated project teams supported by in-house and external legal experts to ensure appropriate actions to achieve compliance • An ongoing compliance monitoring programme is in place across all our SBUs • Regular reporting to the Board of regulatory compliance issues and key developments is undertaken	There continues to be a significant volume of regulatory change. We remain focused on the management of regulatory change and therefore the overall risk level is unchanged.
Conduct risk The risk of unfair outcomes arising from the Group's conduct in the relationship with customers, or in performing our duties and obligations to our customers. Customers are placed at the centre of the business, aiming to treat them fairly and ethically, while safeguarding the interests of all other key stakeholders.	• There is ongoing staff training to ensure that customer outcomes are fully considered in all business decisions • Customer charters have been implemented in all SBUs • Conduct Risk Reporting to relevant governing bodies is undertaken on a regular basis • Customer and conduct measures are used to assess remuneration	The Group remains committed to placing customers at the centre of our practices and decision making, demonstrated by our wide-ranging industry awards and customer satisfaction scores. Overall the level of this risk is unchanged from the prior year, with key focus in 2023 relating to the implementation of Consumer Duty requirements.

Reputational risk

The risk that our actions lead to reputational damage in the eyes of customers, brokers or other key stakeholders

Risk detail	Key mitigants	Change from last year
Brand and reputation risk The Group aims to be the most trusted specialist insurer and as a consequence this brings with it high expectations from all of our stakeholders, be they consumers, regulators or the wider industry. Whilst we aim to consistently meet and where possible exceed these expectations, increasing consumer awareness and increased regulatory scrutiny across the sector exposes the Group to an increased risk of reputational damage should we fail to meet them, for example as a consequence of poor business practices and behaviours.	• There is ongoing training of core customer-facing staff to ensure high skill levels in handling sensitive claims • Adopts a values-led approach to ensure customer-centric outcomes • There is a dedicated Marketing and PR function responsible for the implementation of the marketing and communication strategy • Ongoing monitoring of various media is in place to ensure appropriate responses	Maintaining a positive reputation is critical to the Group's vision of being the most trusted and ethical specialist financial services group. Risks to our brand and reputation are inherently high in an increasingly interconnected environment, with the risks of external threats such as cyber security attacks and viral campaigns through social media always present. The external environment continues to drive a high inherent probability of reputational issues across all financial services companies. We continued to focus on serving our customers and ensuring fair treatment and clear communication, and are proud of the volume of Industry Awards we continue to win.

Non-financial information statement

The Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006 are addressed below. Non-financial and Environmental, Social and Governance (ESG) information is integrated across the Strategic Report, in particular in the Responsible Business Report.

Non-financial information	Disclosure	Section	Pages
Business model	Our business model and information on how we do business differently	Strategic Report – Our business model and strategy	15
Key performance indicators (KPIs)	Our KPIs set out how we are doing against our strategic goal	Strategic Report – Key performance indicators	29
Principal risks	Our key risks and their management	Strategic Report – Principal risks	39
Environmental, social matters, colleagues, human rights, financial crime and corruption	Statements of our policy and practice in these areas	Primarily within the Responsible Business Report and below	20

Our key policies / statements of intent

We have a range of policies and guidance in place to support the key outcomes for our stakeholders. These also ensure consistent governance on environmental matters, our employees, social matters, human rights and anti-bribery and corruption.

Environmental matters

- Climate risk has strong governance and oversight and is subject to effective and robust controls.
- The Group is committed to running the business in a sustainable way to tackle climate change and encourage others to do more.
- Performance is assessed against voluntary ClimateWise reporting which is aligned to Taskforce on Climate-related Financial Disclosures (TFCD) reporting and independently audited.
- The Group aims to reduce its direct impact on the environment and seeks to use renewable sources of energy.
- Other information on environmental matters is included within the ‘environmentally positive’ section of the Responsible Business Report on page 20 and in a separate TCFD report published on our website.

Colleagues

- The Group’s Code of Conduct policy is centred on ‘Doing the right thing’ and sets the standards of conduct and behaviour expected from employees.
- The Board aims to ensure it is comprised of persons who are fit and proper to direct the business. The Board’s Diversity Policy sets out the approach to diversity in the leadership population.
- Other information on our commitments to supporting diversity and development is included in the ‘socially positive’ section of the Responsible Business Report on page 20. Also included within the Corporate Governance Report on page 59 is information about the composition and diversity of the Board.

Social matters

- The Group was founded over 130 years ago with a charitable purpose and this remains what motivates us today. We believe business has a social responsibility and should give more to support charities and communities. More information about how we support our communities can be found in the Responsible Business Report on page 20. The Group does not make political donations.
- The Group’s tax strategy supports our group strategy and the ethical way we do business. We are committed to managing all aspects of tax transparently and in accordance with current legislation. We work to achieve the spirit of legislation and not just the letter of the law in each tax jurisdiction. Our tax strategy is available on www.ecclesiastical.com

Human rights, anti-bribery and anti-corruption

- The Board is committed to operating with honesty and integrity in all of our business activities and promoting an anti-bribery and corruption culture across the Group.
- The Group has established and upholds good practices regarding human rights, anti-corruption and anti-bribery through a range of measures including robust risk management, employee Code of Conduct and employee training on topics such as data protection and vulnerable customers.
- The Group complies with relevant legislation concerning supply chain – the Modern Slavery Act 2015 and the Payment Practices and Performance regulations – to drive good practice and transparency.
- The ‘socially positive’ section of our Responsible Business Report contains more information including our commitment to putting customers and partners at the heart of everything we do, focusing on good governance, service and support.

Section 172 Statement

The Directors confirm that during 2023 and to the date of this Report, they have acted to promote the success of the Company for the benefit of its members as a whole and considered the matters as set out in section 172(1)(a) to (f) of the Companies Act 2006. This section describes how the directors have had regard to those matters when performing their duties.

Our approach to the long-term success of the Company

As the principal activity of the Company is to act as a holding company for other entities within the Group, the Company had no business and no employees, customers or suppliers other than Group companies during the period. Stakeholder consideration that would be relevant in an operating or commercial trading company have not applied to the decisions made by the Directors and have been undertaken at a subsidiary board level. Further information on stakeholder engagement is set out in the Annual Report and Accounts of relevant subsidiaries.

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

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

Our stakeholders

Colleagues

The Board recognises that colleagues are the Group's greatest asset given their specialist skills and knowledge and propensity to go above and beyond.

What matters to them?

- Culture and purpose
- Fair pay and reward
- Flexible working practices
- Making a positive impact on society
- Health and wellbeing
- A diverse, equitable and inclusive workplace
- Training, development and progression

Communities

The Board is committed ensuring its operating subsidiaries do business differently and build a movement for good across society, transforming lives and communities.

What matters to them?

- Charitable giving
- Health and Safety
- Employment, economic and societal contribution
- Environmental impact of operations

Regulators

The Board recognises the importance of open and honest dialogue with the Group's Regulators (including those in the UK, Australia, Canada and the Republic of Ireland) and expects its subsidiaries to comply with applicable legislation and regulation in order to maintain standards of business conduct.

What matters to them?

- Outcomes for customers
- Operational and financial resilience
- Openness and transparency
- Compliance with legislation and regulation

Shareholder

The Board understands the need to maintain a close and open relationship with the Company's shareholder characterised by transparency and mutual understanding.

What matters to them?

- Financial performance and returns
- Strategy and business model
- Environmental, social and governance (ESG) performance
- Reputation
- Strong leadership

Stakeholder engagement

Below is an overview of our approach to stakeholder engagement and outcomes (with more detailed information provided in the Responsible Business Report).

Key stakeholders	Methods of engagement and outcomes
Colleagues	Members of the management team and subject matter experts are invited to Board and Committee meetings to present on items and input into discussion. During the year, the Group Chief People Officer provided an update on the Group People Strategy. Directors visit subsidiaries and other SBUs and project teams to gain a good understanding of colleagues' views. In order to engage, involve and inform colleagues, a range of methods as set out below are used: • Sir Stephen Lamport as the designated Non-Executive Director for employee engagement is briefed on associated survey results and findings are reported to the Board. He also met with colleagues where discussion focused on the importance of the Group's culture and purpose; • A variety of communication channels including intranet, all colleague emails (including weekly news, results, achievements and changes), briefings, conferences and publishing of financial reports and feedback and discussion is adopted (including to make colleagues aware of financial and economic factors affecting the performance of the Company); • Colleague engagement surveys adopting the B-Heard Survey provided by an external partner, Best Companies; • During the year, colleagues undertake training to support the accessibility and understanding of our whistleblowing policy, procedure and approach to ensure they feel safe to speak up and challenge when needed; • Direct engagement and consultation through colleague representative forums including the Group's recognised Union and Employee Working Groups such as the DEI Working Group; • 'Town Hall' meetings are hosted virtually by senior management where colleagues can ask questions and provide feedback; • A performance-related bonus scheme is operated, which directly links individual objectives and business performance to encourage employees to participate in the overall financial success of the Company and the Benefact Group; and • A range of training, development and volunteering activities are available to colleagues, including technical courses, mentoring, coaching and community opportunities.
Communities	As explained in the Group Chief Executive's Review, the Company is owned by a charity and has a unique purpose to contribute to the greater good of society therefore all our available profits are donated to good causes. We are the third largest corporate donor to charity in the UK. During the year, the Board has received regular updates on charitable giving and areas of focus (including our fundraising service for charities and the inaugural Big Give week held to boost colleague awareness of the Group's giving, volunteering and personal grants). In addition, directors have also had the opportunity to visit beneficiaries of the Group's charitable giving to see first-hand their work which has enabled a better understanding of needs.
Regulators	The Board (via its Committees) receives regular reports detailing the Group's regulatory interactions. Regular reports are also received on the evolving legal and regulatory landscape incorporating a detailed impact and progress assessment.
Shareholder	Benefact Trust Limited owns the entire issued Ordinary share capital of Benefact Group plc with whom the Board has an open and constructive relationship. Protocols for the exchange of information between Benefact Trust Limited and Benefact Group plc and its subsidiaries (including Ecclesiastical Insurance Office plc) are in place and cover performance, operations and financial position. There is at least one 'Common Director' (i.e. a Director who is a member of the Boards of Benefact Trust Limited, Benefact Group plc and Ecclesiastical Insurance Office plc) who is expected to attend every Board meeting. The Common Directors present a summary of highlights from Benefact Trust Limited Board meetings to the Directors. There is also engagement between respective Board and Committee Chairs and the Group Chief Executive Officer. Regular dialogue takes place on Benefact Trust Limited's expectations of the Group, strategy for the development of the business and the grant from the Group. This ensures that the views of Benefact Trust Limited are communicated to the Board as a whole. In turn, the Common Directors are able to support the directors of Benefact Trust Limited to understand the performance and strategic issues faced by the Company. A conflict of interest policy which sets out how actual and perceived conflicts of interest between the two companies are managed is in place.

Consideration of environmental and climate change matters.

During the year, the Board received regular updates on the Climate Strategy and was pleased that the first significant milestone of Net Zero for direct impact (scope 1 and 2) was achieved during the year.

Stakeholder engagement in decision-making

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

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

Below is an example of a key decision made by the Board with more information on Board activity set out in the Corporate Governance Report:

Investment in EdenTree

During the year, the Board agreed to provide capital support to the Company's subsidiary, EdenTree Holdings Limited. The latter had made the capital requests to enable it to support its regulated subsidiaries (EdenTree Asset Management Limited and EdenTree Investment Management Limited) and continue the programme of investment to meet growth aspirations. When making the associated decisions, the Directors took into account the long-term consequences and interest of stakeholders. In particular, it considered the need to ensure that capital was deployed with maximum efficiency and opportunity cost of deploying capital through EdenTree Holdings Limited rather than another part of the Group given its potential impact on the overall financial result.

Section Two

Governance

Board of Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

David Henderson (a) (b) (e)

Chair, Independent Non-Executive Director

David Henderson was appointed to the Board in April 2016. David began his career specialising in personal tax and UK trusts. He spent ten years as a banker with Morgan Grenfell and, following that, 11 years in financial services executive recruitment with Russell Reynolds Associates. He joined the Board of Kleinwort Benson Group plc as Personnel Director in 1995. He was appointed Chief Executive of Kleinwort Benson Private Bank Ltd (now Kleinwort Benson) in June 1997. He was Chairman of Kleinwort Benson from 2004 to 2008 and a Senior Adviser to the Bank until 2019. He holds several external Non-Executive Directorships.

Mark Hews

Group Chief Executive

Mark Hews was appointed Group Chief Executive in May 2013 and was previously Group Chief Financial Officer. He was appointed to the Board in June 2009 and appointed to the Board of MAPFRE RE in December 2013. He also became a Trustee of The Windsor Leadership Trust in November 2017. He was formerly a Director of HSBC Life and Chief Executive of M&S Life. Prior to this he was Finance Director at Norwich Union Healthcare. He started his financial career at Deloitte (formerly Bacon and Woodrow) as a consultant and actuary.

Denise Cockrem

Group Chief Financial Officer

Denise Cockrem was appointed Group Chief Financial Officer in December 2018 and joined the Board in September 2019. Denise is a Chartered Accountant with significant industry experience, predominantly in financial services. She spent her early career in corporate finance and banking roles for EY, Barclays, RBS and Direct Line. She then joined RSA as Group Financial Controller, spending nine years with them in various roles culminating in UK & Western Europe Finance Director. Denise most recently held the position of Chief Financial Officer at Good Energy Group plc, an AIM-listed renewable energy company that provide 100% renewable electricity and carbon neutral gas. In July 2022 Denise was appointed as a Non-Executive Director of ITM Power plc, an AIM-listed company which designs and manufactures hydrogen energy solutions to enhance the use of renewable energy. She was also a Trustee of MacIntyre Academy Trust, which provides special schools and specialist alternative provision for children and young people, until February 2023. Denise was also Non-Executive Director of the Skipton Building Society from 2015 to 2021.

Chris Moulder (b) (c) (d)

Senior Independent Non-Executive Director

Chris Moulder was appointed to the Board in September 2017. Chris is also a Director of the Insurance Board of Lloyds Banking Group and Tokio Marine Kiln. He was also a Director of the Company's ultimate parent, Benefact Trust, until July 2023. Chris retired in 2017 after five years at the Bank of England as Director of General Insurance at the Prudential Regulation Authority. Prior to this he had spent 26 years with KPMG as a partner in its Financial Sector practice.

Key to membership of Group Board Committees
(a) Group Finance and Investment
(b) Group Nominations
(c) Group Risk
(d) Group Audit
(e) Group Remuneration

Francois-Xavier Boisseau (a) (c) (d)
Independent Non-Executive Director

Francois-Xavier Boisseau was appointed to the Board in March 2019. In addition Francois-Xavier is a Director of the Company's ultimate parent Benefact Trust Limited, Benefact Broking and Advisory Holdings Limited and the Chair of IQUW Syndicate Managing Agency Ltd.

Francois-Xavier has more than 30 years' experience working in the insurance industry, 25 years in the UK. He was CEO of Insurance Ageas (UK) until December 2018. Prior to that Francois-Xavier was CEO of Groupama and CEO of GUK Broking Services as well as being Non-Executive Chairman of Lark, Bollington and Carole Nash.

Rita Bajaj (a) (c)
Independent Non-Executive Director

Rita was appointed to the Board in July 2021. She is a Chair, Senior Independent Director, Non-Executive Director and Board member with over 30 years' broad investment markets experience on a number of financial services firms. Previously, she held senior investment positions at Global and UK Asset Managers in the UK & US, was EMEA CAO at a US custody bank and is a former FCA regulator.

Currently, Rita is the Audit, Risk & Compliance Chair and Senior Independent Director of Fidelity International Life Limited and the Chair of Threadneedle Investment Services Limited. She holds a non-executive directorship for Wesleyan Assurance and is a Board member for the London Pension Fund Authority. In addition, Rita is an Independent Member for Hargreaves Lansdown's workplace SIPP IGC committee. She is also Non-Executive Director of EdenTree Holdings Limited and EdenTree Asset Management Limited.

Sir Stephen Lamport (c) (e)
Independent Non-Executive Director

Sir Stephen was appointed to the Board in March 2020. He is the Vice Lord-Lieutenant of Surrey and a Senior Adviser at Sanctuary Counsel. He is Vice-President of the Community Foundation for Surrey; Painshill Park Trust Chair; Chair of the British Red Cross UK Solidarity Fund Committee; and is the Deputy High Bailiff of Westminster Abbey. He co-authored with Douglas Hurd a political novel, 'The Palace of Enchantments'.

He has now retired as a Court member of the St Katharine's Foundation. Sir Stephen was the Receiver General of Westminster Abbey from 2008 to 2018, and previously a Group Director of the Royal Bank of Scotland for five years. He was Deputy Private Secretary to The Prince of Wales from 1993, and Private Secretary and Treasurer from 1996 to 2002. From 1994 to 2002 he was a member of HM Diplomatic Service, with overseas postings in New York, Tehran and Rome.

He was appointed KCVO in 2002, and GCVO in 2018.

Angus Winther (a) (b) (e)
Independent Non-Executive Director

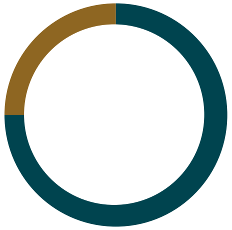
Angus Winther was appointed to the Board in March 2019. Angus co-founded Lexicon Partners, a London-based investment banking advisory firm, where he specialised in advising clients in the insurance and financial services sectors. He was closely involved in Lexicon Partners' leadership until it was acquired by Evercore in 2011 and served as a Senior Adviser at Evercore until October 2016. He is currently Chair of Apollo Syndicate Management Limited, a Lloyd's managing agent and was previously a Non-Executive Director of Hiscox Syndicates Limited and Chair of the audit committee at Trinity Exploration & Production plc and a Non-Executive Director of Lloyd's managing agent, Hiscox Syndicates Limited. Angus is also Churchwarden of Holy Trinity Brompton, Vice Chair of the Church Revitalisation Trust and St Paul's Theological Centre and a trustee of St Mellitus College Trust, the Church Renewal Trust and St Paul's Theological Centre.

Andrew McIntyre retired from the Board on 22 June 2023. To increase the independence of Benefact Group plc and its subsidiary Ecclesiastical Insurance Office plc, a number of directors have been asked to resign to reduce commonality of membership. S. Jacinta Whyte and Neil Maidment stepped down from the Board on 21 March 2024.

Key to membership of Group Board Committees
(a) Group Finance and Investment
(b) Group Nominations
(c) Group Risk
(d) Group Audit
(e) Group Remuneration

Board composition as at 23 April 2024

Balance of Non-Executive Directors and Executive Directors



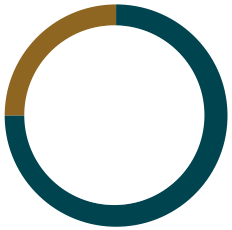
- Non-Executive Directors: 6
- Executive Directors: 2

2023

- Non-Executive Directors: 8
- Executive Directors: 3

2022

Gender Balance



- Male: 6
- Female: 2

2023

- Male: 8
- Female: 3

2022

Ethnicity

- White British or other White (including minority-white groups): 7
- Mixed/Multiple Ethnic Groups: 0
- Asian/Asian British: 1
- Black/African/Caribbean/ Black British: 0
- Other ethnic group, including Arab: 0

2023

- White British or other White (including minority-white groups): 10
- Mixed/Multiple Ethnic Groups: 0
- Asian/Asian British: 1
- Black/African/Caribbean/ Black British: 0
- Other ethnic group, including Arab: 0

2022

Board composition as at 23 April 2024

Length of Tenure (Chairman and Non-Executive Directors)

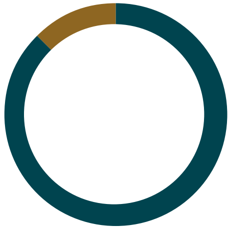
- 0–3 years: 1
- 3–6 years: 3
- 6–9 years: 2
- 10 years+: 0

2023

- 0–3 years: 3
- 3–6 years: 4
- 6–9 years: 1
- 10 years+: 0

2022

Geographical Mix



- United Kingdom: 7
- Rest of Europe: 1
- North America: 0
- Rest of World: 0

2023

- United Kingdom: 9
- Rest of Europe: 1
- North America: 1
- Rest of World: 0

2022

Age

- 35–45: 0
- 45–55: 2
- 55–65: 3
- 65+: 3

2023

- 35–45: 0
- 45–55: 3
- 55–65: 4
- 65+: 4

2022

Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ending 31 December 2023.

Information incorporated by reference

The Directors' Report required under Companies Act 2006 comprises this report and other disclosures contained in the Strategic and Governance Reports and the Notes to the consolidated financial statements is incorporated by reference and includes the following information:

Information	Reported in
Business model	Our business model and strategy
Corporate Governance Statement	Corporate Governance Report
Financial instruments	Note 4
Important events since 31 December 2023	Strategic Report
Future developments	Strategic Report
Research and development	Strategic Report
Employee engagement	Responsible Business Report
Stakeholder engagement	Strategic Report Corporate Governance Report
Greenhouse gas emissions and energy consumption	Responsible Business Report
Going Concern Statement	Directors' Report
Diversity and Inclusion	Responsible Business Report
Section 172 Statement	Strategic Report
Principal risks and uncertainties	Risk Management Report Note 3

Company status and branches

Benefact Group plc is incorporated and domiciled in England and Wales (registration number 01718196). The registered address of the Company is Benefact House, 2000 Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester GL3 4AW.

Principal activities

The principal activity of the Company is that of an investment holding company. Its principal subsidiary is Ecclesiastical Insurance Office plc, which heads a group which operates principally as a provider of insurance, with offices in the UK, Ireland, Canada and Australia. Details of the subsidiary undertakings of the Company are shown in note 38 to the financial statements.

Ownership

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

Directors and their interests

The Directors of the Company during the year and up to the date of this report are set out on pages 52 to 53 alongside the biographies of those Directors currently serving on the Board.

'The principal activity of the Company is that of an investment holding company.'

To increase the independence of Benefact Group plc and Ecclesiastical Insurance Office plc, a number of directors have been asked to resign to reduce commonality of membership. In March 2024, S. Jacinta Whyte and Neil Maidment stepped down from the Board accordingly. As set out in the Notice of Meeting, Directors holding office who have served since the last AGM will be proposed for re-election (except Denise Cockrem who will step down as a director on 30 June 2024). All Directors seeking re-election were subject to a formal and rigorous performance evaluation, further details of which can be found in the Group Nominations Committee Report. Details of Directors' service contracts are set out in the Directors' Remuneration Report.

Neither the Directors nor their connected persons held any beneficial interest in any Ordinary shares of the Company during the year ended 31 December 2023 and to the date of this report.

The interests of the Directors and their connected persons in the Preference shares in the capital of Ecclesiastical Insurance Office plc as at 31 December 2023 and to the date of this report are shown below:

Director	Nature of interest	Number of Non-Cumulative Irredeemable Preference Shares held
Mark Hews	Connected person	75,342
Denise Cockrem	Connected person	32,020

The Board has a documented process in place in respect of conflicts.

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

Indemnities and insurance

In accordance with the Company's Articles and to the extent permitted by law the Company indemnifies each of its Directors and Directors of any associated company against certain liabilities that may be incurred because of their positions. In addition, the Group maintains Directors' and Officers' liability insurance. Neither our indemnity nor the insurance provides cover in the event that a Director is proven to have acted dishonestly or fraudulently.

Employees

The Group is committed to nurturing a culture and work environment in which all colleagues can fulfil their potential. Our Equality and Diversity Standard and Guidance sets our expectations for an open and inclusive workplace and we place the care and wellbeing of all our colleagues at the heart of our employment policies.

Throughout the employee lifecycle from recruitment onwards, we carefully consider adjustments to our processes and practices and look for solutions to remove barriers for those colleagues with disabilities.

When needed, we engage with third-party and Occupational Health specialists who provide us with expert advice and ensure we are offering the best support we can. Through our adjusted work approach we provide an environment in which colleagues with additional needs can fully participate in all opportunities provided by the Group from continued employment to training, job moves and promotions. We offer a range of support for colleagues to help them maintain a healthy work and home life including: flexible working practices, virtual GP service, Employee Assistance Programme, Flu Vaccinations and Eye tests as well as a wide variety of flexible benefits such as dental care and critical illness insurance.

Information on employee engagement and wellbeing is provided in the Responsible Business Report.

Dividends

The Directors do not recommend the payment of a dividend for the year ended 31 December 2023 (2022: £nil).

Going concern

The Chief Financial Officer's Report on page 33 and Risk Management section of the Strategic Report starting on page 36 provide a review of the Group's business activities and disclose the Group's principal risks and uncertainties, including exposures to insurance, financial, operational and strategic risk.

The Group has considerable financial resources: financial investments of £1,412.7m, 81% of which are liquid (2022: financial investments of £1,449.7m, 76% liquid), and cash and cash equivalents of £166.8m (2022: £145.9m) to withstand economic pressures. Liquid financial investments consist of listed equities and open-ended investment companies, government bonds and listed debt.

The Group has a strong risk management framework and solvency position, is well placed to withstand significant market disruption and has proved resilient to stress testing. The Group has considered its capital position, liquidity and expected performance. The Group and its businesses have sufficient levels of cash and other liquid resources and have expectations it can meet its cash commitments over its 5 year planning horizon. The Group and its businesses expect to continue to meet regulatory requirements.

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

Political donations

No political donations were made in the year (2022: £nil). The Group policy is that no political donations be made or expenditure incurred.

Important events since 31 December 2023

On 6 February 2024, the Group acquired the entire issued share capital of Access Insurance Limited.

External auditor

Having reviewed the effectiveness of the external auditor, the Group Audit Committee recommended the reappointment of PricewaterhouseCoopers LLP to the Board. Further details are disclosed in the Group Audit Committee Report.

The Group Audit Committee reviews the appointment of the auditor, including the auditor's effectiveness and independence, and recommends the auditor's reappointment and remuneration to the Board.

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

Disclosure of information to the auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information that the auditor is unaware, that could be needed by the auditor in order to prepare their report.

Having made enquiries of fellow Directors and the Group' auditor, each Director has taken all the steps that they ought to have taken as a Director, in order to make themselves aware of any relevant audit information, and to establish that the auditor is aware of that information.

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

Annual General Meeting

A copy of the Notice for the 2024 AGM is available on the Benefact Group website.

Statement of Directors' Responsibilities for the Annual Report and the financial statements.

The Directors are responsible for preparing the 2023 Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with UK-Adopted International Accounting Standards (UKIAS).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UKIAS have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

The Directors consider that the 2023 Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy. Each of the Directors, whose names and functions are listed on pages 52 and 53 confirm that, to the best of their knowledge:

- the Group and Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities and financial position of the Group and Company, and of the profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

David Henderson
Group Chair
23 April 2024

Mark Hews
Group Chief Executive
23 April 2024

Corporate Governance Report

Introduction from the Chair

Dear Stakeholder

I am delighted to introduce our first Corporate Governance Report. I firmly believe that good corporate governance is essential in assisting us to deliver our ambitions and to continue supporting our stakeholders.

‘As a Board, we are committed to applying the highest standards of corporate governance.’

Our approach to governance

As a Board, we are committed to applying the highest standards of corporate governance and believe that the affairs of the Company should be conducted in accordance with best business practice. Consequently, although the Company does not have shares with a premium listing on the London Stock Exchange, we have chosen to voluntarily comply with the Principles and Provisions of the 2018 UK Corporate Governance Code (the Code) where possible. A copy of the Code can be found on the FRC’s website.

I am pleased to report that we are fully compliant with the principles and provisions of good governance contained in the Code with the following exceptions:

Provision	Current status / Explanation
4: When 20 per cent or more of votes have been cast against the board recommendation for a resolution, the company should explain, when announcing voting results, what actions it intends to take to consult shareholders in order to understand the reasons behind the result.	Given Benefact Trust Limited owns the entire issued Ordinary share capital of the Company, there is no need to comply with the provisions relating to outcomes from shareholder votes.
10: The board should identify in the annual report each Non-Executive Director it considers to be independent. Circumstances which are likely to impair, or could appear to impair, a Non-Executive Director’s independence include, but are not limited to, whether a director: – holds cross-directorships or has significant links with other directors through involvement in other companies or bodies; Where any of these or other relevant circumstances apply, and the board nonetheless considers that the Non-Executive Director is independent, a clear explanation should be provided.	To increase the independence of Benefact Group plc and the Company’s insurance subsidiary, Ecclesiastical Insurance Office plc, a number of directors have been asked to resign to reduce commonality of membership. All Non-Executive Directors were Non-Executive Directors of the Company’s insurance subsidiary, Ecclesiastical Insurance Office plc until 21 March 2024. On that date, Neil Maidment stepped down as Director of the Company. Francois-Xavier Boisseau is also a Non-Executive Director of the Company’s parent, Benefact Trust Limited. Chris Moulder and Sir Stephen Lamport were also Common Directors until July 2023 and March 2024 respectively when they stepped down from the Board of Benefact Trust Limited. Rita Bajaj is a Non-Executive Director of EdenTree Holdings Limited and Francois-Xavier Boisseau is a Non-Executive Director of Benefact Broking and Advisory Holdings Limited (BBAH). As explained in the Group Nominations Committee Report, the Board believes all Non-Executive Directors are deemed independent in character and judgement.
38: Remuneration schemes should promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests.	Given the Company does not have listed equity shares we are unable to comply with the shareholding requirements for Executive Directors.

Areas of Board and Committee focus

2023 was another challenging year given the backdrop of uncertain economic conditions. We looked to demonstrate our resilience and commitment to our stakeholders as detailed below. We have also overseen the delivery of the Group's business plan and strategic initiatives and a range of other matters as detailed in the Board activities below.

In the year ahead, we will look to make our Board more independent from that of our insurance subsidiary, Ecclesiastical Insurance Office plc, following the re-structure of the Benefact Group.

AGM and re-election of Directors

This year our AGM will be taking place on 25 June 2024. A copy of the Notice for the AGM is available on the Company's website.

In accordance with the Code and as set out in the Notice of Meeting, all Directors who have served since the last AGM will be proposed for re-election (except Denise Cockrem who will retire on 30 June 2024). I can confirm that all Directors seeking re-election were subject to a formal and rigorous performance evaluation, further details can be found in the Group Nominations Report.

David Henderson
Chair
23 April 2024

Board leadership and Company purpose

Role of the Board

The Board is responsible to the Company's shareholder for the long-term success of the Group, its purpose, values, strategy, culture and its governance. Great importance is placed on a well-informed and decisive Board, and Board meetings are scheduled and held regularly throughout the year.

The Board sets annual objectives for each year in addition to setting the Group's strategic direction. These are implemented through approval and regular assessment of the business plan and strategy process.

It is the Board's policy to record any unresolved concerns about the running of the Company or any proposed action in the Board minutes. During 2023, no Director had any such concerns.

Purpose, values and strategy

The Group's purpose is to contribute to the greater good of society. In particular, the Group strives to improve the lives of customers, beneficiaries and society as a whole. This is achieved by managing a portfolio of businesses that operates on the highest ethical principles. It seeks to diversify and bring an ethical dimension to more aspects of society; and all of its businesses need to set a high bar, putting its customers first and setting an example to others.

As a unique Group, with a unique purpose, we know that our success is not just about what we do, it's how we do it that makes the real difference. The way that we work is based upon our Group Values. They underpin our vision, ambition and strategy and they are the common thread that binds our family of businesses together.

Please also see our business model and strategy for more details.

Culture

The Board is responsible for setting the right values and culture within the Group. During 2023 a simplified and refreshed set of values were launched which inform the culture across the Group, as described below:

Every colleague contributes to building and sustaining our culture through the way we behave with each other, our business partners, clients, customers and communities.

Our values are embedded across the Group's employee lifecycle, from recruitment through to performance management, our behaviour model, personal development and communications. The culture of the Group is monitored and assessed through the employee survey results and individually through the assessment of performance which also informs reward outcomes.

Collaborating	We're a family of diverse businesses united by our culture of inclusion and our commitment to the value, energy and fun of working together.
Ambitious	Our growth is empowered by our ability to be confident, bold and agile. We actively listen, learn and innovate whilst maintaining a consistent focus on delivering the highest standards for our customers and clients.
Responsible	We stake our reputation on integrity, ethical principles and commitment to building a responsible and sustainable legacy.
Expert	We nurture our colleagues with opportunities for growth, trusting each other's specialist expertise, knowledge and experience to deliver the best outcomes for our customers, clients and beneficiaries.
Supporting	Our purpose is at the heart of everything we do, bringing us together to build a movement for good.

Board activities in 2023

The key activities considered by the Board and links to stakeholders during the year are set out below.

Stakeholders for this purpose are defined as [1]colleagues; [2]communities; [3]the Shareholder; [4]regulators; and [5]the environment.

Strategy and performance

CEO's Report[1,2,3,4,5]

The CEO led discussions on general business performance and key strategic initiatives

Benefact Trust updates[3]

Received regular reports from the Shareholder

Business updates[1,3,4]

Received business and performance updates from business areas within the Group including insurance, asset management (EdenTree) and broking and advisory (including Lycetts)

Strategic reviews

At each meeting, the Board had focused discussion on matters of strategic significance to evaluate progress, provide insight and where necessary take appropriate action as shown below:

EdenTree Review[3]

Discussed EdenTree's performance, its strategic outlook and future opportunities and challenges

Lycetts[3]

Discussed Lycetts' performance, its strategic outlook and future opportunities and challenges

Climate change[1,2,3,4,5]

- Climate Change Update
- ClimateWise Reporting Update
- Approved the Responsible & Sustainable Investment Policy

Financial

CFO's Report[3]

The CFO led discussions on financial performance across the Group including rating agency considerations and IFRS 17

Capital, costs and budget[3]

- Considered the Capital Allocation Framework
- Agreed the Group Corporate Strategy and Business Plans 2024-26

Cashflow and dividends[3]

- Considered the dividend payment on the Ordinary share capital

Results and Disclosures[1,3,4]

- Reviewed and approved the Annual Report and Accounts
- Reviewed and approved the Solvency and Financial Condition Report (SFCR)
- Approved the Tax Strategy
- Reviewed the going concern assessment

Subsidiary Matters[3]

- Agreed that fourteen million £1 ordinary shares in EdenTree Holdings Limited (EHL) be subscribed to acquire
- Approved the adoption of the exemption from audit under Section 479A of the Companies Act 2006 and parental guarantees for Ecclesiastical Financial Advisory Limited and Ecclesiastical Group Healthcare Trustees Limited

Governance, legal and regulatory

Board succession and diversity [1,2,3,4]

- On recommendation from the Group Nominations Committee, assessed the independence of the Non-Executive Directors
- Approved the changes to Committee composition
- Approved the refreshed Board Diversity Policy

Board Effectiveness [1, 3, 4]

- Considered outcomes from the External Board Evaluation
- Approved objectives for 2023 and monitored progress during the year
- Approved changes to its Committees' terms of reference

Governance, legal and regulatory [1,2,3,4,5]

- Approved the resolutions to be put to the Shareholder at the AGM
- Considered Directors' conflicts of interest
- Considered the corporate restructure and the approach to streamlining governance

Colleagues, culture and values

Culture [1]

- Considered updates from the Company's operating subsidiaries on people, engagement and performance

Global People Strategy [1]

- Considered the Group's aspirations to be the best employer

Charitable purpose [2]

- Update on fundraising services for charities

Risk management

Group ORSA [3,4]

- Approved the Own Risk and Solvency Assessment

Effectiveness of Internal Controls [3,4]

- Supported by the Group Audit Committee, reviewed the internal controls in place across the Group and determined its effectiveness

Group Risk Appetite [3,4]

- Approved the Group Risk Appetite

Whistleblowing

The Board (via the Group Audit Committee) is responsible for reviewing the Group's Whistleblowing Policy and Procedures and receives regular updates from the Chair of that Committee. More information is contained within the Group Audit Committee Report.

Conflicts of Interest

A Register of Directors' Conflicts is maintained by the Group Company Secretary to monitor and manage any potential conflicts of interest.

Training on the Companies Act 2006 has been given to all Directors and Directors are regularly reminded of their duties.

Any conflicts are declared at the first Board meeting at which the Director becomes aware of a potential conflict and then recorded in the Conflicts Register. The Board considers all conflicts in line with the provisions set out in the Company's Articles. The Directors are required to review their interests recorded in the Conflicts Register on a biannual basis.

It is the Board's policy to record any unresolved concerns about the running of the Company or any proposed action in the Board minutes. During 2023 no Director had any such concerns.

Division of responsibilities

There is a division of responsibilities between non-executive and executive roles to ensure appropriate oversight and accountability. These roles and responsibilities are clearly defined, set out in writing, and reviewed by the Board. The roles of the Chair and Group Chief Executive are undertaken by separate individuals as set out in the Governance Structure Chart. In addition, the Board has designated Non-Executive Directors as Champions for Workforce Engagement and Climate Change.

David Henderson met with the Non-Executive Directors without the Executive Directors present on a number of occasions throughout the year. Any matters of significance are communicated to Directors outside of the Board meeting schedule.

Reporting

Governance structure

Documents available at https://benefactgroup.com/

Articles of Association	Matters Reserved to the Board	Committee Terms of Reference

The Board

The Board's role is to provide leadership and oversight of the Benefact Group within a framework of prudent and effective controls which enables the risks which the Group faces to be assessed and managed. The Board sets the tone and values with which the Benefact Group will conduct its business.

Chair, David Henderson

The Chair is responsible for the active leadership of the Board, ensuring its effectiveness in all aspects of its role. The Chair is pivotal in creating the conditions for overall Board and individual Director effectiveness, setting clear expectations concerning the style and tone of Board discussions, ensuring the Board has effective decision-making processes and applies sufficient challenge to major proposals.

Senior Independent Director, Chris Moulder

The Senior Independent Director supports and acts as a sounding board for the Chair and is responsible for overseeing the governance practices of the Company and leading the Directors in their appraisal of the Chair. Along with the Chair, the Senior Independent Director is the primary contact for the shareholder and they meet regularly with the shareholder to share and understand views.

Non-Executive Directors, Rita Bajaj, Francois-Xavier Boisseau, Sir Stephen Lamport, Neil Maidment, Angus Winther

Non-Executive Directors have a responsibility to uphold high standards of integrity and probity including acting as both internal and external ambassadors of the Company. As part of their role as members of a unitary board, Non-Executive Directors should constructively challenge and help develop proposals on strategy.

The Board delegates certain matters to its five principal committees, which reports to the Board after each meeting

Group Audit Committee

Oversees financial, climate, non-financial and regulatory reporting processes; internal controls; whistleblowing arrangements; tax strategy and policies; internal audit function; and manages the relationship with the External Auditor.

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Group Finance & Investment Committee

Oversees the management of certain of the Company's financial assets (including its investment portfolio) to ensure it is properly governed, controlled and performing as expected within agreed risk parameters. It also reviews and advises on any major financial decisions on behalf of the Board.

Group Risk Committee

Oversees the Risk Management Framework including risk appetite and tolerance; the risk and compliance functions; and

reviews prudential risk (including overseeing the Internal Model, conduct risk and climate change risk).

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Group Nominations Committee

Ensures that there is an appropriate balance of skills, knowledge and experience on the Board, its Committees and within the Group's subsidiary companies.

Report page 66

Group Remuneration Committee

Determines the Group's Remuneration Policy and ensures there is alignment between performance and reward.

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Group Chief Executive, Mark Hews

The Board delegates the execution of the Company's strategy and day-to-day management of the business to the Chief Executive, assisted by members of the Group Management Board (GMB).

Group Chief Financial Officer, Denise Cockrem

The Group Chief Financial Officer is accountable to the Group Chief Executive for the financial management of the Group and for ensuring that it complies with its statutory and regulatory reporting requirements.

Group Company Secretary, Rachael Hall

The Company Secretary is responsible for compliance with Board procedures, advising the Board on all governance matters, supporting the Chair and helping the Board and its Committees to function efficiently. All Directors have access to the advice of the Company Secretary.

Informing

Attendance at meetings

Directors are expected to attend all Board meetings and strategy days as well as Committee meetings where they are members. However, it is recognised that sometimes this may not be possible in exceptional circumstances. Where this is the case, Directors receive the papers and provided comments to the relevant meeting.

In 2023, the Board held five scheduled meetings and a strategy day.

Below is a record of the Directors' attendance for Board and Committee meetings during 2023:

	Director since	Board	Group Audit Committee	Group Finance and Investment Committee	Group Nominations Committee	Group Remuneration Committee	Group Risk Committee
Executive Directors							
Mark Hews	June 2009	6/6	-	-	-	-	-
Denise Cockrem	September 2019	6/6	-	-	-	-	-
S. Jacinta Whyte[1]	July 2013	6/6	-	-	-	-	-
Non-Executive Directors							
David Henderson	April 2016	6/6	-	5/5	3/3	5/5	-
Rita Bajaj[2]	July 2021	6/6	-	5/5	-	-	1/1
Francois-Xavier Boisseau[3]	March 2019	6/6	10/10	4/5	-	-	6/6
Sir Stephen Lamport	March 2020	6/6	-	-	-	5/5	6/6
Chris Moulder[4]	September 2017	6/6	9/10	-	3/3	-	5/6
Angus Winther[5]	March 2019	6/6	-	5/5	3/3	4/5	-
Andrew McIntyre[6]	April 2017	3/3	6/6	-	-	-	3/4
Neil Maidment[7]	January 2020	6/6	10/10	-	-	5/5	6/6

1 To increase the independence of Benefact Group plc and its subsidiary Ecclesiastical Insurance Office plc, a number of directors have been asked to resign to reduce commonality of membership. Jacinta Whyte stepped down from the Board on 21 March 2024.
2 Rita Bajaj was appointed to the Group Risk Committee on 26 September 2023.
3 Francois-Xavier Boisseau was unable to attend a Group Finance and Investment Committee meeting due to a prior commitment arranged before the meeting was confirmed.
4 Chris Moulder was unable to attend a Group Audit Committee and Group Risk Committee meeting due to prior commitments arranged before the meeting was confirmed.
5 Angus Winther was unable to attend a Group Remuneration Committee meeting due to bereavement.
6 Andrew McIntyre retired from the Board on 22 June 2023. He was unable to attend a Group Risk Committee meeting due to a professional engagement arranged before the meeting was confirmed.
7 To increase the independence of Benefact Group plc and its subsidiary Ecclesiastical Insurance Office plc, a number of directors have been asked to resign to reduce commonality of membership. Neil Maidment stepped down from the Board on 21 March 2024.

Internal controls

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

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

The Group's Internal Control Framework is vital in setting the tone for the Group and in creating a high degree of control consciousness in all colleagues across the Group.

A Code of Conduct and a Code of Ethics are embedded into the culture of the Group and are accessible to colleagues within the Group.

Assurance on the adequacy and effectiveness of internal control systems is obtained from the Company's operating subsidiaries through management reviews, control self-assessment and internal audits.

Systems of internal control are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide reasonable, but not absolute assurance as to the prevention and detection of financial misstatements, errors, fraud or violation of law or regulations. Further information on internal controls is set out in the Group Audit Committee Report.

By order of the Board

Rachael Hall
Group Company Secretary
23 April 2024

Group Nominations Committee Report

Committee member	Member since	Meetings attended
Chris Moulder (Chair)	November 2019	3/3
David Henderson	January 2018	3/3
Angus Winther	May 2021	3/3

Dear Stakeholder

I am pleased to present the Group Nominations Committee's Report for the year ending 31 December 2023. During the year, we reviewed the composition of the Board and its Committees and subsidiaries and led the process for the appointment of a new Non-Executive Director which will be finalised in 2024. In addition, I was also appointed as Group Audit Committee Chair and Neil Maidment succeeded me as the Group Risk Committee Chair.

In 2024, we will be focusing on making the Boards of EIO and Benefact Group plc more independent following the restructure of the Group.

Chris Moulder
Group Nominations Committee's Chair
23 April 2024

Composition of the Board and Senior Management

The Committee regularly considers the composition of the Board and its Committees including skills, knowledge, experience, length of tenure, independence and diversity in the context of the Group's long-term strategic priorities being conscious that improvements were required in relation to diversity particularly in terms of female representation, which it has actively tried to address.

The Committee has also committed to making this a consideration when recruiting new Directors.

In addition to gender balance, there is a need to strengthen ethnic minority representation amongst the senior management. In recognition of this, diversity in its fullest sense will be a consideration in terms of ensuring that there is a diverse pipeline of talent and opportunities at this level.

Board diversity

Benefact Group recognises the benefits of having a diverse Board and is committed to improving diversity on the Board. It believes that diversity both strengthens the Board and business performance. The Board will take opportunities, as and when appropriate, to further improve diversity in its broadest sense (including ethnicity, skills, regional and industry experience, background, age, gender and other distinctions) as part of its recruitment practice. However, the Board believes the approach to diversity and inclusion should not be a 'tick box exercise' but an opportunity to continue to build a cohesive and robust leadership. Ultimately all appointments should be made on merit with Directors able to bring a range of thoughts and opinions to avoid 'Groupthink'.

The Board's Diversity Policy includes objectives which align with the diversity and inclusion targets set out in the Listing Rules.

Statement on Board Diversity

Although the Board is pleased that we have met two of the three diversity targets, we are disappointed that we have been unable to achieve one of the objectives as set out below:

Board Diversity Objective	Implementation and progress
At least 40% of the Board are women.	30% of the Board are women. The Board recognises the need for a fully diverse, equitable and inclusive Board. During the recruitment process for a new Group Audit Committee Chair, the Board sought to appoint a woman, but we were not able to attract a suitable candidate. Women who possess the required skills and experience will be prioritised in any future Board related appointment.
At least one of the senior positions on the Board (defined as Chair, Chief Executive, Senior Independent Director and Chief Financial Officer) is held by a woman.	The Deputy Chief Executive Officer and Group Chief Financial Officer are women.
At least one Director is from a minority ethnic background.	One member of the Board is from an ethnic minority background.

Numerical information on representation on the Board is set out in the Board Diversity Schedule.

Directors' length of service

The Committee monitors the length of tenure of all Directors as shown in the table on Board diversity.

Director's independence and time commitments

The Board believes that all the Non-Executive Directors were independent throughout 2023. Independence is reviewed as part of each Director's annual appraisal, considered by the Committee and agreed by the Board annually. The Committee has considered the circumstances and relationships of all Non-Executive Directors and, following rigorous review, the Committee confirmed to the Board that all Non-Executive Directors remained independent in character and judgement. No individual participated in the discussions relating to their own independence.

Francois-Xavier Boisseau is a Director of the Company's immediate parent, Benefact Trust Limited, the Company and its subsidiary Ecclesiastical Insurance Office plc ('Common Director'). Chris Moulder and Sir Stephen Lamport were also Common Directors until 6 July 2023 and 5 March 2024 respectively when they stepped down from the Board of Benefact Trust Limited. The common directorship model is regarded as good practice with a charity that owns a trading subsidiary and these Common Directors enable the Trust to gain a thorough understanding of its subsidiary company's performance and the strategic issues it faces, and for the subsidiary to understand the expectations of its parent company. A joint Nominations Committee (covering the Company, Benefact Trust Limited and Ecclesiastical Insurance Office plc) Meeting is held annually, amongst other things to consider the appointment of Common Directors. All Non-Executive Directors are Directors of the Company's subsidiary Ecclesiastical Insurance Office plc. Rita Bajaj is a Non-Executive Director of EdenTree Holdings Limited (the Group's investment management business) and Francois-Xavier Boisseau is a Non-Executive Director of Benefact Broking and Advisory Holdings Limited (BBAH) (the Group's Broking and Advisory business).

The Committee evaluates the time Non-Executive Directors spend on the Company's business annually and is satisfied that, in 2023, the Non-Executive Directors continued to be effective and fulfilled their time commitment as stated in their letters of appointment.

External directorships are considered to be valuable in terms of broadening the experience and knowledge of Executive Directors, provided there is no actual or potential conflict of interest, and the commitment required is not excessive.

All appointments are subject to approval by the Board, and the Conflicts Register maintained by the Group Company Secretary is used to monitor external interests. Any monetary payments received by Executive Directors from outside directorships are paid over to and retained by the Group.

Succession planning and talent development

The composition of the Board and Senior Management is informed by plans for orderly, rigorous and a phased approach to succession and to reflect the Group's strategic ambitions, opportunities and challenges faced.

In respect of each leadership role, emergency, short-term and long-term succession plans are considered and challenged by the Committee to ensure that appropriate skills are in place to support the Group's strategy and ensure a diverse pipeline of talent is in place. This is supported by a robust skills analysis which is conducted for all Directors annually. During 2023, the assessment demonstrated that all Directors had the required skills, expertise and knowledge the Board believes are necessary to drive the Group forward.

In support of the Group's strategy to build a world-class team, the Committee reviewed the talent, succession and leadership activities across the Group.

Appointment process

An Appointments Panel comprising Chris Moulder, David Henderson and Rachael Hall was formed for the recruitment of a new Non-Executive Director with extensive senior experience in the financial services sector or the civil service. A Position Specification for the role based on objective criteria and having regard to the outcome of the Board skills analysis was developed.

Following a tender process involving three Search Agencies, Sapphire Partners (which had no other connection to the Group) was engaged to support the recruitment process.

Having due regard to the Board's diversity and inclusion ambitions, the skills and competencies outlined in the specification, and the Group's ethics, culture and values, Sapphire Partners drew up a list of potential candidates. This long-list was reduced to a shortlist by the Appointments Panel and interviews are due to commence in March 2024. Information on the conclusion of this process will be provided in next year's Committee Report.

Chairs of the Group Audit Committee and the Group Risk Committee

During the year, we continued to search for a long-term successor to Andrew McIntyre who stepped down as the Chair of the Audit Committee and a member of the Board on 22 June 2023. As the Board is challenged from a female diversity perspective, the Nominations Committee had hoped that the successful candidate would be a woman. After an extensive market search and much deliberation by the Nominations Committee, it was agreed to suspend the search and appoint Chris Moulder as Group Audit Committee Chair until his term comes to an end in 2026. Chris Moulder stepped down as Chair of the Group Risk Committee and was succeeded by Neil Maidment.

Group Chief Financial Officer

Denise Cockrem will retire from her role as an Executive Director and Group Chief Financial Officer on 30 June 2024. The search for a new Group Chief Financial Officer has commenced and an update will be provided in next year's Annual Report.

Induction and training

All Directors undertake a formal, comprehensive and tailored induction upon joining the Board. This includes sessions with key SMEs across the Group.

In addition, the annual training schedule of the Board is developed in consultation with the Committee, the GMB and key SMEs around the Group before being approved by the Board. It is dynamic and can change to reflect the needs of the Board.

Any Director may request further training to support their individual or collective needs. Throughout the year, the Board received training on reinsurance/credit risk, Consumer Duty, Internal Model and TCFD/ Climate Change.

The Group Company Secretary maintains annual CPD records for all Directors, which the Chair reviews as part of their annual appraisal.

Board evaluation and performance

All Directors receive an annual appraisal from the Chair. The Chair is appraised by the Board, in his absence led by the Senior Independent Director.

Stephenson Executive Search conducted the external Board Evaluation in late 2022 and early 2023. It had no connection to the Group or its Directors beyond Tim Stephenson, Stephenson Executive Search's Chair supporting David Henderson in relation to Non-Executive Director assignments. The Board was content that Mr Stephenson provided an independent view on the performance of the Board, its Committees and individual Directors. Mr Stephenson observed Board and Committee meetings and conducted a series of interviews with each Director, the Group Company Secretary, the Group Chief Actuary and the Group Chief Risk and Compliance Officer. The outcome of the evaluation was considered by the Board in March 2023. The main recommendations arising from the Board Evaluation related to the Board Succession planning as described earlier in this report.

'In support of the Group's strategy to build a world-class team, the Committee reviewed the talent, succession and leadership activities across the Group.'

Group Risk Committee Report

Committee member	Member since	Meetings attended
Neil Maidment (Chair) [1]	March 2020	6/6
Rita Bajaj [2]	September 2023	1/1
Francois-Xavier Boisseau	April 2019	6/6
Sir Stephen Lamport	September 2017	6/6
Chris Moulder [3]	September 2017	5/6
Andrew McIntyre [4]	September 2023	3/4

Dear Stakeholder

I am pleased to present this report describing the work undertaken by the Committee during the past year. I would like to take the opportunity to thank Chris Moulder for leading the Committee over the last five years and his continuing support as a member of the Committee. I would also like to thank Andrew McIntyre, who stepped down from the Committee during the year, for his valued contribution. We also welcomed Rita Bajaj as a member of the Committee in September 2023.

Throughout 2023, the Committee monitored the Group's Risk Management Framework, management of capital, operational resilience and the material risks facing the Group, paying close attention to impacts from the internal and external environments. The Committee also reviewed the Internal Model scope, use, governance and validation.

Neil Maidment
Group Risk Committee's Chair
23 April 2024

'Throughout 2023, the Committee monitored the Group's risk management framework, management of capital, operational resilience and the material risks facing the Group and commenced a review of the Group's risk management framework operating model.'

1 Neil Maidment was appointed as the Committee Chair on 22 June 2023. He stepped down as a Director of the Company on 21 March 2024. He remains a member of the Committee in his capacity as a Director of Ecclesiastical Insurance Office plc.
2 Rita Bajaj joined the Committee on 26 September 2023.
3 Chris Moulder stepped down as Committee Chair on 22 June 2023. Chris was unable to attend two meetings due to professional commitments arranged before the meetings were confirmed.
4 Andrew McIntyre was a member of the Committee until 22 June 2023 when he left the Board. Andrew was unable to attend a meeting due to a professional engagement arranged before the meeting was confirmed.

The Committee's key roles are to oversee the Group's Risk Management Framework (including risk appetite and tolerance) and the Group's risk and compliance functions; review conduct and prudential risk (including overseeing the Internal Model); and consider the Group's exposure in managing financial risks to Climate Change.

The Group has voluntarily chosen to include this report in addition to the disclosures in the Risk Management Report and Principal Risks sections. The latter sets out the Group's principal risks and uncertainties. The Committee has reviewed these in detail and is comfortable that the business has addressed them appropriately within its ongoing operating model and strategic priorities.

Meetings were attended by the Group Chair, Deputy Group Chief Executive, Group Chief Risk and Compliance Officer, Group Chief Financial Officer, Group Underwriting Director, Group Chief Actuary and Group Chief Internal Auditor.

Areas of focus during 2023

During 2023, the Committee continued to monitor the Group's ongoing operational and financial resilience and its capital and solvency positions, receiving updates from management particularly in light of direct and indirect impacts from the external environment. These impacts included adverse weather events in territories in which the Group operates; volatility in global investment markets; inflationary pressures; and cyber risk.

The Committee also monitored the ongoing development, governance, methodology and calibration of the Internal Model; overseeing independent validation; reviewing profit and loss attribution; and recommending Model changes and management actions to the Board.

During the year, the Committee commenced a review of the Group's Risk Management Framework Operating Model. The Committee also heard updates from projects to develop the Group's outsourcing and third-party risk management model and implement new computer systems.

Additionally, the Committee received reports on risk and compliance monitoring; market and investment risk; outsourcing and supplier risk; business continuity; climate change; and cyber risk. The Committee reviewed the Group's risk appetite, Group Authorities Framework and Own Risk and Solvency Assessment, recommending them to the Board; oversaw the risk and compliance monitoring and assurance plans; and received the Money Laundering Reporting Officer's Report.

The Group Chief Risk and Compliance Officer reports to the Committee and has direct access to the Committee Chair and the Non-Executive Directors. The Committee ensures that it meets with the Group Chief Risk and Compliance Officer at least annually without other management present.

'During 2023, the Committee continued to monitor the Group's ongoing operational and financial resilience and its capital and solvency positions.'

Group Audit Committee Report

Chair's overview

I am pleased to present my report as Chair of the Group Audit Committee on the work of the Committee for the year ended 31 December 2023. I would like to thank Andrew McIntyre, who stepped down from the Committee during the year, for his valued contribution. Throughout another busy year, the Committee has continued to play a key role on behalf of the Board to challenge and monitor the integrity of the Group's financial and regulatory reporting and oversee its financial controls. In addition, the Committee oversees and challenges the work undertaken in internal and external audit arrangements, the internal control environment and the processes for compliance with laws, regulation and ethical codes of practice.

The Committee has scrutinised the Group's financial reporting, ensuring the Annual Report and Accounts are prepared using appropriate judgements and are a fair reflection of the Group's performance and position. The significant accounting and reporting issues considered in detail by the Committee are set out in this report. The new insurance accounting standard IFRS 17 became effective for the Group from January 2023 and continued to be an important part of the Committee's agenda. The Committee diligently ensured that internal controls were robust, providing stakeholders with confidence in the accuracy and reliability of financial information.

The Committee continues to monitor external factors to ensure reporting and controls take into consideration, and respond to, emerging developments and external risks. During the year, this has included consideration of the proposed reforms to the UK's corporate governance and audit regimes and the impact of the higher cost of living on our customers and colleagues.

The role of the Committee in the Group's governance framework is vital, providing independent challenge and oversight across financial reporting and internal control procedures. The Committee ensures the interests of our shareholders are protected by providing independent scrutiny and challenge to ensure the Group always presents a true and fair view of its performance, with a focus on the accuracy, integrity and communication of its financial reporting. The Committee also examines the Group's control environment and strategies for risk management, providing assurance these are managed appropriately. We remain satisfied that the business has maintained a robust risk management and internal controls culture, supported by strong overall governance processes.

Chris Moulder
Chair of the Group Audit Committee

'The role of the Committee in the Group's governance framework is vital, providing independent challenge and oversight across financial reporting and internal control procedures.'

Members of the Committee

Committee members are Non-Executive Directors and bring a wide range of financial, risk, control and commercial expertise, with a particular depth of experience in the insurance sector that are necessary to fulfil the Committee's duties. The Committee is also then able to challenge and scrutinise management's work. The Board considers that the Committee has recent and relevant financial experience and accounting competence and that the Committee as a whole is appropriately competent in the sectors in which the Group operates.

Committee meetings

In addition to the members of the Committee, regular attendees of Committees included the Chair of the Board, Group Chief Executive Officer, Deputy Group Chief Executive, Group Chief Financial Officer, Group Chief Internal Auditor and representatives of the Group's external auditors. Other subject matter experts are invited to attend certain meetings in order to provide insight into key issues and developments.

During the year, PricewaterhouseCoopers (PwC) attended nine of the Committee's meetings. During the year, the Committee met privately with the Group's external auditors without management present.

Committee member	Member since	Meetings attended
Andrew McIntyre (Chair)*	April 2017	6**
Chris Moulder (Chair)*	September 2017	9
Francois-Xavier Boisseau	March 2019	10
Neil Maidment	March 2020	10

* Andrew McIntyre retired from the Board on 22 June 2023. Chris Moulder replaced Andrew McIntyre as Chair of the Audit Committee.

** Andrew McIntyre was the Chair and a member of the Committee until 22 June 2023 when he left the Board.

The Committee's key responsibilities include:

- scrutinising the financial statements and reviewing accounting policies and significant judgements and estimates;
- reviewing the contract of the content of financial reporting and advising the Board whether, taken as a whole, they are fair, balanced and understandable;
- reviewing the going concern basis of preparation of the financial statements and statements on viability for recommending to the Board;
- reviewing climate and non-financial metrics reporting;
- reviewing tax strategy and policies;
- reviewing the Group's whistleblowing arrangements;
- overseeing the Group's audit arrangements, both externally and internally; and
- reviewing the effectiveness of the Group's systems of internal controls and the management of financial risks.

When the Committee discharges its responsibilities these include Benefact Group plc and matters related to its own subsidiary undertakings and interests.

A summary of the main activities of the Committee during the year is set out below:

Auditor appointment and tenure, independence and non-audit services

The Committee has primary responsibility for overseeing the relationship with, and performance of, the external auditor. This includes making the recommendation on the appointment, reappointment and removal of the external auditor, assessing their independence on an ongoing basis and for agreeing the audit fee.

PwC has acted as the Group's external statutory auditor following appointment at the Annual General Meeting in June 2020. The Group's policy for auditor rotation follows regulatory requirements and PwC will be required to be rotated after no more than 20 years, and an audit tender held after no more than 10 years. Sue Morling of PwC became the Group's senior statutory auditor for the financial year 2020 after PwC's appointment. Her term as senior statutory auditor is due to conclude upon the completion of the 2024 audit.

The Company confirms that it complied with the provisions of the Competition and Markets Authority's Order for the financial year under review. Both the Board and the external auditor have safeguards in place to protect the independence and objectivity of the external auditor.

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

The Committee oversees the plan for the external audit to ensure it is comprehensive, risk-based and cost-effective. The plan described the proposed scope of the work and the approach to be taken, and also proposed the materiality levels. In order to focus the audit work on the right areas, the auditors identify particular risk issues based on various factors, including their knowledge of the business and operating environment and discussions with management.

For the year ended 31 December 2023, the Group was charged £2,810,000 (ex VAT) by PwC for audit services. Non-audit fees for audit related assurance services required by legislation and/or regulation amounted to £605,000, making total fees from PwC of £3,415,000.

There were no other non-audit services provided by PwC during the financial year. Audit fees for 2023 include amounts related to the implementation of IFRS 17 Insurance Contracts in the year. More detail can be found in note 12 to the financial statements.

External audit effectiveness

The Committee assesses the effectiveness of the external auditor annually against several criteria including, but not limited to, accessibility and knowledgeability of audit team members, the efficiency of the audit process including the effectiveness of the audit plan and the quality of improvements recommended.

The Committee reviewed a report based on input from senior management, business unit leaders and those most involved in the external audit process, regarding the PwC 2022 statutory audit and audit-related assurance services. The Committee recognised the strengths of the external auditor and that duties were performed independently and effectively.

Appropriateness of the Group's external financial reporting

The primary role of the Committee in relation to financial reporting is to review, challenge and agree the appropriateness of the half-year and annual financial statements and annual regulatory reporting under Solvency II, concentrating on, among other matters:

- the quality and acceptability of the Group's accounting policies and practices;
- the clarity of the disclosures and compliance with financial and regulatory reporting standards, and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been made by the Group or there has been discussion with the external auditor;
- whether the Group's Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy; and
- any correspondence from regulators in relation to financial reporting.

In respect of these annual financial statements the Committee paid particular attention to the significant judgements set out below, including a review of the corporate governance disclosures, monitoring of the external audit process and statements about going concern and viability. The Committee concluded that it remained appropriate to prepare the financial statements on a going concern basis and recommended the viability statement to the Board for approval.

The Committee reviewed and challenged the Group's annual regulatory submissions under Solvency II. The Committee focused on the reporting requirements of the publicly filed SFCR and QRTs and privately filed RSR Annual Update.

Key areas of focus for the Committee during 2023 have been the Group latent claim reserves, Australia general liability reserves, claims inflation, weather events impacting Group companies, premium allocation approach eligibility and the Risk Adjustment.

'The Committee ensures the interests of our shareholders are protected by providing independent scrutiny and challenge.'

Matter considered	Action
General insurance reserves The estimation of the ultimate liability arising from claims under general business insurance contracts is a critical accounting estimate. There is uncertainty as to the total number of claims on each class of business, the amounts that such claims will be settled for and the timings of any payments.	The Committee considered detailed reports provided by the Head of Group Reserving on the adequacy of the Group's general insurance reserves at both the half year and the full year and discussed and challenged management across a wide range of assumptions and key judgements. This is a major area of audit focus and the auditor also provided detailed reporting on these matters to the Committee. Key areas of focus for the Committee during 2023 have been the Group latent claim reserves, Australia general liability reserves, claims inflation, weather events impacting Group companies, premium allocation approach eligibility and the Risk Adjustment. Following their reviews and discussions, the Committee's opinion was that the reserving process and outcomes were robust, applied consistently, were well managed and that the overall reserves set were reasonable as disclosed in note 30 of the financial statements. The Committee was satisfied that management have carried out a thorough review of the drivers of uncertainty and have arrived at an appropriate recommendation for the level of booked reserves including the risk adjustment.
Life insurance reserves The calculation of the Group's life insurance reserves requires management to make significant judgements about bond yields, discount rates, credit risk, mortality rates and current expectations of future expense levels.	The Committee considered a report from the Chief Actuary of Ecclesiastical Life Limited (ELL) (the Group's life business) which set out recommendations for the basis and methodology to apply for: • valuation of policy liabilities for inclusion in the report and accounts for ELL at 31 December 2023, and • the calculation of technical provisions in accordance with Solvency II regulations at 31 December 2023. The main areas of judgement reviewed by the Committee were the estimated future cash flows and the discount rate applied to future cash flows. The Committee also challenged the assumptions regarding mortality rates and future attributable expenses which impact the estimated future cashflows. The Committee reviewed the work done by the Chief Actuary to assess whether the methodology remained appropriate, with a particular focus on mortality assumptions, interest and inflation rate assumptions. Following its review, and after consideration of PwC's report, the Committee was satisfied that the assumptions proposed were appropriate and overall the judgements made in respect of the reserves were reasonable. The assumptions are disclosed in note 30(b) of the financial statements.

Matter considered	Action
Pension scheme accounting The Group's liabilities of the scheme are material in comparison to the Group's net asset and the valuation requires many actuarial assumptions, including judgements in relation to long-term interest rates, inflation, longevity and investment returns. Judgement is applied in determining the extent to which a surplus in the Group's defined benefit scheme can be recognised as an asset.	During 2023, the Committee received reports from management on the proposed approach to the valuation of the pension scheme. As the pension scheme is sensitive to changes in key assumptions, management completed an assessment as to the appropriateness of the assumptions used, taking advice from independent actuarial experts and including, where appropriate, benchmark data, and reported its findings to the Committee. Improvements in the pension actuary's models increased the accuracy, and also dynamically captured changes in the scheme's liability profile. Following the review, management concluded the future improvements in mortality table will be updated to the CMI 2022 table. It was deemed that mortality rates in 2022 could be indicative of future mortality to some extent and that a default weighting of 25% should be applied to 2022 mortality data in the CMI 2022 table. It was concluded that the salary assumptions remained consistent with long-term expectations. The best estimate multipliers for the post-retirement mortality tables were revised following input from the Scheme Actuary. Following consideration, the Committee concluded that the assumptions proposed were appropriate and consistent with the approach known by Committee members to be taking place and considered in practice. The impact of updating assumptions to reflect those in force at the balance sheet date on the valuation at 31 December 2023 is explained in note 20 to the financial statements.
Valuation of intangible assets The valuation and impairment reviews carried out over intangible assets, particularly software, is an area of focus for the Committee given the Group's investment in technology and the materiality of the balance.	The Group's significant investment in technology, together with fast-moving technology development and change, increases the importance of a detailed assessment of the value of assets and the implications of further investment. The Committee considered management's work to test and review the value of assets and any consequent impairments or changes to useful lives. The Committee concurred with management's conclusions that, after impairments, carrying values were appropriate.
Valuation of unlisted equity This is an area of focus for the Committee given the materiality and the subjectivity in deriving fair value. The judgements and estimates used to determine the value of the Group's interest in unlisted equity follow industry recognised fair value model techniques and the principles of IFRS 13 Fair Value Measurement. Judgements and estimates include the selection of the most appropriate valuation approach, the set of comparable companies, choice of valuation multiples and the setting of an illiquidity discount.	The Committee received information from management on the Group's unlisted equity investments and the model used to determine fair value of these investments. The Committee paid particular attention to the application of industry recognised valuation techniques and areas of the portfolio more susceptible to valuation uncertainty. When considering management's assessment of the fair value of unlisted equities, the Committee considered the fair value model and inputs used. Particular consideration was given to the judgements included within the model that management used to determine a valuation. This included the discount applied for illiquidity, the quantity and suitability of comparable companies used within the model and specific adjustments made to respond to market expectations of the valuation of fixed income securities held by comparable companies. The Committee concluded that the number of reinsurers in the comparator group remained appropriate and that it was appropriate to continue to make specific adjustments that deal with specific market expectations. The illiquidity adjustment represents a reasonable estimate of the lower value a market participant would place on the asset compared to highly liquid assets traded on a public and active market. After consideration, the adjustment was increased during 2023 as a result of another shareholder selling their shares. Following consideration, the Committee concluded that the assumptions proposed were appropriate.

Matter considered	Action
Carrying value of goodwill This is an area of focus for the Committee given the materiality of the Benefact Group's goodwill balances (£85.7m at 31 December 2023) and the inherent subjectivity in impairment testing. The judgements in relation to goodwill impairment continue to relate primarily to the assumptions underlying the calculation of the value in use of the business, being the achievability of the business plans and the macroeconomic and related modelling assumptions underlying the valuation process.	The Committee received detailed reporting from management and challenged the appropriateness of the assumptions made, including: • the consistent application of management's methodology; • the achievability of the business plans; • assumptions in relation to long-term growth in the businesses; and • the determination of a discount rate. The Committee paid particular attention to the business plans and management's proposed cashflows attributable to each Cash Generating Unit, and the determination of the discount rate used in the calculation. The Committee considered the proposal and provided robust challenge to the assumptions, notably the evidence to support the discount rate and the appropriateness of the future cashflow assumptions. After its reviews, the Committee concluded that the assumptions were reasonable. Goodwill is disclosed in note 19 of the financial statements.
Acquisition of Lloyd & Whyte This is an area of focus for the Committee given the materiality of Lloyd & Whyte to the Broking and Advisory division. The valuation of intangible assets, which is recognised separately from goodwill, requires judgements and estimates.	The Committee received detailed reporting from management related to the acquisition of Lloyd & Whyte, which included a focus on assessing control, determining the acquisition date and the identification of intangibles assets and Cash Generating Unit for allocation of goodwill. The Committee considered in particular the methodology applied to identify and value intangible assets and the suitability of their useful economic life. Following the review, the Committee concluded that control had been determined on 30 June 2023, the key inputs into the valuation of intangible assets were reasonable and the useful economic life of these assets are appropriate.

Implementation of IFRS 17 Insurance contracts

In 2023, the Group Audit Committee played a pivotal role in overseeing the successful implementation of IFRS 17, the new standard for insurance contracts issued by the International Accounting Standards Board (IASB), effective for the Group from 1 January 2023. Recognising the importance of this accounting change on financial reporting, the Committee engaged with management and external auditors. The Committee's efforts were focused on ensuring a seamless transition, the appropriate application of the standard into the Group's accounting policies and a thorough assessment of data systems, actuarial methodologies and financial processes. This included consideration of key judgements involved in the implementation, including the level of aggregation and risk adjustment. The Committee actively monitored the progress of the implementation project, providing valuable insights to mitigate potential risks and enhance the accuracy of financial statements.

Climate change risk and related disclosures

During the year the Committee continued to strengthen its understanding of the developments of disclosures regarding climate change and its impacts. This included the Committee receiving training from external and internal experts. The Committee discussed with management the continued development of the Group's disclosures regarding climate change risks and impacts which are included principally within the Responsible Business Report. The Committee's review paid particular attention to the transparency of disclosure and alignment to Task Force on Climate-Related Financial Disclosures along with the challenges in working towards Net Zero. As the Group develops its response to the risks and impacts of climate change the Committee expects to consider management's evaluation of the potential impact on the financial statements and the evolution of disclosure.

Fair, balanced and understandable

The Committee considered whether in its opinion, the 2023 Annual Report and Accounts were fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Committee has reviewed and provided feedback on early drafts of the Annual Report and Accounts, highlighting any areas where further clarity was required in the final version.

The Committee was provided with comprehensive verification of all the information and facts in the Annual Report and Accounts. When forming its opinion, the Committee reflected on information it had received and discussions throughout the year as well as its knowledge of the business and its performance. When forming its opinion, in particular, the Committee considered:

Is the report fair?

- Does the financial reporting reflect the key messages within narrative statements?
- Is the story complete and is there any sensitive material that has been omitted that should have been included?
- Does the Group that is portrayed in the Annual Report and Accounts reflect the Group discussed by the Committee and the Board?

Is the report balanced?

- Are the key areas of judgement included within any narrative reporting and significant matters discussed within this Committee report consistent with the disclosures within the financial statements?
- Are the significant and higher risk areas identified within the Annual Report and Accounts also those risks identified and reported by PwC?

Is the report understandable?

- Does the reporting focus on the more significant items and not become obscured with immaterial detail?
- Are the important messages highlighted up front?
- Does the report use clear and concise language and provide simple explanations of topics?

The Committee was satisfied that the disclosures in the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and represented the results and business performance for the year ended 31 December 2023.

Oversight of the Group's systems of internal control including the internal audit function

Assessment of internal controls

The Group's approach to internal control and risk management is set out in the Corporate Governance Report section of this Annual Report and Accounts.

In reviewing the effectiveness of the system of internal control and risk management during 2023, the Committee has:

- reviewed the findings and agreed management actions arising from both external and internal audit reports issued during the year;
- monitored management's responsiveness to the findings and recommendations of the Group Chief Internal Auditor;
- met with the Group Chief Internal Auditor once during the year without management being present to discuss any issues arising from internal audits carried out; and
- considered a report prepared by the Group Chief Internal Auditor giving his assessment of the strength of the Group's internal controls based on internal audit activity during the year.

Internal control over financial reporting

Internal control over financial reporting is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of management and financial reporting in accordance with generally accepted accounting principles.

Controls over financial reporting policies and procedures include controls to ensure that:

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

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

Group Internal Audit (GIA)

GIA is monitored by the Committee and provides independent, objective assurance to the Board that the governance processes, management of risk and systems of internal control are adequate and effective to mitigate the most significant risks to the Group. GIA operate co-sourcing arrangements in the UK, Ireland and Canada where specialist resource is required to supplement existing Group resources. In addition, GIA oversees and monitors the outsourced internal audit arrangements in Australia.

The Committee has oversight responsibility for GIA and is satisfied that GIA has appropriate resources. The Group Chief Internal Auditor is accountable to the Committee Chair, reports administratively to the Group Chief Financial Officer and has access to the Group Chief Executive and the Chair of the Board. The function also has an extensive stakeholder management programme across the whole of the Group.

GIA's annual programme of work is risk based and designed to cover areas of higher risk or specific focus across the Group. The plan is approved annually in advance by the Committee and is regularly reviewed throughout the year to ensure that it continues to reflect areas of higher priority. Where necessary, changes to the agreed plan are identified as a consequence of the Group's changing risk profile.

Throughout the year, GIA submitted quarterly reports to the Committee summarising findings from audit activity undertaken and the responses and action plans agreed with management. During the year, the Committee monitored progress of the most significant management action plans to ensure that these were completed in a timely manner and to a satisfactory standard.

Whistleblowing

During the year, the Committee continued to perform regular oversight of the Group's whistleblowing arrangements, which are the responsibility of the Board and overseen by Group HR. Actions have focused on ensuring an environment in which whistleblowing is well understood, openly communicated and that a positive culture for raising concerns is promoted across the Benefact Group.

The Group has an established annual whistleblowing activity cycle encompassing training, communication and monitoring. Online training modules for all colleagues and managers in both whistleblowing and code of conduct increase and maintain awareness and emphasise an open and positive culture. Individual attestation and quarterly reporting ensure the continued close monitoring of whistleblowing activity and understanding across the Group. These annual actions are reinforced by regular colleague communications and awareness raising activities. The Group's whistleblowing procedures, polices and guides are also reviewed and updated annually to ensure that, in line with best practice, they are accessible, easily understood and are aimed to encourage and give confidence to potential whistleblowers.

Legal and regulatory developments

The Committee receives regular reports and considers the impact of legal and regulatory developments on the UK Group to control legal and regulatory risk. It monitors the application and impact of any actions required by the business or organisation through to completion. Reports are shared with relevant business areas, and with relevant subsidiary Boards and Board Committees.

The year ahead

The Committee remains vigilant in its commitment to fostering a culture of excellence in financial governance. Its forward-looking approach includes proactively addressing potential challenges such as emerging accounting standards, technological advancements and global economic shifts. In the upcoming year, the Committee will intensify efforts to enhance the effectiveness of risk management processes, ensuring alignment with organisational objectives, staying well-informed of industry best practices to meet the demands of an ever-evolving business landscape. The Committee will continue to collaborate closely with management and stakeholders, fostering transparency, accountability and resilience in the face of dynamic market conditions. The focus on innovation, adaptability and the highest standards of financial stewardship will be key in the pursuit of sustained corporate integrity.

Group Remuneration Report

Group Remuneration Committee Chair's statement

As Chair of the Group Remuneration Committee (the Committee), I am pleased to introduce the Group Remuneration Report for 2023 and to highlight some of the key aspects of the Committee's work during the year. The Committee's principal aim remains to ensure that all colleagues are rewarded fairly according to their contribution to the success of the Group and the quality of their individual performance, keeping carefully in mind the relationship between reward, recruitment and retention.

2023 performance and incentive outcomes

The Group reported a statutory profit before tax for 2023 of £34.4m (2022: £0.6m loss). This result was largely driven by the investment result benefitting from the improved market conditions towards the end of the year. The Group's statutory insurance service result of £72.8m (2022: £81.0m) performed strongly despite the impact from a significant fire claim at the start of the year and adverse development of prior year liability and weather-related claims. Gross written premium increased by over 10% to £615.0m (2022: £558.5m) as a result of new business and rate improvements.

Within the Group's Broking and Advisory division, which reported a loss of £0.6m (2022: £20.3m profit), we saw continued growth from our broking businesses with income up 35% to £55.5m as a result of organic and inorganic growth, and included expected higher expenses arising in the pre-paid funeral planning business and the amortisation of acquired intangible assets.

The performance of funds within the Group's asset management business was positive with assets under management of £3.6bn, up slightly on 2022. Overall, the division reported a loss of £6.5m (2022: £3.5m loss).

2023 continued, however, to be a challenging year for customers, brokers, business partners and colleagues alike. The Committee note with thanks the efforts of all our colleagues across the Group in continuing to deliver what matters most to the business: supporting our customers by providing excellent customer service, maximising its grant to the shareholder, and delivering on the Group's next chapter in our strategy and continued ambition for the future.

During the year EIO also provided additional support to employees in the context of the cost-of-living crisis. This included a one-off award based on grade to ensure that support was targeted to those who needed it most.

In considering the annual bonus outcomes for Executive Directors the Committee paid careful attention to the financial performance of the Group and its significant business units, to the strategic and 'Greater Good' performance of the Group, to its solid performance against underwriting targets, and to its continuing strong delivery against the Group's strategic change programme and customer and conduct targets. In its assessment of individual performance during the year, the Committee recognised the strong performance against Executive Directors' personal financial, strategic and wider objectives. The Committee considered that the annual bonus outcomes were a fair reflection of the overall performance achieved by both the Group and the individuals. Having considered all the relevant factors, the Committee determined that a discretionary adjustment to the Broking and Advisory: Turnover metric be applied to achieve the threshold for this element, given actual performance was so close to the threshold level.

The annual bonus awards for 2023 of 67.9% of maximum (which is 100% of salary) for the Group Chief Executive; 66% for the Deputy Group Chief Executive; and 58.2% for the

'The Committee note with thanks the effort of all our colleagues across the Group in continuing to deliver what matters most to the business: supporting our customers.'

Group Chief Financial Officer reflected the performance of the Group during the year. Further details of performance against the targets set for 2023 are disclosed in the Annual Report on Remuneration section of this report. One-third of the total bonus award will be deferred for three years.

The long-term incentive plan (LTIP) granted in 2021 vested at 50.8%, reflecting the Group's performance against the financial, strategic, customer and conduct targets over the 2021-2023 period. The Committee considered that the LTIP vesting levels were a fair reflection of the overall performance achieved, and having considered all the relevant factors determined that no discretionary adjustment of awards was necessary.

In line with the Committee's established practice, the Committee, supported by the Group Chief Risk and Compliance Officer, considered risk management outcomes across the Group as part of its deliberations, including how these had impacted individual performance assessments where relevant. Following this review, the Committee did not consider further risk adjustment of the awards was necessary.

The Committee is of the view that the Remuneration Policy operated as intended during the year and that the overarching remuneration framework is appropriate taking into account both internal and external factors.

Base salary

The level of salary increases for UK Ecclesiastical employees is a key consideration in setting the level of any salary increase for Executive Directors. On this basis, the Committee determined that the base salaries of Executive Directors would be increased by 4.6% (effective 1 April 2024), which is in line with the wider employee population of 4.6%.

Key Committee activities during the year

During the year the Committee undertook a comprehensive review of the remuneration packages of the Executive Directors to ensure that they are aligned with the Group's strategic objectives and reflect both the experience and track record of the Executive Directors. Following this review, the Committee has determined to increase the maximum incentive opportunities for the Executive Directors to ensure that the total remuneration package is competitive and to ensure that we continue to award appropriately for performance. Any payment under incentives will continue to be subject to stretching performance targets. Further detail on the incentive opportunity increases is set out later in this report.

In addition, the Committee has reviewed the performance measures to ensure that they continue to be aligned to the Group's strategy and has made some minor adjustments to the measures and weightings for 2024, including simplifying the number of sub-measures in the Greater Good measure in the annual bonus scheme.

Full details of the revised incentive arrangements applicable to Executive Directors and the Group's senior leaders are set out in the 'At a Glance' and the Statement of Implementation of Remuneration Policy in 2024 sections of this report.

To ensure these arrangements continue to drive the Group's strategy and to achieve long-term success by the delivery of the expected level of grant to the Group's shareholder and owner Benefact Trust Limited, remuneration continues to be underpinned by the following principles: fair reward; simplification of the Group's incentive arrangements; compliance with evolving regulatory and corporate governance requirements; linking pay and performance; alignment of incentive designs with the Group's strategy and shareholder expectations; and consideration of the reputational impact of any changes.

The Committee considered the Chair's fees as part of the regular review of NEDs' fees. David Henderson took no part in the discussions on his fees, nor the NEDs in discussion of theirs.

Committee member	Member since	Meetings attended
Sir Stephen Lamport (Chair)	June 2020	5/5
David Henderson	September 2016	5/5
Neil Maidment	March 2020	5/5
Angus Winther*	April 2019	4/5

* Angus Winther was unable to attend a Group Remuneration Committee meeting due to a bereavement.

The Group's gender pay report for 2023 showed our median gender pay gap remained unchanged at 19.1% for EIO. The wider Group median pay gap has slightly increased at 25.7%. The Group continues to be committed to promoting inclusion and diversity through our business and to ensuring that all employees have a fair and equal pay opportunity appropriate to their role.

Conclusion

I value the continued support and counsel of our charitable owner and ultimate shareholder, Benefact Trust Limited, and reaffirm our responsibility to drive sustained and improved performance over the long-term through our remuneration strategy, policy and principles.

Sir Stephen Lamport
Chair of the Group Remuneration Committee
23 April 2024

Group Remuneration Committee

Purpose and membership

The Committee is responsible for recommending to the Board the Remuneration Policy for Executive Directors and for setting the remuneration packages for each Executive Director, members of the Group Management Board (GMB), Material Risk Takers and heads of strategic business units. None of the Executive Directors were involved in discussions relating to their own remuneration. The Committee also has overarching responsibility for the Group-wide Remuneration Policy.

All members are independent NEDs and have the necessary experience and expertise to meet the Committee's responsibilities. There was cross-membership of the Group Risk Committee and the Committee to promote alignment of the Group's Risks and Remuneration Policies and consideration of risk management and outcomes in setting reward.

Remuneration Committee timetable

The table below sets out the key agenda items discussed at each Committee meeting during 2023.

Meeting	Key discussion points
January 2023	• 2023 annual bonus and 2023-2025 LTIP and CRO opinion on targets • 2022 Directors' Remuneration Report • Material Risk Taker list
March 2023	• 2022 annual bonus and 2020-2022 LTIP outcomes • Review of 2023 salary proposals • 2022 Directors' Remuneration Report • Material Risk Taker list • 2022 Evaluation of Committee performance • 2023 Committee objectives • Review of Remuneration Consultant's performance
July 2023	• Simplification of 2024 Bonus Schemes • Review of Benchmarking • Executive remuneration trends • Wider employee trends and policies • Remuneration Policy review and Remuneration Policy Statements • Annual review of Material Risk Taker list methodology
October 2023	• Simplification 2024 of Bonus Schemes • Benchmarking Update
November 2023	• Update on 2023 Executive Director pay outturns • Wider employee remuneration trends and pay • 2023 Directors' Remuneration Report • Material Risk Taker list • Gender pay gap reporting • Annual audit of EdenTree Remuneration Policy

Advisers to the Committee

During the year, the Committee received external advice from Deloitte in relation to the strategic review of remuneration including simplification of bonus schemes and the approach to benchmarking; remuneration packages for Executive Directors, members of the GMB and heads of strategic business units; and remuneration market trends and regulation. The Committee also had access to benchmarking reports from Willis Towers Watson and McLagan, which provided additional data to support the determination of pay and conditions throughout the Group.

Fees for professional advice to the Committee paid to Deloitte were £115,650 (2022: £81,375). The Committee is satisfied that the advice it received during 2023 from Deloitte was impartial.

To assist its work, during the year the Committee received input from the Group Chief Executive, Group Chief Financial Officer, Group Chief People Officer, Group HR Director, Group Chief Actuary, Group Chief Risk and Compliance Officer and Group Reward Director. Such input, however, did not relate to their own remuneration.

Remuneration 'At a Glance' – Remuneration Policy summary and implementation for 2024

The table below sets out the key features of the Remuneration Policy and how it will be implemented in 2024. The full Remuneration Policy can be found in the 2021 Directors' Remuneration Report, with the only difference being the increase in incentive opportunities (the rationale for which is disclosed in the Remuneration Chair's Statement for 2024). The principles which underpin the Group's reward structures for all Group employees are summarised in the Remuneration Committee Chair's Statement. The full description of the principles, including detail on how the Committee has addressed the principles in the UK Corporate Governance Code of: i) clarity; ii) simplicity; iii) risk; iv) predictability; v) proportionality; and vi) alignment to culture, were set out in the 2021 Policy Report.

Element of pay	Operation	Implementation for 2024
Base salary	Reviewed annually with any increases normally taking effect in April.	• CEO: £547,800 • Deputy CEO: £460,030 • Group Chief Financial Officer: £354,600
Benefits	Benefits normally comprise a car allowance, a private healthcare scheme, income protection, life assurance, medical assessments, and other benefits cover on the same basis as the wider employee population.	No change for 2024
Pension	The employer contribution rate to the UK Defined Contribution Scheme for Executive Directors is 12% of salary, in line with the wider employee population. A cash allowance can be paid where pension contributions would be in excess of the HMRC annual and/or lifetime allowance. The employer contribution rate to the Canada Defined Contribution Pension plan is 12% of salary subject to the government's annual contribution limits. Amounts in excess are contributed to a SERP.	No change for 2024
Annual bonus	For 2024, maximum opportunity of 150% of salary in the case of the Group Chief Executive and maximum opportunity of 125% of salary in the case of other Executive Directors of which 50% is payable for a target level of performance. Targets are set annually and award levels are determined based on one-year performance against these targets. One-third of total bonus earned is deferred over three years. Malus and clawback provisions apply.	• CEO: 150% of salary • Other Executive Directors: 125% of salary The 2024 measures are as follows: i) Benefact Group PBT (including fair value investment gains/losses); ii) Benefact Group PBT (excluding fair value investment gains/losses); iii) General Insurance Underwriting balanced scorecard; iv) EdenTree Gross New Money; v) Broking and Advisory: Turnover; vi) Strategic targets; vii) Greater Good targets; and viii) Personal performance targets. One-third of total bonus earned is deferred over three years. Malus and clawback provisions apply.
Long-term incentive plan	The awards are granted annually and operate in three-year periods. Under the rules of the LTIP applicable in 2024, awards can be made of up to 200% of salary in the case of the Group Chief Executive and of up to 150% of salary in the case of other Executive Directors. Malus and clawback provisions apply.	• CEO: 200% of salary • Other Executive Directors: 150% of salary The measures applicable to the 2024-2026 LTIP period are: i) Benefact Group PBT (including fair value investment gains/losses); ii) Return on Capital; iii) General Insurance Underwriting profit; iv) EdenTree revenue; v) Broking and Advisory: Turnover; vi) Grant to Benefact Trust Limited; and vii) Environmental targets. Malus and clawback provisions apply.

Remuneration 'At a Glance' – variable pay outturns

Annual bonus outturn for the year ending 31 December 2023

Further details including information on the performance assessment of the underwriting balanced scorecard, strategic and greater good metrics are set out in the Annual Report on Remuneration section of this report.

	Threshold (0.5x)	Target (1.0x)	Maximum (1.5x)	Weighted multiplier
Benefact Group PBT (including fair value investment gains/losses)[1]	£16.2m	£46.2m	£76.2m	0.20
	Actual £35.2m			
Benefact Group PBT (excluding fair value investment gains/losses)[1]	£19.1m	£39.1m	£59.1m	0.20
	Actual £30.6m			
GI Underwriting balanced scorecard	50%	75%	100%	0.11
	Actual 81.8%			
EdenTree Gross New Money	£600m	£850m	£1,100m	0.04
	Actual £728.1m			
Broking and Advisory: Turnover[2]	£55.5m	£58.5m	£61.5m	0.03
	Actual £55.5m			
Strategic targets	50%	75%	100%	0.19
	Actual 87.1%			
Greater Good Measures	85%	90%	100%	0.20
	Actual 92.7%			
Total	0.97			

[1] Unaudited, and for consistency, amended for prior year adjustments arising from changes to accounting policy and Benefact Group plc consolidation adjustments.

[2] The Broking and Advisory: Turnover result is £55.4m. The Remuneration Committee agreed to apply discretion for this metric to achieve the threshold of £55.5m as set out in the table, given actual performance was so close to the threshold level.

2021-2023 LTIP Outturns

Further details including information on the performance assessment of the metrics are set out in the Annual Report on Remuneration section of this report.

	Threshold (20% vesting)	Target (50% vesting)	Maximum (100% vesting)	Percentage vesting
Benefact Group PBT[1] (including fair value investment gains/losses)	£67.9m	£140.6m	£206.0m	19.2%
	Actual £135.6m			
Benefact Group PBT[1] (excluding fair value investment gains/losses)	£67.9m	£138.4m	£181.0m	5.9%
	Actual £89.7m			
Group COR	96.0%	90.8%	85.8%	5.3%
	Actual 93.3%			
Strategic Targets	50%	75%	100%	11.7%
	Actual 89.1%			
Customer and Conduct	85%	90%	100%	8.7%
	Actual 97.3%			
Total				50.8%

[1] Unaudited, and for consistency, amended for prior year adjustments arising from changes to accounting policy and Benefact Group plc consolidation adjustments.

Annual Report on Remuneration

This section of the Directors' Remuneration Report sets out how the above Remuneration Policy was implemented in 2023 and the resulting payments each Executive Director received. The financial information contained in this report has been audited where indicated.

Single total figure of remuneration for Executive Directors (audited)

The table below shows a single total figure of remuneration received in respect of qualifying services for the 2023 financial year for each Executive Director, together with comparative figures for 2022.

£000	Fixed remuneration								Variable remuneration						Total remuneration	
	Salary		Benefits[1]		Pension benefit[2]		Total		Annual bonus[3]		LTIP[4]		Total		Total	
Executive Director	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Mark Hews	517	493	14	14	54	53	585	560	356	391	362	245	718	636	1,303	1,196
S. Jacinta Whyte[5,6]	435	414	26	24	80	75	541	513	290	305	203	137	493	442	1,034	955
Denise Cockrem	335	319	14	13	35	33	384	365	197	209	156	106	353	315	737	680
Total	1,287	1,226	54	51	169	161	1,510	1,438	843	905	721	488	1,564	1,393	3,074	2,831

1 Benefits include car allowance and private medical insurance which are valued at their taxable value. Provision of benefits during 2023 was in line with the Directors' Remuneration Policy.

2 The Group Chief Executive and Group Chief Financial Officer received a cash allowance in lieu of pension, in line with Company policy that a cash allowance of 15% (Group Chief Executive), reduced to 12% from 1 April 2022 or 12% (Group Chief Financial Officer) of salary (net of national insurance contributions) can be paid to UK-based Executive Directors where pension contributions would be in excess of the HMRC annual and/or lifetime allowance.

3 In line with the deferral policy, for annual bonus earned, one-third of the total bonus is deferred over a period of three years. The value of Executive Directors' 2023 annual bonuses that are deferred is: £119k (Group Chief Executive), £97k (Deputy Group Chief Executive) and £66k (Group Chief Financial Officer).

4 LTIP represents the amount payable in respect of the three-year LTIP performance period 2021-2023 for 2023 and 2020-2022 for 2022, as disclosed in the 2022 Directors' Remuneration Report. The Group operates a cash LTIP scheme, therefore no part of the award was attributable to share price appreciation. All Executive Directors hold unvested LTIP awards in accordance with the rules of the LTIP plan.

5 An average 2023 exchange rate of 1.67750 Canadian dollars to 1 GBP has been used in respect of both 2022 and 2023.

6 Contributions to the Canadian pension plan that are above the Canadian Revenue Agency's prescribed limit are paid into a SERP. These contributions for the Deputy Group Chief Executive and interest accruing to the SERP are included in the figures shown.

Mark Hews is a NED for MAPFRE RE and was appointed to their Board in December 2013. The fee of £35k (2022: £33k) that Mark Hews earns in respect of this role is paid directly to the Group by MAPFRE RE and is not received by Mark Hews.

Denise Cockrem is a NED for ITM Power plc and was appointed to their Board in July 2022. The fee of £51k (2022: £25.5k) that Denise Cockrem earns in respect of this role is paid directly to the Group by ITM Power plc and is not received by Denise Cockrem.

Additional requirements in respect of the single total figure table

Annual bonus outcomes for 2023 (audited)

The annual bonus awards for 2023 were 67.9% of maximum (with the maximum award level being 100% of salary) for the Group Chief Executive; 66% for the Deputy Group Chief Executive; and 58.2% for the Group Chief Financial Officer.

The annual bonus outturns were determined taking into account both Group and individual performance.

Individual performance is subject to delivery of personal performance objectives and performance in line with the Group's behavioural competency framework for strategic leaders. A personal performance multiplier of between 0 and 1.5 may be awarded in respect of this element of the annual bonus. The personal performance multiplier is reviewed and agreed by the Committee.

Group performance is subject to the seven performance conditions which together form the business performance multiplier. For 2023 these were Benefact Group PBT (including fair value investment gains and losses) (25%); Benefact Group PBT (excluding fair value investment gains and losses) (25%); GI Underwriting balanced scorecard (10%); EdenTree: Gross new money (5%); Broking and Advisory: Turnover (5%); delivery of Group strategic initiatives in line with the Group's strategic plan (15%); and Greater Good measures (15%).

Results in respect of each performance condition are assessed against the required performance levels set at threshold, target and maximum, in order to calculate the aggregate Group business performance multiplier as shown in the table below. Performance targets for 2023 were not adjusted and remain as originally determined.

The overall bonus outcome at the end of the performance year for each Executive Director is:

Target bonus % X business performance multiplier X personal performance multiplier

The targets relating to the GMB annual bonus and actual performance against those targets for the financial year 2023 were:

Performance Condition	Weighting	Threshold (0.5x)	Target (1.0x)	Maximum (1.5x)	Actual performance	Weighted multiplier
Benefact Group PBT (including fair value investment gains/losses)[1]	25%	£16.2m	£46.2m	£76.2m	£35.2m	0.20
Benefact Group PBT (excluding fair value investment gains/losses)[1]	25%	£19.1m	£39.1m	£59.1m	£30.6m	0.20
GI Underwriting balanced scorecard	10%	50%	75%	100%	81.8%	0.11
EdenTree: Gross new money	5%	£600m	£850m	£1,100m	£728.1m	0.04
Broking and Advisory: Turnover[2]	5%	£55.5m	£58.5m	£61.5m	£55.5m	0.03
Strategic targets	15%	50%	75%	100%	87.1%	0.19
Greater Good measures	15%	85%	90%	100%	92.7%	0.20
Aggregate business performance multiplier						0.97

1 Unaudited, and for consistency, amended for prior year adjustments arising from changes to accounting policy and Benefact Group plc consolidation adjustments.

2 The Broking and Advisory: Turnover result is £55.4m. The Remuneration Committee agreed to apply discretion for this metric to achieve the threshold of £55.5m as set out in the table, given actual performance was so close to the threshold level.

The underwriting balanced scorecard was based on four targets relating to rate change, retention, new business and rate strength change. There was strong performance across the scorecard which resulted in combined outturn of 81.8% being achieved under this measure for 2023.

The Strategic Targets performance condition measures delivery of the Group's change programme. As set out in more detail in the Strategic Report, 2023 saw significant progress on the Group's strategic initiatives. This resulted in an outturn of 87.1% being achieved against the strategic targets measure for 2023.

The Greater Good performance condition measures are aligned to the Group's ambition to build a Movement for Good in order to incentivise delivery of both the Group's charitable giving and colleagues' engagement with the Group's MyGiving programme; and to their commitment to delivering exceptional customer service and the highest standards of conduct and governance. The Customer and Conduct and Governance performance conditions measure delivery across a range of customer and conduct metrics. Customer satisfaction continued to be high through 2023, with customers and brokers reporting that they were satisfied with the service they received. Targets in respect of compliance with the Group's risk appetite; regulatory feedback; the Group's rolling programme of product reviews; complaints handling; data security; and timely resolution of internal audit and compliance findings were met in full. In 2023, this resulted in an overall outturn of 92.7% being achieved against the Greater Good measures.

Personal performance

Personal performance was assessed taking into consideration delivery against the Group's business plans for 2023, personal objectives and performance in line with the Group's behavioural competency framework for strategic leaders. The table below provides an overview of the personal performance achieved by each Executive Director based on their objectives.

The assessment of personal performance for 2023 is set out below.

Mark Hews	Delivered another year of exceptional leadership across the Group, despite external challenges such as inflation, regulatory changes and the largest ever fire claim in 135 years. The Group continued to deliver for customers, maintaining outstanding levels of customer satisfaction and recognition as the "Most Trusted" insurer in its specialist areas. Successful transition to new Group structure into three divisions and expansion of the broking and advisory business in 2023. Employee engagement levels remained high, with the Group achieving three-star 'world-class' and Best UK Insurance Company to Work For award by Best Companies and two-star 'outstanding' for the wider Group. Over recent years the Group has been transformed with new Group and Ecclesiastical brands, new Group structure, new acquisitions, new strategy and refreshed leadership. Improved position to third largest corporate donor, achieved milestone of £200m to charity. The Group has now given more to charity in the last 10 years than in the previous 127 years.
S. Jacinta Whyte	Continued to provide strong leadership across the Group's General Insurance portfolio of businesses, with the UK well ahead of growth targets. Continued to strengthen the quality and terms of our underwriting in all territories, simultaneously achieving outstanding feedback in terms of customer satisfaction. Canada made a significant contribution to overall underwriting profit, delivering one of its best ever years, alongside recognition as "P&C Insurance Company of the Year" among other awards. Refreshed leadership talent with senior management recruitment for the Insurance businesses across the Group.
Denise Cockrem	Made a significant contribution across the Group which has been central to the long-term delivery of the business plan and strategy. Helped maintain and grow the financial strength of the Group, deliver the new IFRS 17 requirements, review our credit ratings and embed the Group restructure. Supported organic and inorganic growth initiatives across the Group, culminating in a number of broker acquisitions. Continued responsibility for the oversight of a programme of work to reinforce and further develop the Group's overall approach to and management of data.

Bonuses are earned in respect of the financial year and are usually paid in March following the end of the financial year. One-third of the total annual bonus is deferred over three years, in cash, and all annual bonus outcomes are subject to malus and clawback as set out in full in the 2021 Directors' Remuneration Report.

LTIP outcomes in 2023 (audited)

The LTIP amount included in the single total figure of remuneration is the cash award resulting from the Group LTIP grant for the period 2021-2023, which vested at 50.8%. Vesting was dependent on performance over the three financial years ending on 31 December 2023.

The 2021-2023 Group LTIP is subject to five performance conditions: Benefact Group PBT (including fair value investment gains and losses) (40%); Benefact Group PBT (excluding fair value investment gains and losses) (20%); Group COR (15%); delivery of Group strategic initiatives in line with the Group's strategic plan (15%); and Customer and Conduct performance (10%). Results in respect of each performance condition are assessed against the required performance levels set at threshold, target and maximum as shown below. Performance targets were not adjusted and remain as originally determined.

Performance condition	Weighting	Threshold – 20% vesting	Target – 50% vesting	Maximum – 100% vesting	Actual	Vesting (% of maximum for performance condition)
Benefact Group PBT (including fair value investment gains and losses)[1]	40%	£67.9m	£140.6m	£206.0m	£135.6m	19.2%
Benefact Group PBT (excluding fair value investment gains and losses)[1]	20%	£67.9m	£138.4m	£181.0m	£89.7m	5.9%
Group COR	15%	96.0%	90.8%	85.8%	93.3%	5.3%
Strategic Targets	15%	50%	75%	100%	89.1%	11.7%
Customer and Conduct	10%	85%	90%	100%	97.3%	8.7%
Total						50.8%

[1] Unaudited, and for consistency, amended for prior year adjustments arising from changes to accounting policy and Benefact Group plc consolidation adjustment.

The Strategic Targets performance condition measures delivery of the Group's change programme over the period 2021-2023. During the performance period, the Group has achieved the milestone of delivering £200m to good causes. Other key achievements include successful transition to the new Group structure, expanding the Group's broking business, the continued implementation of enhanced systems and technology across the Group; continued investment in people and expertise; launching the new Ecclesiastical and Benefact Group brands; adoption of a climate change strategy for the Group; and the launch of an ambitious new strategy for the Group. Overall, substantial progress has been made on the Group's change programme, resulting in an outturn of 89.1% being achieved against the strategic targets measure for 2021-2023.

The Customer and Conduct performance condition measures delivery against the Group's customer and conduct metrics. Targets in respect of compliance with the Group's risk appetite; regulatory feedback; complaints handling; data security; and timely resolution of internal audit and compliance findings were met throughout the period. An overall outturn of 97.3% was achieved for 2021-2023.

Combining the financial and non-financial performance results in an overall vesting level of 50.8%.

The Group LTIP outcome that vests in respect of each Executive Director in respect of 2021-2023 is shown below.

	LTIP grant	Total LTIP vesting	
	% of salary	£000	% of maximum
Mark Hews	150%	362	50.8%
S. Jacinta Whyte[1]	100%	203	50.8%
Denise Cockrem	100%	156	50.8%

[1] An average 2023 exchange rate of 1.67750 Canadian dollars to 1 GBP has been used in respect of 2023.

Scheme interests awarded during 2023 (audited)

During 2023, awards comprising of a cash sum were granted under the 2023-2025 Group LTIP to each Executive Director as set out below. These awards will vest, and the cash sum will be transferred to the award holder, in March 2026, to the extent that the applicable performance targets are met. The vesting date for these awards is the date on which the Group's 2025 results are announced, anticipated to be during March 2026.

Executive Director	Award date	Maximum cash sum subject to the award (% base salary)	Face value of award at grant £000s	Cash award if threshold performance achieved (% base salary)	End of the period over which the performance targets have to be fulfilled	Performance measures[1]
2023-2025 Group LTIP						
Mark Hews	18 July 2023	180%	898	20%	31 December 2025	• Benefact Group PBT (including fair value investment gains/ losses) 30%; • Return on Capital 30%; • General Insurance Underwriting Profit 10%; • EdenTree Revenue 5%; • Broking and Advisory: Turnover 5%; • Grant to Benefact Trust Limited 10%; and • Environmental targets 10%.
S. Jacinta Whyte[2]	18 July 2023	120%	503	20%	31 December 2025	
Denise Cockrem	18 July 2023	120%	387	20%	31 December 2025	

[1] Vesting occurs on a straight line basis between pre-determined milestones set in relation to threshold, target and maximum performance. These will be disclosed on a retrospective basis in the Directors' Remuneration Report for the year for which the Group LTIP awards vest.

[2] An average 2023 exchange rate of 1.67750 Canadian dollars to 1 GBP has been used.

The information provided in this part of the Annual Report on Remuneration is not subject to audit.

Chief Executive pay ratio

The Group structure means that it does not have to comply with the regulations governing the disclosure of executive remuneration to which quoted companies are subject. The Group has nonetheless chosen to disclose the ratio of the Group Chief Executive's pay to that of other UK employees[1] in the Group in order to provide greater transparency.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2023	Option A[2]	30:1	22:1	16:1
2022	Option A[2]	28:1	21:1	15:1
2021	Option A[2]	32:1	23:1	17:1
2020	Option A[2]	30:1	23:1	16:1
2019	Option A[2]	40:1	29:1	21:1

The total remuneration and salary values for the 25th, median and 75th percentile employees for 2023 were:

	25th percentile	Median	75th percentile
Total remuneration[3]	£43,797	£58,573	£82,246
Salary	£36,563	£50,191	£63,950

1 The table sets out the ratio between the Group Chief Executive's total remuneration and that of the 25th percentile, median and 75th percentile UK-based employees of Ecclesiastical Insurance Office plc, which constitute the large majority of the UK employee population. The Committee is satisfied that the individuals identified appropriately reflect the employee remuneration profile at the lower, median and upper quartile and that the overall picture presented by the ratios is consistent with the Group's wider policies pay, reward and progression policies for the Group's UK-based employees.
2 The calculation is based on Option A as set out in the regulations for listed companies, as this is considered to be the most accurate way of identifying employees at the 25th percentile, median and 75th percentile.
3 Total remuneration reflects all remuneration received by the individual in the relevant year, including base salary, benefits, pension, annual bonus and, where relevant, the long-term incentive that vests, but excludes taxable company car benefits and taxable travel and accommodation expenses for administrative reasons. Calculations have been carried out on a full-time equivalent basis as at 31 December 2023.

The Group Chief Executive was paid 22 times the median employee in 2023, with the CEO pay ratios being broadly consistent with the prior year. The pay ratio is considered appropriate as a large proportion of the Group Chief Executive's pay is based on the performance of the Group, business units, and the individual on both short-term and long-term time horizons. 2023 awards under both the Group's GMB and employee annual bonus schemes were lower in comparison to the prior year, in line with 2023 performance. Vesting of the 2021-2023 Group LTIP was higher than the prior year. The salary increase for the CEO in April 2023 was in line with the wider workforce.

Percentage change in remuneration of all Directors and UK-based employees

The table below shows the percentage year-on-year change in salary, benefits and annual bonus (from 2022 to 2023) for the Board Directors compared with UK-based employees[1]. The Committee has selected this comparator group as being the most appropriate because the composition and structure of remuneration for this group most closely reflect that of the Board.

	Salary	Taxable benefits[2]	Annual bonus
Executive Directors			
Mark Hews	5%	0.8%	-9%
S. Jacinta Whyte	5%	7.1%	-5%
Denise Cockrem	5%	0.3%	-5.7%
UK-based employees			
Average UK-based employees[1]	9%	13%	-13%

1 UK-based employees of Ecclesiastical Insurance Office plc; matched sample basis.
2 Based on contractual P11D taxable benefits for the tax year ending 5 April in the relevant year. Taxable benefits include car allowance and private medical insurance for Executive Directors and private medical insurance for UK-based employees (taxable company car benefits and taxable travel and accommodation expenses are excluded for administrative reasons).

Relative importance of spend on pay

The table below sets out for 2023 and 2022, the actual costs of employee remuneration; grants paid to Benefact Trust Limited; and dividends paid to Preference shareholders. Benefact Group (loss)/profit before tax in each year is provided for context.

£000	2023	2022[1]	change
Remuneration paid to all Group employees[2]	149,114	127,742	21,372
Gross charitable grants to the ultimate parent company, Benefact Trust Limited	21,000[3]	20,000	1,000
Non-Cumulative Irredeemable Preference share dividend	8,782	8,782	Nil
Profit/(loss) before tax[2]	34,446	(617)	35,063

1 To ensure comparability between years, the comparatives have been restated for the new accounting standard IFRS 17 Insurance Contracts which replaces IFRS 4 Insurance Contracts.

2 Benefact Group plc.

3 £13m was paid in year and the remaining £8m will be paid in due course.

Group Chief Executive pay for performance comparison

The table below shows the single figure of total remuneration for the incumbent, Mark Hews, and prior Group Chief Executive, Michael Tripp, for the ten years to 31 December 2023.

		Financial year ending 31 December									
Financial year	Group Chief Executive[1]	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total remuneration (single figure) £000	Mark Hews	907	1,089	1,370	1,212	1,240	1,489	1,116	1,285	1,196	1,303
	Michael Tripp	162	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Annual bonus received (% of maximum)	Mark Hews	78%	88%	97%	99%	84%	96%	45%	88%	78%	68%
	Michael Tripp[2]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Long-term incentive vesting (% of maximum)	Mark Hews[3]	60%	70%	88%	75%	88%	86%	54%	47%	35%	51%
	Michael Tripp[4]	47%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1 Michael Tripp resigned from the Board on 21 May 2013 and Mark Hews was appointed Group Chief Executive on 1 May 2013, having previously held the position of Group Chief Financial Officer. The total remuneration single figure value for both Michael Tripp and Mark Hews is shown for 2014.

2 Michael Tripp received no payment under the annual bonus or the Executive Director's LTIP for performance in 2013. He did, however, receive a payment (£100k) under the terms of a discretionary arrangement put in place to incentivise the delivery of a smooth transition of the management to the successor in the role of Group Chief Executive. The maximum opportunity was capped at three months' salary.

3 The LTIP vesting relevant to Mark Hews represents the amount vesting in respect of the three-year LTIP performance period 2012-2014 for 2014, 2013-2015 for 2015 and 2014-2016 for 2016, together with the amounts vesting in respect of the Group Chief Executive's three-year incentive plan in 2014, 2015 and 2016 respectively. The Group Chief Executive's three-year incentive plan concluded at the end of 2016. LTIP vesting in 2017 and subsequent years represent the amounts vesting in respect of the relevant three-year LTIP performance period only.

4 Michael Tripp received a 2014 LTIP payment in respect of performance in 2012 (only) under the 2012-2014 LTIP.

Directors' service agreements

Mark Hews has a service contract which provides for a notice period of 12 months by the Company. S. Jacinta Whyte and Denise Cockrem have service contracts which provides for a notice period of 6 months by the Company. No NED has a service contract.

Payments for loss of office (audited)

No termination payments were made to Executive Directors in 2023.

Wider stakeholder engagement

The Group consults with its recognised Union, Unite, regarding remuneration for employees within relevant UK businesses. Additionally, employees can provide feedback via the Group's employee engagement survey and to their managers or HR. The Group Chief People Officer attends the Committee meetings and advises the Committee on HR strategy, including the effectiveness of the Group's Remuneration Policies and how they are viewed by employees.

Single total figure of remuneration for NEDs (audited)

NEDs do not participate in any of the Group's incentive arrangements.

The Board believes that it is appropriate that the level of fees paid to NEDs should reflect equivalent fees paid by organisations of similar size and complexity whilst being mindful that the Group is owned by a charity. This will enable the Group to remain competitive in the sector to attract NEDs of the calibre required to help the Group to implement its future strategy.

The fees set out below are commensurate with the demands and responsibilities of the NED roles, taking into account a review of the market.

£	Fees		Taxable Benefits[1]	
Non-Executive Directors	2023	2022	2023	2022
David Henderson	158,062	150,437	2,240	636
Chris Moulder[2]	81,563	77,813	471	802
Rita Bajaj[3]	72,906	57,062	1,011	829
Francois-Xavier Boisseau[4]	77,850	70,550	119	-
Sir Stephen Lamport	76,725	70,550	476	1,127
Neil Maidment[5]	67,447	57,062	42	-
Andrew McIntyre[6]	36,600	70,550	-	-
Angus Winther	71,700	68,475	555	-
Total	642,853	622,499	4,914	3,394

1. Benefits are travel and accommodation expenses only, valued at their grossed up tax and NI value, in accordance with Group's travel and expenses policy.
2. Chris Moulder stepped down as the Chair of the Group Risk Committee on 22 June 2023 when he succeeded Andrew McIntyre as the Chair of the Group Audit Committee on the same date.
3. Rita Bajaj was appointed as a NED on 15 July 2021 and undertakes an Investment Oversight role having been appointed in early February 2023.
4. Francois-Xavier Boisseau was appointed as the Consumer Duty Champion on 27 September 2022. He also undertakes a Broker Oversight role having been appointed on 1 July 2021.
5. Neil Maidment was appointed as the Chair of the Group Risk Committee on 22 June 2023. To increase the independence of Benefact Group plc and its subsidiary Ecclesiastical Insurance Office plc, a number of directors have been asked to resign to reduce commonality of membership. Neil Maidment stepped down from the Board on 21 March 2024.
6. Andrew McIntyre retired from the Board and Chair of the Group Audit Committee on 22 June 2023.

The information provided in this part of the Annual Report on Remuneration is not subject to audit.

Statement of implementation of Remuneration Policy in 2024

The implementation of the Remuneration Policy will be consistent with that outlined in the Directors' Remuneration Policy 'At a Glance' section. The full Remuneration Policy can be found in the 2021 Directors' Remuneration Report. Details of how this policy will apply in 2024 are set out below, including the changes outlined in the Remuneration Chair's Statement.

Salary (Executive Directors)

Executive Directors' salaries are reviewed annually in line with the Directors' Remuneration Policy. The level of salary increases for UK Ecclesiastical employees is a key consideration in setting the level of any salary increase for Executive Directors. After careful consideration the Committee determined that the salaries of Executive Directors would be increased by 4.6%. The following salaries will apply from 1 April 2024:

£000	Salary	Salary	Percentage Increase
	1 April 2024	1 April 2023	
Mark Hews	548	524	4.6%
S. Jacinta Whyte[1]	460	440	4.5%
Denise Cockrem	355	339	4.7%

[1] An average 2023 exchange rate of 1.67750 Canadian dollars to 1 GBP has been used.

Annual bonus for 2024

The annual bonus performance conditions and targets have been set in accordance with the Directors' Remuneration Policy.

The annual bonuses payable to Executive Directors in respect of 2024 will be assessed based on both Group and individual performance. Individual performance continues to be subject to delivery of personal performance objectives and performance in line with the Group's culture and behaviours framework, expressed as a personal performance multiplier. Group performance is subject to seven performance conditions which together form the Group performance multiplier. For 2024, the balance of the weightings on Benefact Group PBT has been adjusted with an increase in the weighting on PBT (excluding fair value investment gains and losses) as this measure better reflects the underlying performance of the business, and a corresponding decrease in PBT (including fair value investment gains and losses). The number of sub-measures in the Greater Good measure has also been simplified. These will be as follows:

Group performance measures	Percentage weighting
Benefact Group PBT (including fair value investment gains and losses)	20%
Benefact Group PBT (excluding fair value investment gains and losses)	30%
General Insurance Underwriting balanced scorecard	10%
EdenTree Gross New Money	5%
Broking and Advisory: Turnover	5%
Delivery of Group strategic initiatives in line with the Group's strategic plan	15%
Greater Good (Grant to Benefact Trust; customer, and conduct and governance)	15%

The overall bonus outcome at the end of the performance year for each Executive Director is:

Target bonus % X business performance multiplier X personal performance multiplier

The maximum opportunity under the annual bonus plan in 2024 has been increased to 150% of salary in the case of the Group Chief Executive and of up to 125% of salary in the case of other Executive Directors (from 100% of salary), the rationale for which is set out in the Remuneration Chair's Statement. Annual bonuses in respect of 2024 will be subject to deferral over a period of three years of one-third of the total annual bonus awarded.

LTIP for 2024-2026

The 2024-2026 LTIP performance conditions and targets have been set in accordance with the Directors' Remuneration Policy. There have been no changes to the performance measures or weightings for the 2024-2026 Group LTIP:

Group performance measures	Percentage weighting
Benefact Group PBT (including fair value investment gains and losses)	30%
Return on Capital	30%
General Insurance Underwriting Profit	10%
EdenTree Revenue	5%
Broking and Advisory: Turnover	5%
Grant to Benefact Trust Limited	10%
Environmental targets	10%

Awards under the 2024-2026 Group LTIP have increased to up to 200% of salary (from 180% of salary) in the case of the Group Chief Executive and of up to 150% of salary (from 120% of salary) in the case of other Executive Directors. The rationale for the increases is set out in the Remuneration Chair's Statement.

Fees (Non-Executive Directors)

NED fees are reviewed annually and were last reviewed by the Board in March 2024. The following table sets out the current and future fee structure which will apply from 1 April 2024.

£000	Fees (effective 1 April 2023)	Fees (effective 1 April 2024)
All-inclusive fee for the Group Chair	160	166
All-inclusive fee for the Senior Independent Director	83	95
Basic fee for a NED (including Committee Membership)	61	63
Fee for chairing the Group Audit Committee[1, 2]	15	17
Fee for chairing the Group Remuneration Committee	15	17
Fee for chairing the Group Risk Committee[1]	15	15
Fee for Broker Oversight Role	15	15
Fee for EdenTree Oversight Role	15	15
Fee for chairing the Group Finance and Investment Committee	12	13
Fee for chairing the Group Nominations Committee[1]	12	13
Fee for workforce engagement NED[3]	4	-
Fee for Consumer Duty Champions (two years only)[2]	5	-

1 The Senior Independent Director fee includes the fee for chairing various Board Committees including the Group Nominations Committee and the Group Risk Committee (until 22 June 2023) and the Group Audit Committee (from 22 June 23).

2 The fee for chairing the Group Audit Committee includes Whistleblowing Champion responsibilities and from 1 April 2024 responsibilities Consumer Duty Champion for Ecclesiastical Insurance Office plc.

3 The fee for chairing the Group Remuneration Committee encompasses workforce engagement responsibilities from 1 April 2024.

By order of the Board

Sir Stephen Lamport
Chair of the Group Remuneration Committee
23 April 2024

Section Three

Financial Statements

Independent auditors' report to the members of Benefact Group plc

Report on the audit of the financial statements

Opinion

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

- Give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2023 and of the Group's profit and the Group's and Company's cash flows for the year then ended;
- Have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Accounts 2023 (the "Annual Report"), which comprise: Consolidated and parent statements of Financial position as at 31 December 2023; Consolidated statement of profit or loss, Consolidated and parent statements of comprehensive income, Consolidated and parent statements of cash flows and Consolidated and parent statements of changes in equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

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

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Corporate governance statement

ISAs (UK) require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by auditors of premium listed companies. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the audit committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Procedures to audit the appropriateness of key areas of transition to IFRS 17, specifically the PAA eligibility assessment and the methodology and assumptions used in the calculation of the risk adjustment;
- Enquired of compliance, risk, internal audit, and the Group's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Read key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewed relevant meeting minutes including those of the Group Board, Group Audit Committee and Group Risk Committee;
- Procedures relating to the valuation of specific insurance contract liabilities such as PSA reserves;
- Risk-based target testing of journal entries, in particular any journal entries which include characteristics which were identified as potentially being indicative of a fraudulent journal; and
- Procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Other voluntary reporting

Directors' remuneration

The Company voluntarily prepares a Group Remuneration Report in accordance with the provisions of the Companies Act 2006. The directors requested that we audit the part of the Group Remuneration Report specified by the Companies Act 2006 to be audited as if the Company were a quoted Company.

In our opinion, the part of the Group Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Sue Morling (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Bristol
23 April 2024

Consolidated statement of profit or loss for the year ended 31 December 2023

	Notes	2023 £000	Restated* 2022 £000
Insurance revenue	5, 6	**580,122**	528,641
Insurance service expenses	7	**(400,103)**	(422,854)
Insurance service result before reinsurance contracts held		**180,019**	105,787
Net expense from reinsurance contracts		**(107,174)**	(24,775)
Insurance service result		**72,845**	81,012
Net insurance financial result	9	**(16,912)**	37,666
Net investment result	10	**51,713**	(65,624)
Fee and commission income	8	**71,817**	57,628
Other operating expenses		**(140,816)**	(124,414)
Other finance costs		**(3,436)**	(2,641)
Share of profit of associate	16	**365**	1,463
Loss on disposal of associate	16	**(1,130)**	-
Profit on disposal of subisidary	18	**-**	14,293
Profit/(loss) before tax		**34,446**	(617)
Tax (expense)/credit	14	**(7,960)**	1,138
Profit for the year		**26,486**	521
Attributable to:			
Equity holders of the Parent		**17,704**	(8,261)
Non-controlling interests		**8,782**	8,782
		26,486	521

*The comparative financial statements have been restated as detailed in note 41.

Consolidated and parent statements of comprehensive income for the year ended 31 December 2023

	Notes	2023 Group £000	2023 Parent £000	Restated* 2022 Group £000	Restated* 2022 Parent £000
Profit for the year		**26,486**	**489**	521	10,108
Other comprehensive income/(expense)					
Items that will not be reclassified to profit or loss:					
Fair value gains on property		**850**	-	-	-
Actuarial gains/(losses) on retirement benefit plans	20	**5,033**	-	(11,288)	-
Attributable tax		**(1,474)**	-	2,822	-
		4,409	-	(8,466)	-
Items that may be reclassified subsequently to profit or loss:					
(Losses)/gains on currency translation differences	28	**(4,024)**	-	5,643	-
Gains/(losses) on net investment hedges	28	**4,860**	-	(4,514)	-
Attributable tax	28	**(689)**	-	824	-
		147	-	1,953	-
Net other comprehensive income/(expense)		**4,556**	-	(6,513)	-
Total comprehensive income/(expense)		**31,042**	**489**	(5,992)	10,108
Atttributable to:					
Equity holders of the Parent		**22,260**	**489**	(14,774)	10,108
Non-controlling interests		**8,782**	-	8,782	-
		31,042	**489**	(5,992)	10,108

*The comparative financial statements have been restated as detailed in note 41.

Consolidated and parent statements of changes in equity for the year ended 31 December 2023

Group	Notes	Share capital £000	Revaluation reserve £000	Translation and hedging reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
At 31 December 2022 (as restated*)		**20,000**	**222**	**19,555**	**497,835**	**537,612**	**101,815**	**639,427**
Adjustment on initial application of IFRS 9		-	-	-	478	478	-	478
At 1 January 2023		**20,000**	**222**	**19,555**	**498,313**	**538,090**	**101,815**	**639,905**
Profit for the year		-	-	-	*17,704*	*17,704*	*8,782*	*26,486*
Other net income		-	*634*	*147*	*3,775*	*4,556*	-	*4,556*
Total comprehensive income		-	634	147	21,479	22,260	8,782	31,042
Acquisition of non-controlling interest		-	-	-		-	13,664	13,664
Dividends	15	-	-	-	-	-	(8,782)	(8,782)
Gross charitable grant	15	-	-	-	(13,000)	(13,000)	-	(13,000)
Tax relief on charitable grant	15	-	-	-	3,837	3,837	-	3,837
At 31 December 2023		**20,000**	**856**	**19,702**	**510,629**	**551,187**	**115,479**	**666,666**
At 31 December 2021 (as reported)		20,000	268	17,602	525,528	563,398	101,815	665,213
Adjustment on initial application of IFRS 17		-	-	-	5,188	5,188	-	5,188
At 1 January 2022 (as restated*)		20,000	268	17,602	530,716	568,586	101,815	670,401
(Loss)/profit for the year		-	-	-	*(8,261)*	*(8,261)*	*8,782*	*521*
Other net expense		-	-	*1,953*	*(8,466)*	*(6,513)*	-	*(6,513)*
Total comprehensive (expense)/income		-	-	1,953	(16,727)	(14,774)	8,782	(5,992)
Dividends	15	-	-	-	-	-	(8,782)	(8,782)
Gross charitable grant	15	-	-	-	(20,000)	(20,000)	-	(20,000)
Tax relief on charitable grant	15	-	-	-	3,800	3,800	-	3,800
Reserve transfers		-	(46)	-	46	-		-
At 31 December 2022 (as restated*)		20,000	222	19,555	497,835	537,612	101,815	639,427
Parent								
At 31 December 2022 (as restated)		**20,000**	-	-	**20,538**	**40,538**		
Adjustment on initial application of IFRS 9		-	-	-	**(30)**	**(30)**		
At 1 January 2023 (as restated*)		**20,000**	-	-	**20,508**	**40,508**		
Total comprehensive income		-	-	-	**489**	**489**		
Group tax relief in excess of standard rate		-	-	-	**(60)**	**(60)**		
At 31 December 2023		**20,000**	-	-	**20,937**	**40,937**		
At 1 January 2022		20,000	-	-	9,427	29,427		
Total comprehensive income		-	-	-	10,108	10,108		
At 31 December 2022 (as reported)		20,000	-	-	19,535	39,535		
Prior year adjustment		-	-	-	1,003	1,003		
At 31 December 2022 (as restated*)		20,000	-	-	20,538	40,538		

*The comparative financial statements have been restated as detailed in note 41.

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 28.

Consolidated and parent statements of financial position at 31 December 2023

	Notes	31 December 2023 Group £000	31 December 2023 Parent £000	*Restated** 31 December 2022 Group £000	*Restated** 31 December 2022 Parent £000	*Restated** 1 January 2022 Group £000	*Restated** 1 January 2022 Parent £000
Assets							
Cash and cash equivalents	26	**166,844**	**3,205**	145,871	1,199	144,012	1,437
Financial investments	23	**1,412,732**	**101,156**	1,449,741	104,071	1,119,127	47,465
Current tax recoverable		**6,045**	-	4,412	56	525	-
Reinsurance contract assets	30	**220,108**	-	240,124	-	202,766	-
Investment property	22	**130,813**	-	140,846	-	163,355	-
Pension assets	20	**19,788**	-	15,338	-	28,304	-
Investment in associate	16	**408**	-	12,611	10,370	12,148	10,370
Property, plant and equipment	21	**44,520**	-	34,435	-	38,470	-
Goodwill and other intangible assets	19	**151,982**	-	53,146	-	74,261	-
Deferred tax assets	32	**9,999**	-	11,165	-	9,984	-
Other assets	25	**57,876**	**91,536**	40,459	3,710	45,067	2,589
Assets classified as held for distribution		-	-	-	50,277	-	35,669
Total assets		**2,221,115**	**195,897**	2,148,148	169,683	1,838,019	97,530
Equity							
Share capital	27	**20,000**	**20,000**	20,000	20,000	20,000	20,000
Retained earnings and other reserves		**531,187**	**20,937**	517,612	20,538	548,586	9,427
Equity attributable to equity holders of the Parent		**551,187**	**40,937**	537,612	40,538	568,586	29,427
Non controlling interests		**115,479**	-	101,815	-	101,815	-
Total equity		**666,666**	**40,937**	639,427	40,538	670,401	29,427
Liabilities							
Insurance contract liabilities	30	**726,198**	-	730,739	-	715,253	-
Investment contract liabilities	35	**603,111**	-	596,270	-	256,706	-
Current tax liabilities		**4,761**	**78**	442	-	1,236	3
Borrowings	36	**29,017**	**135,108**	20,912	121,008	24,994	-
Pension deficit	20	**4,121**	-	4,412	-	3,725	-
Retirement benefit obligations	20	**4,801**	-	4,960	-	7,058	-
Subordinated liabilities	34	**25,853**	-	25,818	-	24,433	66,108
Provisions for other liabilities	31	**8,237**	-	6,111	-	7,318	-
Deferred tax liabilities	32	**41,159**	**1,731**	40,881	2,080	51,324	1,393
Other liabilities	33	**107,191**	**18,043**	78,176	6,057	75,571	598
Total liabilities		**1,554,449**	**154,960**	1,508,721	129,145	1,167,618	68,102
Total shareholders' equity and liabilities		**2,221,115**	**195,897**	2,148,148	169,683	1,838,019	97,529

*The comparative financial statements have been restated as detailed in note 41.

No statement of profit or loss is presented for Benefact Group plc as permitted by Section 408 of the Companies Act 2006. The profit after tax of the parent company for the period was £489,000 (2022: profit of £10,108,000).

The financial statements of Benefact Group plc, registered number 1718196, on pages 98 to 140 were approved and authorised for issue by the Board of Directors on 23 April 2024 and signed on its behalf by:

Mark Hews
Group Chief Executive

Consolidated and parent statements of cash flows for the year ended 31 December 2023

	Notes	2023 Group £000	2023 Parent £000	Restated* 2022 Group £000	Restated* 2022 Parent £000
Profit/(loss) before tax from continuing operations		34,446	158	(617)	10,731
Adjustments for:					
Depreciation of property, plant and equipment		7,190	-	6,974	-
Revaluation of property, plant and equipment		(35)	-	-	-
Loss/(profit) on disposal of property, plant and equipment		33	-	(20)	-
Amortisation and impairment of intangible assets		8,402	-	4,813	-
Movement in expected credit loss provision		183	(1,000)	-	1,000
Loss on disposal of intangible assets		165	-	-	-
Share of profit of associate		(365)	-	(1,463)	-
Loss / (profit) before tax on acquisition of interest in subsidiary		1,130	-	-	-
Impairment of shares in subsidiary undertakings		-	6,296	-	(6,808)
Profit on disposal of subsidiary		-	-	(14,293)	-
Net fair value (gains)/losses on financial instruments and investment property		(8,972)	1,391	98,133	(2,746)
Dividend and interest income		(32,791)	(13,978)	(23,793)	(3,873)
Finance costs		3,436	6,825	2,641	1,560
Other adjustments for non-cash items		1,199	-	265	-
Changes in operating assets and liabilities:					
Net decrease/(increase) in reinsurance contract assets		13,974	-	(32,053)	-
Net (decrease)/increase in investment contract liabilities		(696)	-	317,894	-
Net increase in insurance contract liabilities		11,036	-	547	-
Net decrease/(increase) in other assets		7,298	(6,094)	(3,380)	(541)
Net (decrease)/increase in other liabilities		(11,554)	12,217	4,743	5,718
Cash generated by operations		34,079	5,815	360,391	5,041
Purchases of financial instruments and investment property		(212,219)	(2,612)	(506,944)	(55,545)
Sale of financial instruments and investment property		187,258	125	183,146	686
Dividends received		12,743	2,891	8,660	1,683
Interest received		20,944	6,867	17,787	2,350
Tax (paid)/recovered		(4,456)	(1,295)	(6,519)	7
Net cash from/(used by) operating activities		38,349	11,791	56,521	(45,778)
Cash flows from investing activities					
Purchases of property, plant and equipment		(3,853)	-	(3,752)	-
Proceeds from the sale of property, plant and equipment		296	-	40	-
Purchases of intangible assets		(2,734)	-	(4,177)	-
Acquisition of business, net of cash acquired		-	-	(1,417)	-
Acquisition of business, net of cash acquired		(1,115)	-	-	-
Acquisition of interest in subsidiary, net of cash acquired		20,415	-	-	-
Disposal of subsidiary, net of cash disposed		-	-	36,355	-
Loan issued to associate undertaking		-	-	(55,345)	-
Repayment of loan by associate undertaking		-	-	686	-
Net cash from/(used by) investing activities		13,009	-	(27,610)	-
Cash flows from financing activities					
Interest paid		(2,777)	(6,825)	(2,641)	(1,560)
Payment of lease liabilities		(3,697)	-	(3,673)	-
Change in interest in subsidiary	17	-	(17,000)	-	(7,800)
Payment of group tax relief in excess of standard rate		(60)	(60)	-	-
Proceeds from other borrowings		-	14,100	-	54,900
Dividends paid to non-controlling interests of subsidiaries		(8,782)	-	(8,782)	-
Charitable grant paid to ultimate parent undertaking		(13,000)	-	(15,000)	-
Net cash (used by)/from financing activities		(28,316)	(9,785)	(30,096)	45,540
Net increase/(decrease) in cash and cash equivalents		23,042	2,006	(1,185)	(238)
Cash and cash equivalents at beginning of year		145,871	1,199	144,012	1,437
Exchange (losses)/gains on cash and cash equivalents		(2,069)	-	3,044	-
Cash and cash equivalents at end of year	26	166,844	3,205	145,871	1,199

*The comparative financial statements have been restated as detailed in note 41.

Notes to the financial statements

1 Accounting policies

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

Basis of preparation
The Group's consolidated and Parent's financial statements have been prepared using the following accounting policies, which are in accordance with UK adopted IAS applicable at 31 December 2023, and in accordance with requirements of the Companies Act 2006. The policies have been applied consistently to all years unless otherwise stated. The financial statements have been prepared on the historical cost basis, except for certain financial assets and derivatives measured at fair value through profit and loss (FVTPL), and the revaluation of properties and certain derivatives measured at fair value through other comprehensive income (FVOCI).

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

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

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

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

New and revised standards
A number of amendments and improvements to accounting standards have been issued by the International Accounting Standards Board (IASB), and endorsed by the UK, with an effective date of on or after 1 January 2023, and are therefore applicable for the 31 December 2023 financial statements. None had a significant impact on the Group.

IFRS 9 *Financial Instruments* and IFRS 17 *Insurance Contracts* have been adopted in the year.

IFRS 9 introduces a new model for the classification and measurement of financial instruments, a single, forward-looking 'expected credit loss' impairment model and a reformed approach to hedge accounting.

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

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

- Expected losses (arising on onerous contracts) are recognised up front and as and when identified.

The effects of adopting IFRS 9 and IFRS 17 are disclosed in note 41.

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

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

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

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

Notes to the financial statements

1 Accounting policies (continued)

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

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

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

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

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

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

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

Product classification
Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Contracts that do not transfer significant insurance risk are classified as investment or service contracts. All of the Group's life business contracts written up to April 2013 are classified as insurance contracts and those written from August 2021 are classified as investment contracts. The closed book of business (insurance contracts) relates to funeral plan business directly written by Ecclesiastical Life Limited (ELL) backed by a Whole of Life policy, which is administered by Ecclesiastical Planning Services Limited (EPSL). This was closed to new business in 2013. EPSL is a subsidiary undertaking of the Benefact Group. New business (investment contracts) written from August 2021 creates unit trust backed life policies to secure the pre-paid funeral plans written by EPSL and a third party provider.

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

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

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

Insurance contract liabilities
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.

Notes to the financial statements

1 Accounting policies (continued)

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.

(a) 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 a number of 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. The Group's insurance and reinsurance contracts do not include any separate insurance components that should be treated as separate contracts.

(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.

Notes to the financial statements

1 Accounting policies (continued)

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;
- 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).

Notes to the financial statements

1 Accounting policies (continued)

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 recognition
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 combined operating ratio > 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 representing 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.

Risk appetite is set net of reinsurance with the amount held for insurance contracts including the amount transferred to reinsurers. Under the PAA, the risk adjustment is driven by claims reserving uncertainty, which the Group models using statistical techniques including bootstrapping, supplemented where appropriate by scenario analysis, diversification between lines of business and backtesting of actual reserve development experience. The Group appetite targets an overall confidence level at or above the 75th percentile. General operational risk not attributed to insurance contracts is not within the scope of risks included.

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

Notes to the financial statements

1 Accounting policies (continued)

(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.

(ix) Insurance revenue
Under the premium allocation approach, insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and after adjustment to reflect the time value of money and the effect of financial risk, if applicable) allocated to the period for services provided. The Group allocates the expected premium receipts to each period of insurance contract services, on the basis of the passage of time or, if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, on the basis of the expected timing of incurred insurance service expenses. Changes to the basis of allocation are accounted for prospectively as a change in accounting estimate.

(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 and benefits excluding investment components;
- Other incurred discretionary attributable insurance service expenses;
- Amortisation of insurance acquisition cash flows;
- Changes that relate to past service (i.e. changes in the future cash flows relating to the LIC); and
- Changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components).

Amortisation of insurance acquisition cash flows is done on a straight-line basis and reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue as described above. 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.

(b) Life insurance
(i) Classification
The adoption of IFRS 17 did not change the classification of the Group's life insurance business contracts.

(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.

Notes to the financial statements

1 Accounting policies (continued)

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 confidence level percentile input used by the Group to determine the risk adjustment is the 95th percentile calculated using a one-year Value-at-Risk (VaR) measure. The risk adjustment is calculated at the entity level.

(vi) Insurance revenue
As the Group provides services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration Group expected to be entitled to in exchange for those services. Insurance revenue comprises the following:

- Amounts relating to the changes in the LRC:
  - Insurance claims and expenses incurred in the period measured at amounts expected at the beginning of the period, excluding:
    - Amounts related to the loss component;
    - Repayments of investment components;
    - Amounts of transaction-based taxes collected in a fiduciary capacity; and
    - Insurance acquisition expenses;
  - Changes in the risk adjustment for non-financial risk, excluding;
    - Changes included in insurance finance income or expenses;
    - Changes that relate to future coverage (which adjust the CSM); and
    - Amounts allocated to the loss component;
  - Amounts of the CSM recognised in profit or loss for the services provided in the period; and
  - Experience adjustments arising from premiums received in the period that relate to past and current service and related cash flows such as insurance acquisition cash flows and premium-based taxes.

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.

Notes to the financial statements

1 Accounting policies (continued)

(vii) 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 and benefits excluding investment components;
- Other incurred discretionary attributable insurance service expenses;
- Amortisation of insurance acquisition cash flows;
- Changes that relate to past service (i.e. changes in the future cash flows relating to the LIC); and
- Changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components).

Amortisation of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue as described above. 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.

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

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

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

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

Software costs that cannot be classified as intangible assets are charged to profit or loss during the period in which they are incurred.

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

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

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

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

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

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

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

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

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:

(a) 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.

(b) 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.

Notes to the financial statements

1 Accounting policies (continued)

Impairment losses are presented within 'net investment return' in the consolidated statement of profit or loss.

The Group's IAS 39 accounting policies are described below:

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

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

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

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

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

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

Certain Group derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting under the specific IFRS rules and are therefore treated as derivatives held for trading. Their fair value gains and losses are recognised immediately in net investment return. The fair value gains and losses for derivatives which are hedge accounted in line with IFRS 9 are recognised in other comprehensive income.

(b) Financial assets at fair value through other comprehensive income
Derivative instruments for hedging of net investments in foreign operations
On the date a foreign exchange contract is entered into, the Group designates certain contracts as a hedge of a net investment in a foreign operation (net investment hedge) and hedges the forward foreign currency rate.

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

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

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

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

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

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

Notes to the financial statements

1 Accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements

1 Accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Use of Alternative Performance Measures (APM)
As detailed in the Strategic Report, the Group uses certain key performance indicators which, although not defined under IFRS, provide useful information and aim to enhance understanding of the Group's performance. The key performance indicators should be considered complementary to, rather than a substitute for, financial measures defined under IFRS. Note 40 provides details of how these key performance indicators reconcile to the results reported under IFRS.

Notes to the financial statements

2 Critical accounting estimates and judgements in applying accounting policies

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

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

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

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

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

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

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

Level of aggregation
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
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.

IFRS 17 transition
For the Group's life business, the Group has used the fair value transition approach and not the fully retrospective approach (FRA). 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.

Notes to the financial statements

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

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.

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

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

The ultimate liability arising from claims made under general business insurance contracts
The estimation of the ultimate liability arising from claims made under general business insurance contracts is a critical accounting estimate. There is uncertainty as to the total number of claims made on each business class, the amounts that such claims will be settled for and the timing of any such payments. There are various sources of estimation uncertainty as to how much the Group will ultimately pay with respect to such contracts. Such uncertainty includes:
- whether a claim event has occurred or not and how much it will ultimately settle for;
- variability in the speed with which claims are notified and in the time taken to settle them, especially complex cases resolved through the
- changes in the business portfolio affecting factors such as the number of claims and their typical settlement costs, which may differ significantly from past patterns;
- new types of claim, including latent claims, which arise from time to time;
- changes in legislation and court attitudes to compensation, including the discount rate applied in assessing lump sums, which may apply retrospectively;

The uncertainties surrounding the estimates of claims payments for the various classes of business are discussed further in note 3. General business insurance liabilities include a risk adjustment in addition to the best estimates for future claims. The sensitivity of profit or loss to changes in the ultimate settlement cost of claims reserves is presented in note .

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

A discount rate curve is calculated on a bottom up basis. The risk free curve is based on the UK government bond yield curve. A liquidity premium based on the return on a notional index of fixed interest assets, including gilts and corporate bonds, is added to the risk free curve. The liquidity premium is adjusted for credit risk and differences in liquidity between the notional assets and the liabilities.

In addition, a risk adjustment for non-financial risks is then added to the best estimate liability calculated on the basis set out above.The sensitivity of profit or loss to changes in the assumptions is presented in note 30(b)(iv).

Notes to the financial statements

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

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

The discount rate assumption is a component in determining the charge to profit or loss. The effect of movements in the actuarial assumptions during the year, including discount rate, mortality, inflation, salary and medical expense inflation assumptions, on the pension and other post-employment liabilities are recognised in other comprehensive income. An explanation of the actuarial gains recognised in the current year is included in note 20.

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

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

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

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

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

Discount rates
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. The Group derives illiquidity by reference to the illiquidity estimated to apply to a suitable reference portfolio of assets with similar liquidity characteristics. The published yields on Government bonds in each territory are used as a reference for risk-free rates. The characteristics of the Group's general insurance contract claims liabilities are less liquid than those of its life insurance contracts, because the life insurance contracts have surrender options.

Notes to the financial statements

3 Insurance risk

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

(a) Risk mitigation

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

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

(b) Concentrations of risk

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

The table below summarises written premiums for the financial year, before and after reinsurance, by territory and by class of business. Further details on the gross and net written premiums, which are alternative performance measures that are not defined under IFRS, are detailed in note 40.

		General insurance				Life insurance	
Territory		Property £000	Liability £000	Miscellaneous financial loss £000	Other £000	Whole of life £000	Total £000
2023							
United Kingdom and Ireland	Gross	**297,481**	**79,966**	**24,668**	**3,287**	**176**	**405,578**
	Net	**137,933**	**75,916**	**11,816**	**64**	**176**	**225,905**
Australia	Gross	**57,703**	**43,194**	**1,337**	**434**	**-**	**102,668**
	Net	**9,182**	**37,275**	**1,313**	**82**	**-**	**47,852**
Canada	Gross	**73,958**	**32,979**	**-**	**-**	**-**	**106,937**
	Net	**48,247**	**29,512**	**-**	**-**	**-**	**77,759**
Total	Gross	**429,142**	**156,139**	**26,005**	**3,721**	**176**	**615,183**
	Net	**195,362**	**142,703**	**13,129**	**146**	**176**	**351,516**
2022							
United Kingdom and Ireland	Gross	255,418	71,575	20,006	3,086	65	350,150
	Net	119,847	68,128	10,259	100	65	198,399
Australia	Gross	55,266	42,978	918	536	-	99,698
	Net	5,886	36,037	868	101	-	42,892
Canada	Gross	73,779	34,982	-	-	-	108,761
	Net	47,335	31,914	-	-	-	79,249
Total	Gross	384,463	149,535	20,924	3,622	65	558,609
	Net	173,068	136,079	11,127	201	65	320,540

Notes to the financial statements

3 Insurance risk (continued)

(c) General insurance risks

Property classes

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

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

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

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

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

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

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

Liability classes

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

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

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

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

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

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

Provisions for latent claims

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

Note 30 presents the development of the estimate of ultimate claim cost for public and employers' liability claims occurring in a given year. This gives an indication of the accuracy of the estimation technique for incurred claims.

Notes to the financial statements

3 Insurance risk (continued)

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

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

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

Notes to the financial statements

4 Financial risk and capital management

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

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

(a) Categories of financial instruments
(i) Categories applying IFRS 9

	Financial assets			Financial liabilities				
Group	Designated as fair value through profit or loss £000	Classified as fair value through profit or loss £000	Amortised cost £000	Fair value through profit or loss £000	Fair value through other comprehensive income £000	Amortised cost £000	Other assets and liabilities £000	Total £000
At 31 December 2023								
Financial investments	**1,411,874**	**824**	**34**	-	-	-	-	**1,412,732**
Other assets	-	-	**44,919**	-	-	-	**12,957**	**57,876**
Cash and cash equivalents	-	-	**166,844**	-	-	-	-	**166,844**
Lease obligations	-	-	-	-	-	**(29,017)**	-	**(29,017)**
Subordinated liabilities	-	-	-	-	-	**(25,853)**	-	**(25,853)**
Other liabilities	-	-	-	-	**(2,381)**	**(93,157)**	**(11,653)**	**(107,191)**
Inv't contract liabilities	-	-	-	**(603,111)**	-	-	-	**(603,111)**
Net other	-	-	-	-	-	-	**(205,614)**	**(205,614)**
Total	**1,411,874**	**824**	**211,797**	**(603,111)**	**(2,381)**	**(148,027)**	**(204,310)**	**666,666**
At 31 December 2022 (restated*)								
Financial investments	1,369,563	755	79,423	-	-	-	-	1,449,741
Other assets	-	-	32,356	-	-	-	8,103	40,459
Cash and cash equivalents	-	-	145,871	-	-	-	-	145,871
Lease obligations	-	-	-	-	-	(20,912)	-	(20,912)
Subordinated liabilities	-	-	-	-	-	(25,818)	-	(25,818)
Other liabilities	-	-	-	(2,475)	(759)	(61,548)	(13,394)	(78,176)
Inv't contract liabilities	-	-	-	(596,270)	-	-	-	(596,270)
Net other	-	-	-	-	-	-	(275,468)	(275,468)
Total	1,369,563	755	257,650	(598,745)	(759)	(108,278)	(280,759)	639,427
Parent								
At 31 December 2023								
Financial investments	**13,291**	-	-	-	-	-	**87,865**	**101,156**
Other assets	-	-	**91,536**	-	-	-	-	**91,536**
Cash and cash equivalents	-	-	**3,205**	-	-	-	-	**3,205**
Lease obligations	-	-	-	-	-	**(135,108)**	-	**(135,108)**
Other liabilities	-	-	-	-	-	**(18,043)**	-	**(18,043)**
Net other	-	-	-	-	-	-	**(1,809)**	**(1,809)**
Total	**13,291**	-	**94,741**	-	-	**(153,151)**	**86,056**	**40,937**
At 31 December 2022 (restated*)								
Financial investments	14,470	-	78,310	-	-	-	11,291	104,071
Other assets	-	-	(1,335)	-	-	-	5,045	3,710
Cash and cash equivalents	-	-	1,199	-	-	-	-	1,199
Lease obligations	-	-	-	-	-	(121,008)	-	(121,008)
Other liabilities	-	-	-	-	-	(6,057)	-	(6,057)
Net other	-	-	-	-	-	-	58,623	58,623
Total	14,470	-	78,174	-	-	(127,065)	74,959	40,538

*The comparative financial statements have been restated as detailed in note 41.

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

Notes to the financial statements

4 Financial risk and capital management (continued)

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

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

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

Instruments move between fair value hierarchies primarily due to increases or decreases in market activity or changes to the significance of unobservable inputs to valuation, and are recognised at the date of the event or change in circumstances which caused the transfer. During the year there was a transfer from level 1 to level 2 due to a change in the observable inputs.

Analysis of fair value measurement bases

Group	Fair value measurement at the end of the reporting period based on Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 31 December 2023				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	250,106	-	90,191	340,297
Debt securities	516,844	2,079	(1)	518,922
Structured notes	-	94,970	-	94,970
Funeral plan investments	-	457,685	-	457,685
Derivatives	-	824	-	824
	766,950	555,558	90,190	1,412,698
At 31 December 2022 (re-presented*)				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	234,033	-	100,197	334,230
Debt securities	492,684	1,299	(1)	493,982
Structured notes	-	56,138	-	56,138
Funeral plan investments	-	485,213	-	485,213
Derivatives	-	755	-	755
	726,717	543,405	100,196	1,370,318

* Prior year comparatives have been re-presented to reflect the current year disclosures for composition of OEICs. OEICs previously included in equity securities but relating to bond OEICs have been re-presented in debt securities to better reflect the nature of the assets and requirements of IFRS 7.

Notes to the financial statements

4 Financial risk and capital management (continued)

Parent	Fair value measurement at the end of the reporting period based on Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 31 December 2023				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	-	-	13,291	13,291
Debt securities	-	-	-	-
Derivatives	-	-	-	-
	-	-	13,291	13,291
At 31 December 2022				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	-	-	14,470	14,470
Debt securities	-	-	-	-
Derivatives	-	-	-	-
	-	-	14,470	14,470

Gains and losses on derivative liabilities of the Group were recognised through other comprehensive income if they were hedge accounted, otherwise were recognised at fair value through profit or loss. Derivative liabilities are categorised as level 2 (see note 24).

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

Group	Financial assets at fair value through profit and loss: Equity securities £000	Debt securities £000	Total £000
At 31 December 2023			
Opening balance	100,197	(1)	100,196
Total losses recognised in profit or loss	(10,170)	-	(10,170)
Purchases	212	-	212
Disposal proceeds	(48)	-	(48)
Closing balance	90,191	(1)	90,190
Total losses for the period included in profit or loss for assets held at the end of the reporting period	(10,170)	-	(10,170)
At 31 December 2022			
Opening balance	80,471	33	80,504
Total gains/(losses) recognised in profit or loss	19,526	(28)	19,498
Purchases	200	-	200
Disposal proceeds	-	(6)	(6)
Closing balance	100,197	(1)	100,196
Total gains/(losses) for the period included in profit or loss for assets held at the end of the reporting period	19,525	(28)	19,497

Notes to the financial statements

4 Financial risk and capital management (continued)

Parent	Financial assets at fair value through profit and loss		
	Equity securities £000	Debt securities £000	Total £000
At 31 December 2023			
Opening balance	**14,470**	-	**14,470**
Total losses recognised in profit or loss	**(1,391)**	-	**(1,391)**
Purchases	**212**	-	**212**
Closing balance	**13,291**	-	**13,291**
Total gains for the period included in profit or loss for assets held at the end of the reporting period	**1,233**	-	**1,233**
At 31 December 2022			
Opening balance	11,524	-	11,524
Total gains recognised in profit or loss	2,746	-	2,746
Purchases	200	-	200
Closing balance	14,470	-	14,470
Total gains for the period included in profit or loss for assets held at the end of the reporting period	1,233	-	1,233

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

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

Listed debt and equity securities not in active market (level 2)
These financial assets are valued using third-party pricing information that is regularly reviewed and internally calibrated based on management's knowledge of the markets.

Non-exchange-traded derivative contracts (level 2)
The Group's derivative contracts are not traded in active markets. Foreign currency forward contracts are valued using observable forward exchange rates corresponding to the maturity of the contract and the contract forward rate. Over-the-counter equity or index options and futures are valued by reference to observable index prices.

Structured notes (level 2)
These financial assets are 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.

Funeral plan investments (level 2)
The Group holds investments in respect of funeral plan policies which are predominantly invested in individual whole-of-life insurance policies. These are valued using valuations provided by the insurance policy provider.

Unlisted equity securities (level 3)
These financial assets are valued using observable net asset data, adjusted for unobservable inputs including comparable price-to-book ratios based on similar listed companies, normalised for performance measures where appropriate, 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 +/-£11m (2022: +/-£11m).

The increase in value during the year is primarily due to the purchase of additional shares in an existing unlisted equity investment.

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.

Notes to the financial statements

4 Financial risk and capital management (continued)

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

Interest rate risk concentration is reduced by adopting asset-liability duration matching principles where appropriate. Excluding assets held to back the long-term business, the average duration of the Group's fixed income portfolio is three years (2022: three years), reflecting the relatively short-term average duration of its general insurance liabilities. The mean term of discounted general insurance liabilities is disclosed in note 30(a)(viii).

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

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

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

Group life business	Maturity			
	Within 1 year £000	Between 1 and 5 years £000	After 5 years £000	Total £000
At 31 December 2023				
Assets				
Debt securities	**14,004**	**21,312**	**49,879**	**85,195**
Cash and cash equivalents	**16,674**	-	-	**16,674**
	30,678	**21,312**	**49,879**	**101,869**
Liabilities (discounted)				
Life insurance business provision	**40**	**126**	**219**	**385**
At 31 December 2022 (re-presented*)				
Assets				
Debt securities	14,827	22,815	45,678	83,320
Cash and cash equivalents	18,072	-	-	18,072
	32,899	22,815	45,678	101,392
Liabilities (discounted)				
Life insurance business provision	41	133	282	456

* Prior year comparatives have been re-presented to reflect the current year disclosures for composition of OEICs. OEICs previously included in equity securities but relating to bond OEICs have been re-presented in debt securities to better reflect the nature of the assets and requirements of IFRS 7.

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

Notes to the financial statements

4 Financial risk and capital management (continued)

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

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

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

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

The following table provides information regarding the credit risk exposure of financial assets with external credit ratings from Standard & Poors or an equivalent rating from a similar agency. This includes financial assets that meet the definition of 'solely payments of principal and interest' (SPPI).

Group	SPPI			Non-SPPI
	Cash and cash equivalents[1] £000	Reinsurance debtors £000	Total SPPI £000	Debt securities £000
At 31 December 2023				
AAA	-	-	-	207,068
AA	101,858	5,902	107,760	152,744
A	26,253	17,435	43,688	88,810
BBB	38,724	-	38,724	52,646
Below BBB	-	-	-	8,567
Not rated	9	3,500	3,509	9,087
	166,844	26,837	193,681	518,922
At 31 December 2022 (re-presented*)				
AAA	-	-	-	189,722
AA	42,616	3,608	46,224	124,057
A	18,903	10,655	29,558	102,779
BBB	84,146	-	84,146	62,049
Below BBB	-	-	-	6,878
Not rated	206	3,863	4,069	8,497
	145,871	18,126	163,997	493,982

[1] Cash includes amounts held on deposit classified within financial investments and disclosed in note 23. Cash balances which are not rated relate to cash amounts in hand.

* Prior year comparatives have been re-presented to reflect the current year disclosures for composition of OEICs. OEICs previously included in equity securities but relating to bond OEICs have been re-presented in debt securities to better reflect the nature of the assets and requirements of IFRS 7.

Notes to the financial statements

4 Financial risk and capital management (continued)

Parent	SPPI				Non-SPPI
	Cash and cash equivalents[1] £000	Reinsurance debtors £000	Other financial assets £000	Total SPPI £000	Debt securities £000
At 31 December 2023					
A	788	-	-	788	-
BBB	2,417	-	-	2,417	-
	3,205	-	-	3,205	-
At 31 December 2022					
A	660	-	-	660	-
BBB	539	-	-	539	-
Not rated	-	-	81,017	81,017	-
	1,199	-	81,017	82,216	-

[1] Cash includes amounts held on deposit classified within financial investments and disclosed in note 23. Cash balances which are not rated relate to cash amounts in hand.

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

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

The debt securities portfolio consists of a range of mainly fixed interest instruments including government securities, local authority issues, corporate loans and bonds, overseas bonds, preference shares and other interest-bearing securities. Limits are imposed on the credit ratings of the corporate bond portfolio and exposures regularly monitored. Group investments in unlisted securities represent 0% of this category in the current year and less than 1% prior year.

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

Group	**2023** £000	2022 *Re-presented** £000
UK	**209,368**	211,012
Canada	**147,364**	131,232
Australia	**132,622**	125,225
Europe	**29,568**	26,513
Total	**518,922**	493,982

* Prior year comparatives have been re-presented to reflect the current year disclosures for composition of OEICs. OEICs previously included in equity securities but relating to bond OEICs have been re-presented in debt securities to better reflect the nature of the assets and requirements of IFRS 7.

Notes to the financial statements

4 Financial risk and capital management (continued)

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

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

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

	2023 £000	2022 £000
Insurance debtors		
Current	134,790	125,532
0 to 30 days	17,262	12,860
30 days to 90 days	6,629	9,068
More than 90 days	10,068	1,980
	168,749	149,440
Reinsurance debtors		
Current	20,845	7,720
0 to 30 days	1,271	1,388
30 days to 90 days	1,637	6,824
More than 90 days	3,084	2,194
	26,837	18,126

Amounts arising from expected credit losses on financial assets are as follows:

	2023		2022	
	Group £000	Parent £000	Group £000	Parent £000
Balance at 1 January	1,027	1,000	-	-
Movement in the year	(1,025)	(826)	-	1,000
Balance at 31 December	2	174	-	1,000

Notes to the financial statements

4 Financial risk and capital management (continued)

(e) Equity price risk

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

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

2023	Group £000	Parent £000	2022 (re-presented*)	Group £000	Parent £000
UK	237,043	707	UK	234,855	495
Europe	89,483	12,584	Europe	99,375	13,975
US	13,771	-	Hong Kong	-	-
Total	340,297	13,291	Europe	334,230	14,470

* Prior year comparatives have been re-presented to reflect the current year disclosures for composition of OEICs. OEICs previously included in equity securities but relating to bond OEICs have been re-presented in debt securities to better reflect the nature of the assets and requirements of IFRS 7.

(f) Currency risk

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

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

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

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

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

The forward foreign currency risk arising on translation of these foreign operations is hedged by the derivatives which are detailed in note 24. The Group has designated certain derivatives as a hedge of its net investments in Canada and Australia, which have Canadian and Australian dollars respectively as their functional currency.

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

2023	Group £000	Parent £000	2022	Group £000	Parent £000
Can $	67,554	-	Aus $	71,584	-
Aus $	61,822	-	Euro	41,246	13,975
Euro	52,558	12,584	Can $	74,188	-
USD $	11,652	-	USD $	2,399	-
HKD $	185	-	HKD $	15	-

The figures in the table above, for the current and prior years, do not include currency risk that the Group is exposed to on a 'look through' basis in respect of collective investment schemes denominated in sterling. The Group enters into derivatives to hedge currency exposure, including exposures on a 'look through' basis. The open derivatives held by the Group at the year end to hedge currency exposure are detailed in note 24.

Notes to the financial statements

4 Financial risk and capital management (continued)

(g) Liquidity risk
Liquidity risk is the risk that funds may not be available to pay obligations when due. The Group is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. An estimate of the timing of the net cash outflows resulting from insurance contracts is provided in note 30. The Group has robust processes in place to manage liquidity risk and has available cash balances, other readily marketable assets and access to funding in case of exceptional need. This is not considered to be a significant risk to the Group.

Non-derivative financial liabilities consist of lease liabilities, for which a maturity analysis is included in note 36, and other liabilities for which a maturity analysis is included in note 33, and subordinated debt for which a maturity analysis is included in note 34.

(h) Market risk sensitivity analysis
The sensitivity of profit and other equity reserves to movements on market risk variables (comprising interest rate, currency and equity price risk), each considered in isolation and before the mitigating effect of derivatives, is shown in the table below. This table does not include the impact of variables on retirement benefit schemes. Financial risk sensitivities for retirement benefit schemes are disclosed separately in note 20.

Group		Potential increase/ (decrease) in profit		Potential increase/ (decrease) in other equity reserves	
			*Re-presented**		
Variable	**Change in variable**	**2023 £000**	2022 £000	**2023 £000**	2022 £000
Interest rate risk	-100 basis points	**814**	(3,618)	**(4)**	(8)
	+100 basis points	**906**	4,786	**3**	7
Currency risk	-10%	**4,065**	3,466	**16,070**	13,123
	+10%	**(3,326)**	(2,836)	**(13,148)**	(10,737)
Equity price risk	+/-10%	**25,522**	27,073	**-**	-

Parent		Potential increase/ (decrease) in profit		Potential increase/ (decrease) in other equity reserves	
			*Re-presented**		
Variable	**Change in variable**	**2023 £000**	2022 £000	**2023 £000**	2022 £000
Currency risk	-10%	**1,049**	1,258	**-**	-
	+10%	**(858)**	(1,029)	**-**	-
Equity price risk	+/-10%	**997**	1,172	**-**	-

* Prior year comparatives have been re-presented to reflect the current year disclosures for composition of OEICs. OEICs previously included in equity securities but relating to bond OEICs have been re-presented in debt securities to better reflect the nature of the assets and requirements of IFRS 7.

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

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

Notes to the financial statements

4 Financial risk and capital management (continued)

(i) Capital management
The Group's primary objectives when managing capital are to:

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

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

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

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

The Group's Solvency II Own Funds will be subject to a separate independent audit, as part of the Group's process for Solvency II reporting to the PRA. The Group expects to meet the PRA's deadline for submission to the PRA of 17 May 2024, and its SFCR will be made available on the Group's website shortly after.

	2023 £000	2022 £000
Solvency II Own Funds (unaudited)	**597,763**	594,024

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

Notes to the financial statements

5 Segment information

(a) Operating segments
The Group'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 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 reportable due to their immateriality.

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

- **Broking and advisory**
  The Group provides insurance broking through the Lloyd & Whyte Group Limited, along with our financial advisory services through Ecclesiastical Financial Advisory Services Limited, prepaid funeral plan distribution and administration through Ecclesiastical Planning Services Limited, and risk advisory services through Lycetts Risk Management Services Limited, a subsidiary of Lycetts Holdings Limited.

- **Life 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.

- **Corporate costs**
  This includes costs associated with Group management activities.

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

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

(b) Segment performance
The accounting policies of the operating segments are the same as the Group's accounting policies described in note 1.

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 40.

Notes to the financial statements

5 Segment information (continued)

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 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.

	2023			2022		
	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	**399,716**	-	**399,716**	344,788	-	344,788
Australia	**102,668**	-	**102,668**	99,698	-	99,698
Canada	**106,937**	-	**106,937**	108,761	-	108,761
Other insurance operations	**5,686**	-	**5,686**	5,297	-	5,297
Total	**615,007**	-	**615,007**	558,544	-	558,544
Life business	**176**	-	**176**	65	-	65
Investment management	-	**16,293**	**16,293**	-	16,628	16,628
Broking and Advisory	-	**55,524**	**55,524**	-	41,000	41,000
Group revenue	**615,183**	**71,817**	**687,000**	558,609	57,628	616,237

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

Segment results

2023	***Combined operating ratio***	**Insurance £000**	**Investments £000**	**Other £000**	**Total £000**
General business					
United Kingdom and Ireland	*92.1%*	**16,371**	**30,751**	**(2,640)**	**44,482**
Australia	*113.4%*	**(5,120)**	**6,031**	**(377)**	**534**
Canada	*80.4%*	**14,924**	**6,500**	**(134)**	**21,290**
Other insurance operations		**(1,655)**	**(1,027)**	**89**	**(2,593)**
	92.6%	**24,520**	**42,255**	**(3,062)**	**63,713**
Life business		**507**	**3,881**	-	**4,388**
Investment management		-	-	**(6,501)**	**(6,501)**
Broking and Advisory		-	-	**(575)**	**(575)**
Corporate costs		-	-	**(24,079)**	**(24,079)**
Other activities		-	**(2,507)**	**7**	**(2,500)**
Profit/(loss) before tax		**25,027**	**43,629**	**(34,210)**	**34,446**

2022 (as restated)*	***Combined operating ratio***	**Insurance £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		(5,325)	(7,191)	-	(12,516)
Investment management		-	-	(3,525)	(3,525)
Broking and Advisory		-	-	20,335	20,335
Corporate costs		-	-	(25,743)	(25,743)
Other activities		-	3,529	-	3,529
Profit/(loss) before tax		26,193	(15,638)	(11,172)	(617)

*The comparative financial statements have been restated as detailed in note 41.

Notes to the financial statements

5 Segment information (continued)

(c) Geographical information

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

	2023		2022 (Restated*)	
	Gross written premiums £000	Non-current assets £000	Gross written premiums £000	Non-current assets £000
United Kingdom and Ireland	405,578	321,371	350,150	198,959
Australia	102,668	5,869	99,698	500
Canada	106,937	5,401	108,761	5,530
	615,183	332,641	558,609	204,989

*The comparative financial statements have been restated as detailed in note 41.

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

6 Insurance revenue

	General business £000	Life business £000	Total £000
For the year ended 31 December 2023			
Contracts not measured under PAA			
Amounts relating to the changes in the LRC			
Expected incurred claims and other expenses after loss component allocation	-	(590)	(590)
Change in the risk adjustment for non-financial risk for the risk expired after loss component	-	20	20
CSM recognised in profit or loss for the services provided	-	717	717
	-	147	147
Contracts measured under PAA	579,975	-	579,975
Total insurance revenue	579,975	147	580,122
For the year ended 31 December 2022			
Contracts not measured under PAA			
Amounts relating to the changes in the LRC			
Expected incurred claims and other expenses after loss component allocation	-	58	58
Change in the risk adjustment for non-financial risk for the risk expired after loss component	25	-	25
CSM recognised in profit or loss for the services provided	-	-	-
	25	58	83
Contracts measured under PAA	528,558	-	528,558
Total insurance revenue	528,583	58	528,641

Notes to the financial statements

7 Insurance service expenses

A breakdown of Insurance service expenses is included below:

	General business £000	Life business £000	Total £000
For the year ended 31 December 2023			
Incurred claims and benefits excluding investment components	308,069	-	308,069
Insurance acquisition cash flows amortisation	116,289	-	116,289
Changes that relate to past service	(24,547)	-	(24,547)
Losses on onerous contracts and reversal of those losses	155	-	155
Changes that relate to current service	-	137	137
Total insurance service expenses	399,966	137	400,103
For the year ended 31 December 2022			
Incurred claims and benefits excluding investment components	347,499	-	347,499
Insurance acquisition cash flows amortisation	105,478	-	105,478
Changes that relate to past service	(18,331)	-	(18,331)
Losses on onerous contracts and reversal of those losses	781	-	781
Changes that relate to current service	-	(12,573)	(12,573)
Total insurance service expenses/(income)	435,427	(12,573)	422,854

8 Fee and commission income

During the year the Group recognised £72,997,000 (2022: £57,628,000) in accordance with IFRS 15 *Revenue from contracts with customers.* Fee and commission income from contracts with customers was recognised as follows:

	Recognised at a point in time £000	Recognised over time £000	Total £000
For the year ended 31 December 2023			
Investment management	170	16,123	16,293
Broking and advisory	53,728	1,796	55,524
	53,898	17,919	71,817
For the year ended 31 December 2022 (restated*)			
Investment management	55	18,402	18,457
Broking and advisory	39,105	66	39,171
	39,160	18,468	57,628

*The comparative financial statements have been restated as detailed in note 41.

9 Net insurance financial result

	2023 £000	2022 £000
Insurance finance (expense)/income from insurance contracts issued		
Interest accreted	(19,603)	(4,532)
Effect of changes in interest rates and other financial assumptions	(4,499)	48,902
Total	(24,102)	44,370
Insurance finance income/(expenses) from reinsurance contracts held		
Interest accreted	6,249	1,147
Effect of changes in interest rates and other financial assumptions	590	(7,620)
Effect of changes in non-performance risk of reinsurers	351	(231)
Total	7,190	(6,704)
Net insurance financial result	(16,912)	37,666

Notes to the financial statements

10 Net investment result

	2023 £000	*Restated** 2022 £000
Income from financial assets at fair value through profit or loss		
- equity income	**10,418**	6,902
- debt income	**14,942**	11,075
- structured note income	**731**	346
Income from financial assets calculated using the effective interest rate method		
- cash and cash equivalents income	**3,258**	3,534
- other income received	**5,531**	3,120
Other income/(expense)		
- rental income	**8,665**	8,900
- exchange movements	**(864)**	(1,368)
Investment income	**42,681**	32,509
Fair value movements on financial instruments at fair value through profit or loss	**15,623**	(76,924)
Fair value movements on investment property	**(6,651)**	(21,209)
Fair value movements on property, plant and equipment	**35**	
Movement in expected credit loss allowance	**25**	
Net investment return/(loss)	**51,713**	(65,624)

*The comparative financial statements have been restated as detailed in note 41.

Included within fair value movements on financial instruments at fair value through profit or loss are gains of £4,262,000 (2022: £3,733,000 gains) in respect of derivative instruments.

11 Profit for the year

	2023 £000	*Restated* 2022 £000
Profit for the year has been arrived at after charging/(crediting)		
Net foreign exchange losses	**864**	1,368
Depreciation of property, plant and equipment	**7,190**	6,974
Loss/(profit) on disposal of property, plant and equipment	**33**	(20)
Amortisation of intangible assets	**6,973**	4,813
Decrease in fair value of investment property	**6,651**	21,209
Employee benefits expense including termination benefits, net of recharges	**149,939**	127,518

Notes to the financial statements

12 Auditor's remuneration

	2023 £000	2022 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	**84**	70
Fees payable to the Company's auditor and its associates for other services:		
- The audit of the Company's subsidiaries	**2,726**	1,242
Total audit fees	**2,810**	1,312
- Audit-related assurance services	**529**	332
- Other assurance services	**76**	87
Total non-audit fees	**605**	419
Total auditor's remuneration	**3,415**	1,731

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

Audit fees for 2023 include amounts related to the implementation of IFRS 17 Insurance Contracts in the year, the impacts of which are disclosed in note 41.

13 Employee information

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

Group	**2023**			2022		
	General business No.	**Life business No.**	**Other No.**	General business No.	Life business No.	Other No.
United Kingdom and Ireland	**956**	**2**	**948**	901	1	509
Australia	**166**	**-**	**-**	137	-	-
Canada	**78**	**-**	**-**	79	-	-
	1,200	**2**	**948**	1,117	1	509

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

The number of persons employed by the Parent during the year was nil (2022: nil).

	2023 Group £000	2022 Group £000
Wages and salaries	**126,627**	108,495
Social security costs	**11,911**	10,625
Pension costs - defined contribution plans	**10,271**	8,358
Pension costs - defined benefit plans	**867**	872
Other post-employment benefits	**230**	132
Total staff costs	**149,906**	128,482
Staff costs recharged to related undertakings of the Group	**(792)**	(740)
Capitalised staff costs	**(37)**	(502)
	149,077	127,240

The above figures do not include termination benefits of £862,000 (2022: £278,000)

Notes to the financial statements

14 Tax expense/(credit)

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

		2023 £000	*Restated** 2022 £000
Current tax	- current year	**9,144**	7,254
	- prior year adjustments	**(1,110)**	(300)
Deferred tax	- temporary differences	**(997)**	(10,982)
	- prior year adjustments	**1,038**	2,890
	- Impact of change in deferred tax rate	**(115)**	-
Total tax expense/(credit)		**7,960**	(1,138)

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

	2023 £000	*Restated** 2022 £000
Profit/(loss) before tax	**34,446**	(617)
Total pre-tax profit/(loss)	**34,446**	(617)
Tax calculated at the UK standard rate of tax of 23.5% (2022: 19%)	**8,095**	(117)
Factors affecting charge/(credit) for the year:		
Expenses not deductible for tax purposes	**1,236**	1,067
Non-taxable income	**(2,829)**	(3,739)
Overseas taxes in excess of UK headline rate	**170**	13
Impact of change in deferred tax rate	**(116)**	(952)
Loss on disposal of associate	**266**	-
Increase/(decrease) in deferred tax asset not provided	**1,210**	-
Adjustments to tax charge in respect of prior periods	**(72)**	2,590
Total tax expense/(credit)	**7,960**	(1,138)

Deferred tax has been provided at an average rate of 25% (2022: 24%).

*The comparative financial statements have been restated as detailed in note 41.

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

	2023 £000	2022 £000
Current tax charged/(credited) on:		
Fair value movements on hedge derivatives	**350**	(339)
Deferred tax charged/(credited) on:		
Fair value movements on property	**216**	-
Actuarial movements on retirement benefit plans	**1,259**	(2,822)
Fair value movements on hedge derivatives	**338**	(485)
Total tax charged/(credited) to other comprehensive income	**2,163**	(3,646)

Tax relief on charitable grants of £3,837,000 (2022: £3,800,000) has been taken directly to equity.

Notes to the financial statements

15 Appropriations

	2023 £000	2022 £000
Amounts paid directly from equity in the period:		
Dividends		
Non-Cumulative Irredeemable Preference share dividend (8.625 pence per share)	**8,782**	8,782
Charitable grants		
Gross charitable grants to the ultimate parent company, Benefact Trust Limited	**13,000**	20,000
Tax relief	**(3,837)**	(3,800)
Net appropriation for the year	**9,163**	16,200

16 Investment in associate

On 30 June 2023, the Group acquired an additional 10.1% in its associate undertaking Lloyd and Whyte Group Limited, increasing its ownership to 50.1% and so obtaining control of the entity. See note 17 for further details of the business combination. The resulting treatment of derecognising the investment in associate is as follows.

Group	**Share of net assets £000**	**Goodwill £000**	**Total £000**
At 1 January 2022	2,547	9,601	12,148
Share of profit after tax for the period	1,463		1,463
Dividends received	(1,000)		(1,000)
Ar 31 December 2022	3,010	9,601	12,611
Share of profit after tax for the period to 30 June 2023	**365**	**-**	**365**
Dividends received	**(900)**	**-**	**(900)**
Fair value (loss)*	**(1,130)**	**-**	**(1,130)**
Derecognition on step acquisition	**(1,345)**	**(9,601)**	**(10,946)**
At 31 December 2023	**-**	**-**	**-**

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

	2023 £000	2022 £000
Group's 50.1% (2022: 40.0%) share of:		
Revenue	**9,297**	11,602
		-
Assets	**-**	48,311
Liabilities	**-**	(45,301)
Share of net assets	**-**	3,010

*The remeasurement to fair value of the Group's existing 40.0% interest in L&W resulted in a loss of £1.1m as below

	£000
Fair value of shares held at 30 June 2023	10,946
Carrying value of associate	(12,076)
	(1,130)

Lloyd & Whyte Group Limited holds 20.0% of the issued ordinary share capital of De Novo Risk Solutions Limited and 35% of the issued ordinary share capital of Provenance IB Ltd . De Novo Risk Solutions Limited and Provenance IB Ltd are both unlisted companies incorporated in the United Kingdom. They are accounted for using the equity method in these consolidated financial statements as set out in the Group's accounting policies. The investments in associate held by Lloyd & Whyte Group Limited at 31 December 2023 is £408,000.

Notes to the financial statements

17 Acquisition of subsidiary

On 30 June 2023, the Group acquired a further 10.1% of the issues ordinary share capital of Lloyd & Whyte Group Limited (L&W), taking its shareholding to 50.1% granting it control of L&W. L&W is an unlisted company incorporated in the United Kingdom, and the holding company of a group whose primary activity is insurance brokerage services. Prior to 30 June 2023, the Group owned 40.0% of L&W shares and the investment is accounted for as an associate in accordance with IAS 28 *Investments in Associates and Joint Ventures* . The acquisition is part of the Group's growth strategy.

The following summarises the consideration for Lloyd and Whyte Group Limited and the amounts of the assets acquired and liabilities recognised at the acquisition date.

	2023 £000
Assets	
Intangible assets	42,800
Deferred tax assets	572
Property, plant and equipment	4,642
Investment in associate	288
Other assets	29,749
Cash and cash equivalents	23,197
	101,248
Liabilities	
Provisions for other liabilities	(1,784)
Borrowings	(83,511)
Current tax liabilities	(2,607)
Deferred income	(1,288)
Other liabilities	(45,590)
Total identifiable net (liabilities)/assets	(33,532)
Cash	2,782
Fair value of pre-existing interest in L&W	10,946
Total consideration	13,728
Non-controlling interest	13,665
Fair value of subsidiary	27,393
Fair value of identifiable net (assets)/liabilities	33,532
Goodwill	60,925
Cash flow analysis	
Cash consideration	2,782
Less cash balances acquired	(23,197)
	(20,415)

The remeasurement to fair value of the Group's existing 40.0% interest in L&W resulted in a loss of £1.1m. This amount has been included in "Other operating and expenses".

The goodwill comprises the value of expected synergies arising from the acquisition. Goodwill is allocated entirely to the insurance broking business within the broking and advisory segment. None of the goodwill recognised is expected to be deductible for income tax purposes.

Notes to the financial statements

17 Acquisition of subsidiary (continued)

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

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

	2022 £000
Assets and liabilities acquired	
Tangible assets	3
Financial assets	432
Financial liabilities	(301)
Total identifiable assets	134
Goodwill	2,120
Total consideration	2,254
Satisfied by:	
Cash	1,618
Deferred consideration arrangement	636
	2,254
Cash flow analysis	
Cash consideration	1,618
Less cash balances acquired	(201)
	1,417

The deferred consideration arrangement required a cash payment to be made on 14 April 2023 as shown in note 33.

Notes to the financial statements

18 Disposal of subsidiary

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

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

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

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

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

Notes to the financial statements

19 Goodwill and other intangible assets

Group	Goodwill £000	Computer software £000	Other intangible assets £000	Total £000
Cost				
At 1 January 2023	**42,001**	**50,569**	**14,071**	**106,641**
Additions	**61,920**	**1,846**	**888**	**64,654**
Acquisition	-	-	**42,800**	**42,800**
Disposals	-	**(434)**	**10**	**(424)**
Transfers	-	-	-	-
Exchange differences	-	**(170)**	**(5)**	**(175)**
At 31 December 2023	**103,921**	**51,811**	**57,764**	**213,496**
Accumulated impairment losses and amortisation				
At 1 January 2023	**18,194**	**22,176**	**13,125**	**53,495**
Amortisation charge for the year	-	**4,158**	**2,815**	**6,973**
Impairment losses for the year	-	**1,429**	-	**1,429**
Disposals	-	**(259)**	-	**(259)**
Transfers	-	-	-	-
Exchange differences	-	**(121)**	**(3)**	**(124)**
At 31 December 2023	**18,194**	**27,383**	**15,937**	**61,514**
Net book value at 31 December 2023	**85,727**	**24,428**	**41,827**	**151,982**
Cost				
At 1 January 2022	62,481	46,137	19,850	128,468
Additions	2,120	4,177	-	6,297
Disposals	(22,600)	-	(5,789)	(28,389)
Exchange differences	-	255	10	265
At 31 December 2022	42,001	50,569	14,071	106,641
Accumulated impairment losses and amortisation				
At 1 January 2022	18,600	18,673	16,934	54,207
Amortisation charge for the year	-	3,353	1,460	4,813
Impairment losses for the year	-	-	-	-
Disposals	(406)	-	(5,276)	(5,682)
Exchange differences	-	150	7	157
At 31 December 2022	18,194	22,176	13,125	53,495
Net book value at 31 December 2022	23,807	28,393	946	53,146

£60,925,000 of the goodwill balance in the current year relates to the acquisition of Lloyd & Whyte Group during 2023. £18,060,000 of the goodwill balance in the current and prior year relates to the acquisition of Lycetts Holdings Limited during 2011. Goodwill of £1,496,000 relating to the acquisition of the assets of Funeral Planning Services Limited by Ecclesiastical Planning Services Limited during 2017 was fully impaired in 2020.

During the prior year the Group disposed of its interest in South Essex Insurance Holdings Limited resulting in the disposal of goodwill of £22,195,000 and intangible assets of £512,000. See note 18 for further information.

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

The Group selected a UK long-term growth rate of 1.7% (2022: 2.2%) as being appropriate, based on medium-term rates published in the OBR's November report. The pre-tax discount rate reflects the way that the market would assess the specific risks associated with the estimated cash flows.

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

Notes to the financial statements

19 Goodwill and other intangible assets (continued)

The carrying amount of the investment in Lycetts Holdings Limited is £27,507,000 which includes £22,088,000 of goodwill. The calculated value in use was £43,223,000 indicating no impairment. This was calculated using projected cash flows to perpetuity, a discount rate of 16.4% and a growth rate beyond initial cash flow projections of 1.7%. If the cumulative growth rate between 2023 and 2026 was 16.3% lower than assumed in management-approved business plans, or the discount rate increased by 8.9%, then the recoverable amount would equal the carrying amount. Lycetts Holdings Limited is included within the Group's Broking and Advisory segment.

The carrying amount of the investment in Lloyd & Whyte Group is £19,876,000 which includes £62,301,000 of goodwill. The calculated value in use was £101,475,000 indicating no impairment. This was calculated using projected cash flows to perpetuity, a discount rate of 15.3% and a growth rate beyond initial cash flow projections of 1.7%. If the cumulative growth rate between 2023 and 2026 was 60.9% lower than assumed in management-approved business plans, or the discount rate increased by 60.2%, then the recoverable amount would equal the carrying amount. Lloyd & Whyte Group is included within the Group's Broking and Advisory segment.

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

Other intangible assets consist of acquired brand, customer and distribution relationships. £670,000 (2022: £893,000) of the intangible assets relates to the acquisition of the assets of Funeral Planning Services Limited and has a remaining useful life of three years. £40,256,000 (2022: £nil) of the intangible assets relates to the acquisition of the assets of Lloyd & Whyte Group Limited The acquired brand has a remaining useful life of twelve years. The acquired customer relationships has a remaining useful life of nine years.

20 Retirement benefit schemes

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

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

The assets of the main defined benefit plan are held separately from those of the Group by the Trustee of the Ecclesiastical Insurance Office plc Staff Retirement Benefit Fund (the 'Fund'). The Fund is subject to the Statutory Funding Objective under the Pensions Act 2004. An independent qualified actuary appointed by the Trustee is responsible for undertaking triennial valuations to determine whether the Statutory Funding Objective is met. Pension costs for the plan are determined by the Trustee, having considered the advice of the actuary and having consulted with the employer. The most recent triennial valuation was at 31 December 2022. No contribution is expected to be paid by the Group in 2024.

Actuarial valuations were reviewed and updated by an actuary at 31 December 2023 for IAS 19 purposes. The surplus in the scheme attributable to the former EIO Section has been assessed against the economic benefit available to EIO as a reduction in future contributions in accordance with IFRIC 14. This has resulted in the recognisable surplus being restricted by £50.3m. EIO has an unconditional right to a refund of the surplus attributable to the former Ansvar Section of the Fund, which has been recognised in full in accordance with IFRIC 14.

In addition to the Group's main plan, Lycett, Browne-Swinburne & Douglass Limited (LBSD) also operates a defined benefit plan. The plan was closed to new members subsequent to the 1 January 2011 renewal, and was closed to future accrual on 30 September 2021. From 1 October 2021, active members in employment joined one of the Group's defined contribution plans. The most recent triennial valuation was at 1 January 2021. The contribution expected to be paid by the Group into the plan during the next financial year is £0.5m (2022: £0.5m).

The actuarial valuation for the LBSD plan was reviewed and updated by an actuary at 31 December 2023 for IAS 19 purposes. As LBSD does not have an unconditional right to a refund of the surplus in the scheme, and due to a minimum funding plan being in place, the recognisable surplus in the plan has been restricted by £5.4m in accordance with IFRIC 14.

In the current year, actuarial losses arising from changes in financial assumptions of £8.2m (2022: actuarial gains of £159.1m) have been recognised in the statement of other comprehensive income. This has mainly resulted from a 0.27% decrease in the discount rate, partially offset by inflation linked pension increases. In the prior year, the actuarial gains mainly resulted from a 2.87% increase in the discount rate assumption.

Experience losses of £2.5m have been recognised in the current year (2022: £12.0m experience loss). In the current year, this is due to updating for actual member experience in the Group's main defined benefit plan and from actual inflation exceeding the inflation assumptions. In the prior year, the experience loss was the result of actual inflation exceeding the inflation assumptions in the Group's main defined benefit plan. A review and update to certain demographic assumptions resulted in an actuarial gain of £5.7m (2022: actuarial gain of £3.0m) being recognised in the current year.

Notes to the financial statements

20 Retirement benefit schemes (continued)

The plans typically exposes the Group to risks such as:

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

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

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

A liability-driven investment (LDI) allocation is maintained as a risk management tool to preserve some future protection for the Fund against falling yields and rising inflation, designed to hedge 75% of the interest rate and inflation rate risk of the guaranteed benefits of the Fund. Exposure of the Fund's assets to interest rates and inflation counter-balances exposure of the Fund's liabilities to these factors and has suppressed, but not eliminated, volatility in the funding position.

The Trustees regularly monitor investment performance and strategy to ensure the structure adopted continues to meet their objectives and to highlight opportunities to reduce investment risk and volatility where practical and affordable. Their aim is to achieve a long-term funding target in line with guidance from the Pensions Regulator. The Trustees intend that this long-term target will be reached through investment performance only and without requiring further contributions from the employer. During 2023, the Trustees have maintained their strategy to incrementally reduce the Fund's exposure to market volatility and better protect the funding position including some modest property disposals in the year.

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

Notes to the financial statements

20 Retirement benefit schemes (continued)

Group	2023 £000	2022 £000
The amounts recognised in the statement of financial position are determined as follows:		
Present value of funded obligations	(244,844)	(238,191)
Fair value of plan assets	316,165	311,236
	71,321	73,045
Restrictions on asset recognised	(55,654)	(62,119)
Net defined benefit pension scheme surplus in the statement of financial position	15,667	10,926
Movements in the net defined benefit pension scheme asset recognised in the statement of financial position are as follows:		
At 1 January	10,926	24,579
Expense charged to profit or loss	(867)	(872)
Amounts recognised in other comprehensive income	4,913	(13,388)
Contributions paid	695	607
At 31 December	15,667	10,926
The amounts recognised through profit or loss are as follows:		
Current service cost	257	573
Administration cost	949	768
Interest expense on liabilities	11,128	7,349
Interest income on plan assets	(14,593)	(8,150)
Past service cost	167	-
Effect of interest on asset ceiling	2,959	332
Total, included in employee benefits expense	867	872
The amounts recognised in the statement of other comprehensive income are as follows:		
Return on plan assets, excluding interest income	621	(119,180)
Experience losses on liabilities	(2,546)	(12,025)
Gains from changes in demographic assumptions	5,654	2,993
(Losses)/gains from changes in financial assumptions	(8,240)	159,143
Change in asset ceiling	9,424	(44,319)
Total included in other comprehensive income	4,913	(13,388)

The following is the analysis of the defined benefit pension balances:

Group	2023 £000	2022 £000
Pension surplus	19,788	15,338
Pension deficit	(4,121)	(4,412)
	15,667	10,926

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

Group	2023 %	2022 %
Discount rate	4.50	4.77
Inflation (RPI)	3.13	3.30
Inflation (CPI)	2.64	2.79
Future salary increases	3.85	4.09
Future increase in pensions in deferment	3.27	3.37
Future average pension increases (linked to RPI)	3.00	3.05
Future average pension increases (linked to CPI)	2.07	2.10

*Single-equivalent rates are disclosed for the current year.

Notes to the financial statements

20 Retirement benefit schemes (continued)

Mortality rate

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

	2023	2022
Male	22.2	22.8
Female	23.7	24.1

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

	2023	2022
Male	23.0	23.5
Female	24.7	25.3

Plan assets are weighted as follows:

	2023 £000	2022 £000
Cash and other[1]	13,623	37,268
Equity instruments		
UK quoted	44,333	47,651
Overseas quoted	53,531	45,773
	97,864	93,424
Liability driven investments - unquoted	54,095	46,988
Debt instruments		
UK public sector quoted - fixed interest	9,768	-
UK non-public sector quoted - fixed interest	81,223	69,651
UK quoted - index-linked	20,559	21,241
	111,550	90,892
Derivative financial instruments - unquoted	(144)	(588)
Property	37,932	41,984
Other	1,245	1,268
	316,165	311,236

[1] Includes accrued income, prepayments and other debtors and creditors.

The actual return on plan assets was a gain of £15,214,000 (2022: a loss of £111,030,000).

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

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

Notes to the financial statements

20 Retirement benefit schemes (continued)

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

	2023 £000	*Re-presented** 2022 £000
Plan assets		
At 1 January	**311,236**	435,736
Interest income	**14,593**	8,150
Actual return on plan assets, excluding interest income	**621**	(119,180)
Pension benefits paid and payable	**(10,031)**	(13,312)
Contributions paid	**695**	607
Employee contributions	**-**	3
Administration cost	**(949)**	(768)
At 31 December	**316,165**	311,236
Defined benefit obligation		
At 1 January	**238,191**	393,689
Current service cost	**257**	573
Administration cost	**-**	-
Past service cost	**167**	-
Interest cost	**11,128**	7,349
Pension benefits paid and payable	**(10,031)**	(13,312)
Employee contributions	**-**	3
Experience losses on liabilities	**2,546**	12,025
Gains from changes in demographic assumptions	**(5,654)**	(2,993)
Losses/(gains) from changes in financial assumptions	**8,240**	(159,143)
At 31 December	**244,844**	238,191
Asset ceiling		
At 1 January	**62,119**	17,468
Effect of interest on the asset ceiling	**2,959**	332
Change in asset ceiling	**(9,424)**	44,319
At 31 December	**55,654**	62,119

* Prior year comparatives have been re-presented to reflect the current year disclosures for presentation of administration costs.

History of plan assets and liabilities	2023 £000	2022 £000	2021 £000	2020 £000	2019 £000
Present value of defined benefit obligations	**(244,844)**	(238,191)	(393,689)	(422,778)	(388,115)
Fair value of plan assets	**316,165**	311,236	435,736	406,605	391,642
	71,321	73,045	42,047	(16,173)	3,527
Restrictions on asset recognised	**(55,654)**	(62,119)	(17,468)	-	-
Surplus/(deficit)	**15,667**	10,926	24,579	(16,173)	3,527

The weighted average duration of the defined benefit obligation at the end of the reporting period is 15.3 years (2022: 16.0 years).

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

Assumption	**Change in assumption**	**(Decrease)/increase in plan liabilities** 2023 £000	2022 £000
Discount rate	Increase by 0.5%	**(16,571)**	(16,841)
	Decrease by 0.5%	**18,598**	18,884
Inflation	Increase by 0.5%	**10,734**	12,817
	Decrease by 0.5%	**(10,580)**	(12,366)
Salary increase	Increase by 0.5%	**1,193**	2,285
	Decrease by 0.5%	**(1,128)**	(2,136)
Life expectancy	Increase by 1 year	**6,978**	7,480
	Decrease by 1 year	**(6,987)**	(7,744)

Notes to the financial statements

20 Retirement benefit schemes (continued)

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

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

- Interest rate risk: The reserves are assessed using market rates of interest to discount the liabilities and are therefore subject to volatility in the movement of the market rates of interest. A reduction in the market rate of interest would lead to an increase in the reserves required to be held;
- Medical expense inflation risk: Future medical costs are influenced by a number of factors including economic trends and advances in medical technology and sciences. An increase in medical expense inflation would lead to an increase in the reserves required to be held;
- Medical claims experience: Claims experience can be volatile, exposing the Group to the risk of being required to pay over and above the assumed reserve. If future claims experience differs significantly from that experienced in previous years, this will increase the risk to the Group;
- Spouse and widows' contributions: The self-insured benefit includes a potential liability for members who pay contributions in respect of their spouse and for widows who pay contributions. There is the possibility that the contributions charged may not be sufficient to cover the medical costs that fall due; and
- Mortality risk: If members live longer than expected, the Group is exposed to the expense of medical claims for a longer period, with increased likelihood of needing to pay claims.

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

	2023 £000	2022 £000
Present value of unfunded obligations and net obligations in the statement of financial position	**4,801**	4,960
Movements in the net obligations recognised in the statement of financial position are as follows:		
At 1 January	**4,960**	7,058
Total expense charged to profit or loss	**230**	132
Net actuarial gains during the year, recognised in other comprehensive income	**(120)**	(2,100)
Benefits paid	**(269)**	(130)
At 31 December	**4,801**	4,960
The amounts recognised through profit or loss are as follows:		
Interest cost	**230**	132
Total, included in employee benefits expense	**230**	132

The weighted average duration of the net obligations at the end of the reporting period is 10.0 years (2022: 10.5 years).

The main actuarial assumptions for the plan are a long-term increase in medical costs of 7.14% (2022: 7.31%) and a discount rate of 4.50% (2022: 4.77%). An actuarial loss of £172,000 has been recognised in the current year due to the increase in the discount rate. This has been offset by an actuarial gain of £183,000 arising from changes in mortality assumptions, and a £109,000 gain due to changes in inflation. In the prior year, an actuarial gain of £2,012,000 was recognised as a result of an increase in the discount rate. The sensitivity analysis below has been determined based on reasonably possible changes in the assumptions occurring at the end of the accounting period assuming that all other assumptions are held constant.

Assumption	**Change in assumption**	**(Decrease)/increase in plan liabilities** 2023 £000	2022 £000
Discount rate	Increase by 0.5%	**(286)**	(239)
	Decrease by 0.5%	**315**	260
Medical expense inflation	Increase by 1.0%	**595**	497
	Decrease by 1.0%	**(506)**	(433)
Life expectancy	Increase by 1 year	**360**	372
	Decrease by 1 year	**(336)**	(340)

Notes to the financial statements

21 Property, plant and equipment

Group	Land and buildings £000	Motor vehicles £000	Furniture, fittings and equipment £000	Computer equipment £000	Right-of-use asset £000	Total £000
Cost or valuation						
At 1 January 2023	**1,465**	**98**	**16,293**	**12,526**	**30,458**	**60,840**
Additions	**-**	**78**	**3,091**	**684**	**8,445**	**12,298**
Acquisition	**-**	**51**	**1,014**	**-**	**4,483**	**5,548**
Disposals	**-**	**(18)**	**(305)**	**(12)**	**(730)**	**(1,065)**
Revaluation	**885**	**-**	**-**	**-**	**-**	**885**
Exchange differences	**-**	**-**	**(90)**	**(56)**	**(151)**	**(297)**
At 31 December 2023	**2,350**	**209**	**20,003**	**13,142**	**42,505**	**78,209**
Depreciation						
At 1 January 2023	**-**	**98**	**7,342**	**9,143**	**9,822**	**26,405**
Charge for the year	**-**	**19**	**1,505**	**1,748**	**3,918**	**7,190**
Acquisition	**-**	**7**	**445**	**-**	**453**	**905**
Disposals	**-**	**-**	**(301)**	**(9)**	**(353)**	**(663)**
Exchange differences	**-**	**-**	**(42)**	**(43)**	**(63)**	**(148)**
At 31 December 2023	**-**	**124**	**8,949**	**10,839**	**13,777**	**33,689**
Net book value at 31 December 2023	**2,350**	**85**	**11,054**	**2,303**	**28,728**	**44,520**
Cost or valuation						
At 1 January 2022	1,465	210	16,782	9,988	33,588	62,033
Additions	-	45	573	3,135	771	4,524
Disposals	-	(157)	(1,212)	(654)	(4,188)	(6,211)
Exchange differences	-	-	150	57	287	494
At 31 December 2022	1,465	98	16,293	12,526	30,458	60,840
Depreciation						-
At 1 January 2022	-	173	7,016	7,631	8,744	23,564
Charge for the year	-	19	1,342	1,942	3,671	6,974
Disposals	-	(94)	(1,075)	(473)	(2,712)	(4,354)
Exchange differences	-	-	59	43	119	221
At 31 December 2022	-	98	7,342	9,143	9,822	26,405
Net book value at 31 December 2022	1,465	-	8,951	3,383	20,636	34,435

Included within land and buildings is a property held for sale at 31 December 2023 with a value of £1,750,000.

All properties of the Group and Parent, other than those held for sale, were last revalued at 31 December 2023. Valuations were carried out by Cluttons LLP, an independent professional firm of chartered surveyors who have recent experience in the location and type of properties. Valuations were carried out using standard industry methodology to determine a fair value. All properties are classified as level 3 assets.

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

The value of land and buildings on a historical cost basis is £1,464,000 (2022: £1,464,000).

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

Notes to the financial statements

22 Investment property

	2023 £000	2022 £000
Fair value at 1 January	**140,846**	163,355
Disposals	**(3,382)**	(1,300)
Fair value losses recognised in profit or loss	**(6,651)**	(21,209)
Fair value at 31 December	**130,813**	140,846

The Group's investment properties were last revalued at 31 December 2023 by Cluttons LLP, an independent professional firm of chartered surveyors who have recent experience in the location and type of properties. Valuations were carried out using standard industry methodology to determine a fair value. There has been no change in the valuation technique during the year. All properties are classified as level 3 assets. There have been no transfers between investment categories in the current year.

Investment properties are held for long-term capital appreciation rather than short-term sale. Rental income arising from the investment properties owned by both the Group and Parent amounted to £8,647,000 (2022: £8,836,000) and is included in net investment return.

23 Financial investments

Financial investments summarised by measurement category are as follows:

	2023 Group £000	2023 Parent £000	*Re-presented** 2022 Group £000	*Re-presented** 2022 Parent £000
Financial investments at fair value through profit or loss				
Equity securities				
- listed	**250,107**	**-**	234,360	-
- unlisted	**90,190**	**13,291**	99,870	14,470
Debt securities				
- government bonds	**202,250**	**-**	159,659	-
- listed	**316,672**	**-**	334,323	-
- unlisted	**-**	**-**	-	-
Structured notes	**94,970**	**-**	56,138	-
Funeral plan investments	**457,685**	**-**	485,213	-
Derivative financial instruments				
- options	**-**	**-**	100	-
- forwards	**824**	**-**	655	-
	1,412,698	**13,291**	1,370,318	14,470
Loans and receivables				
Other loans	**34**	**-**	79,423	78,310
Parent investments in subsidiary undertakings				
Shares in subsidiary undertakings				
- listed	**-**	**6,264**	-	6,264
- unlisted	**-**	**81,601**	-	5,027
Total financial investments	**1,412,732**	**101,156**	1,449,741	104,071
Current	**524,510**	**-**	794,925	21,622
Non-current	**888,222**	**101,156**	654,816	82,449

* Prior year comparatives have been re-presented to reflect the current year disclosures for composition of OEICs and debt securities. OEICs previously included in equity securities but relating to bond OEICs and debt securities previously included in government bonds but relating to listed debt have been re-presented to better reflect the nature of the assets and requirements of IFRS 7.

The Group's exposure to interest rate risk is detailed in note 4(c).

Notes to the financial statements

24 Derivative financial instruments

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

The Group has also formally designated certain derivatives as a hedge of its net investments in Australia and Canada. A gain of £4,860,000 (2022: loss of £4,514,000) in respect of these 'hedge' derivatives has been recognised in the hedging reserve within shareholders' equity, as disclosed in note 28. The Group has formally assessed and documented the effectiveness of derivatives that qualify for hedge accounting in accordance with IFRS 9, *Financial Instruments*.

Group		**2023**			2022	
	Contract/ notional amount £000	**Fair value asset £000**	**Fair value liability £000**	Contract/ notional amount £000	Fair value asset £000	Fair value liability £000
Non-hedge derivatives						
Equity/Index contracts						
Options	-	-	-	100	100	-
Foreign exchange contracts						
Forwards (Euro)	**120,115**	**824**	-	93,712	-	2,475
Hedge derivatives						
Foreign exchange contracts						
Forwards (Australian dollar)	**54,584**	-	**1,156**	55,742	-	759
Forwards (Canadian dollar)	**52,960**	-	**1,225**	48,442	655	-
	227,659	**824**	**2,381**	197,996	755	3,234

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

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

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

Derivative fair value assets are recognised within financial investments (note 23) and derivative fair value liabilities are recognised within other liabilities (note 33).

Notes to the financial statements

25 Other assets

	2023		*Restated** 2022	
	Group £000	**Parent £000**	Group £000	Parent £000
Accrued interest and rent	**16,228**	**200**	4,122	-
Other prepayments and accrued income	**13,412**	-	10,234	200
Amounts owed by related parties	**805**	**91,149**	1,902	3,406
Debtors arising from broking activities	**5,761**	-	3,442	-
Other debtors	**21,670**	**187**	20,759	104
	57,876	**91,536**	40,459	3,710
Current	**52,550**	**5,657**	37,977	1,910
Non-current	**5,326**	**85,879**	2,482	1,800

*The comparative financial statements have been restated as detailed in note 41.

Included within amounts due from agents, brokers and intermediaries of the Group is a letter of credit for £2,000,000 (2022: £2,000,000).

Included within other debtors of the Group is £978,000 (2022: £1,699,000) classified as contract assets and £1,843,000 (2022: £2,483,000) classified as receivables in accordance with IFRS 15.

26 Cash and cash equivalents

	2023		2022	
	Group £000	**Parent £000**	Group £000	Parent £000
Cash at bank and in hand	**115,761**	**3,205**	97,212	1,199
Short-term bank deposits	**51,083**	-	48,659	-
	166,844	**3,205**	145,871	1,199

Included within short-term bank deposits of the Group and Parent are cash deposits of £3,810,000 (2022: £8,810,000) pledged as collateral by way of cash margins on open derivative contracts to cover derivative liabilities. Included within cash at bank and in hand of the Group and Parent are amounts of £911,000 (2022: £866,000) held in accordance with the third country branch requirements of the European Union.

Included within Group cash at bank and in hand are amounts of £12,557,000 (2022: £15,109,000) pledged as collateral by way of cash calls from reinsurers, and £18,633,497 (2022: £13,380,000) of restricted cash held on an agency basis.

Notes to the financial statements

27 Share capital

	2023 £000	2022 £000
Issued, allotted and fully paid		
Ordinary share capital		
20,000,000 shares of £1 each (2022: 20,000,000)	20,000	20,000

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

28 Translation and hedging reserve

Group	Translation reserve £000	Hedging reserve £000	Total £000
At 1 January 2023	18,839	716	19,555
Losses on currency translation differences	(4,024)	-	(4,024)
Gains on net investment hedges	-	4,860	4,860
Attributable tax	-	(689)	(689)
At 31 December 2023	14,815	4,887	19,702
At 1 January 2022	13,196	4,406	17,602
Gains on currency translation differences	5,643	-	5,643
Losses on net investment hedges	-	(4,514)	(4,514)
Attributable tax	-	824	824
At 31 December 2022 (as restated*)	18,839	716	19,555

*The comparative financial statements have been restated as detailed in note 41.

The translation reserve arises on consolidation of the Group's and Parent'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.

29 Non-controlling interests

Non-controlling interests comprise 95.6% (2022: 95.6%) of the 106,450,000 (2022: 106,450,000) 8.625% Non-Cumulative Irredeemable Preference shares (NcIPs) in Ecclesiastical Insurance Office plc.

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

On 30 June 2023 Benefact Group acquired a further 10.1% of the issued share capita of Lloyd & Whyte (L&W), taking its shareholding to 50.1%. As a result £13.7m minority interest has been recognised.

Notes to the financial statements

30 Insurance liabilities and reinsurance assets

	2023 Group £000	2023 Parent £000	Restated* 2022 Group £000	Restated* 2022 Parent £000
Gross				
General insurance contract liabilities for incurred claims	634,819	-	636,638	-
General insurance contract liabilities for remaining coverage	90,994	-	93,645	-
Life insurance contract liabilities for remaining coverage	385	-	456	-
Total gross insurance contract liabilities	726,198	-	730,739	-
Recoverable from reinsurers				
General reinsurance contract assets for incurred claims	179,928	-	202,474	-
General reinsurance contract assets for remaining coverage	40,180	-	37,650	-
Total reinsurers' share of insurance liabilities	220,108	-	240,124	-
Net				
General insurance contract liabilities for incurred claims	454,891	-	434,164	-
General insurance contract liabilities for remaining coverage	50,814	-	55,995	-
Life insurance contract liabilities for remaining coverage	385	-	456	-
Total net insurance liabilities	506,090	-	490,615	-
Gross insurance liabilities				
Current	306,411	-	399,204	-
Non-current	419,787	-	331,535	-
Reinsurance assets				
Current	127,365	-	161,411	-
Non-current	92,743	-	78,713	-

*The comparative financial statements have been restated as detailed in note 41.

Notes to the financial statements

30 Insurance liabilities and reinsurance assets (continued)

	Insurance contract liabilities			Reinsurance contract assets		
	General liabilities for remaining coverage £000	General liabilities for incurred claims £000	Life liabilities for remaining coverage £000	General assets for remaining coverage £000	General assets for incurred claims £000	Total £000
At 1 January 2022	89,713	604,297	21,243	(39,633)	(163,133)	512,487
Insurance revenue	(528,583)	-	(58)	-	-	(528,641)
Incurred claims and other insurance service expenses	-	347,499	-	-	-	347,499
Changes that relate to current service	-	-	(12,573)	-	-	(12,573)
Changes that relate to past service	-	(18,331)	-	-	-	(18,331)
Losses on onerous contracts and reversal of those losses	781	-	-	-	-	781
Insurance acquisition cash flows amortisation	105,478	-	-	-	-	105,478
Insurance service expenses	106,259	329,168	(12,573)	-	-	422,854
Insurance service result before reinsurance contracts held	(422,324)	329,168	(12,631)	-	-	(105,787)
Allocation of reinsurance premiums	-	-	-	130,675	-	130,675
Recoveries of incurred claims and other insurance service expenses	-	-	-	6,800	(117,492)	(110,692)
Changes that relate to past service	-	-	-	-	5,606	5,606
Recoveries of losses on onerous contracts and reversal of	-	-	-	-	-	-
those losses	-	-	-	(814)	-	(814)
Net expense/(income) from reinsurance contracts	-	-	-	136,661	(111,886)	24,775
Finance income from insurance contracts issued	-	(44,370)	-	-	-	(44,370)
Finance expense from reinsurance contracts held	-	-	-	-	6,704	6,704
Net insurance financial result	-	(44,370)	-	-	6,704	(37,666)
Total amounts recognised in statement of profit or loss	(422,324)	284,798	(12,631)	136,661	(105,182)	(118,678)
Exchange differences	2,129	14,185	-	(1,043)	(4,497)	10,774
Premiums received	537,656	-	-	-	-	537,656
Insurance acquisition cash flows	(113,529)	-	-	-	-	(113,529)
Claims and other directly attributable expenses paid	-	(266,642)	(8,156)	-	-	(274,798)
Premiums paid	-	-	-	(133,635)	-	(133,635)
Amounts received	-	-	-	-	70,338	70,338
Total cash flows	424,127	(266,642)	(8,156)	(133,635)	70,338	86,032
At 31 December 2022	93,645	636,638	456	(37,650)	(202,474)	490,615

Notes to the financial statements

30 Insurance liabilities and reinsurance assets (continued)

	Insurance contract liabilities			Reinsurance contract assets		
	General liabilities for remaining coverage £000	General liabilities for incurred claims £000	Life liabilities for remaining coverage £000	General assets for remaining coverage £000	General assets for incurred claims £000	Total £000
At 31 December 2022	93,645	636,638	456	(37,650)	(202,474)	490,615
Adjustment on initial application of IFRS 9	*(505)*	-	-	-	-	*(505)*
At 1 January 2023	93,140	636,638	456	(37,650)	(202,474)	490,110
Insurance revenue	(579,975)	-	(147)	-	-	(580,122)
Incurred claims and other insurance service expenses	-	308,069	-	-	-	308,069
Changes that relate to current service	-	-	137	-	-	137
Changes that relate to past service	-	(24,547)	-	-	-	(24,547)
Losses on onerous contracts and reversal of those losses	155	-	-	-	-	155
Insurance acquisition cash flows amortisation	116,289	-	-	-	-	116,289
Insurance service expenses	116,444	283,522	137	-	-	400,103
Insurance service result before reinsurance contracts held	(463,531)	283,522	(10)	-	-	(180,019)
Allocation of reinsurance premiums	-	-	-	148,094	-	148,094
Recoveries of incurred claims and other insurance service expenses	-	-	-	5,013	(77,048)	(72,035)
Changes that relate to past service	-	-	-	-	31,024	31,024
Recoveries of losses on onerous contracts and reversal of those losses	-	-	-	91	-	91
Net expense/(income) from reinsurance contracts	-	-	-	153,198	(46,024)	107,174
Finance expense from insurance contracts issued	-	24,102	-	-	-	24,102
Finance income from reinsurance contracts held	-	-	-	-	(7,190)	(7,190)
Net insurance financial result	-	24,102	-	-	(7,190)	16,912
Total amounts recognised in statement of profit or loss	(463,531)	307,624	(10)	153,198	(53,214)	(55,933)
Exchange differences	(1,661)	(13,309)	-	929	5,220	(8,821)
Premiums received	596,793	-	-	-	-	596,793
Insurance acquisition cash flows	(133,747)	-	-	-	-	(133,747)
Claims and other directly attributable expenses paid	-	(296,134)	(61)	-	-	(296,195)
Premiums paid	-	-	-	(156,657)	-	(156,657)
Amounts received	-	-	-	-	70,540	70,540
Total cash flows	463,046	(296,134)	(61)	(156,657)	70,540	80,734
At 31 December 2023	90,994	634,819	385	(40,180)	(179,928)	506,090

Notes to the financial statements

30 Insurance liabilities and reinsurance assets (continued)

(a) General business insurance contracts
(i) Reconciliation of the liability for remaining coverage

Insurance contracts issued	PAA Excluding loss component £000	PAA Loss component £000	GMM Liability for remaining coverage £000	Total £000
At 1 January 2022	87,181	1,782	750	89,713
Insurance revenue	(528,558)	-	(25)	(528,583)
Losses on onerous contracts and reversal of those losses	-	806	(25)	781
Insurance acquisition cash flows amortisation	105,478	-	-	105,478
Insurance service expenses/(income)	105,478	806	(25)	106,259
Total amounts recognised in statement of profit or loss	(423,080)	806	(50)	(422,324)
Exchange differences	2,050	79	-	2,129
Premiums received	537,656	-	-	537,656
Insurance acquisition cash flows	(113,529)	-	-	(113,529)
Total cash flows	424,127	-	-	424,127
At 31 December 2022	90,278	2,667	700	93,645
Adjustment on initial application of IFRS 9	*(505)*	-	-	*(505)*
At 1 January 2023	89,773	2,667	700	93,140
Insurance revenue	**(579,975)**	-	-	**(579,975)**
Losses on onerous contracts and reversal of those losses	-	**155**	-	**155**
Insurance acquisition cash flows amortisation	**116,289**	-	-	**116,289**
Insurance service expenses	**116,289**	**155**	-	**116,444**
Total amounts recognised in statement of profit or loss	**(463,686)**	**155**	-	**(463,531)**
Exchange differences	**(1,531)**	**(130)**	-	**(1,661)**
Premiums received	**596,793**	-	-	**596,793**
Insurance acquisition cash flows	**(133,747)**	-	-	**(133,747)**
Total cash flows	**463,046**	-	-	**463,046**
At 31 December 2023	**87,602**	**2,692**	**700**	**90,994**

Reconciliation of insurance acquisition cash flows asset

Group	2023 £000	2022 £000
At 1 January	**56,435**	50,194
Cash flows recognised as an asset during the year	**38,288**	32,610
Amounts derecognised on initial recognition of groups of insurance contracts	**(27,843)**	(27,530)
Exchange differences	**(963)**	1,161
At 31 December	**65,917**	56,435

Notes to the financial statements

30 Insurance liabilities and reinsurance assets (continued)

(ii) Reconciliation of the liability for incurred claims

Insurance contracts issued	Estimates of present value of future cash flows £000	Risk adjustment for non-financial risk £000	Total £000
At 1 January 2022	496,941	107,356	604,297
Incurred claims and other insurance service expenses	329,841	17,658	347,499
Changes that relate to past service	21,054	(39,385)	(18,331)
Insurance service expenses/(income)	350,895	(21,727)	329,168
Insurance service result before reinsurance contracts held	350,895	(21,727)	329,168
Finance income from insurance contracts issued	(44,370)	-	(44,370)
Net insurance financial result	(44,370)	-	(44,370)
Total amounts recognised in statement of profit or loss	306,525	(21,727)	284,798
Exchange differences	11,681	2,504	14,185
Claims and other directly attributable expenses paid	(266,642)	-	(266,642)
Total cash flows	(266,642)	-	(266,642)
At 31 December 2022	548,505	88,133	636,638
Incurred claims and other insurance service expenses	**293,527**	**14,542**	**308,069**
Changes that relate to past service	**(3,659)**	**(20,888)**	**(24,547)**
Insurance service expenses/(income)	**289,868**	**(6,346)**	**283,522**
Insurance service result before reinsurance contracts held	**289,868**	**(6,346)**	**283,522**
Finance expense from insurance contracts issued	**24,102**	-	**24,102**
Net insurance financial result	**24,102**	-	**24,102**
Total amounts recognised in statement of profit or loss	**313,970**	**(6,346)**	**307,624**
Exchange differences	**(11,362)**	**(1,947)**	**(13,309)**
Claims and other directly attributable expenses paid	**(296,134)**	-	**(296,134)**
Total cash flows	**(296,134)**	-	**(296,134)**
At 31 December 2023	**554,979**	**79,840**	**634,819**

Notes to the financial statements

30 Insurance liabilities and reinsurance assets (continued)

(iii) Reconciliation of the asset for remaining coverage

Reinsurance contracts held	Excluding loss recovery component £000	Loss recovery component £000	Total £000
At 1 January 2022	38,157	1,476	39,633
Allocation of reinsurance premiums	(130,675)	-	(130,675)
Recoveries of incurred claims and other insurance service expenses	(6,800)	-	(6,800)
Recoveries of losses on onerous contracts and reversal of those losses	-	814	814
Net (expense)/income from reinsurance contracts	(137,475)	814	(136,661)
Total amounts recognised in statement of profit or loss	(137,475)	814	(136,661)
Exchange differences	972	71	1,043
Premiums paid	133,635	-	133,635
Total cash flows	133,635	-	133,635
At 31 December 2022	35,289	2,361	37,650
Allocation of reinsurance premiums	**(148,094)**	**-**	**(148,094)**
Recoveries of incurred claims and other insurance service expenses	**(5,013)**	**-**	**(5,013)**
Recoveries of losses on onerous contracts and reversal of those losses	**-**	**(91)**	**(91)**
Net expense from reinsurance contracts	**(153,107)**	**(91)**	**(153,198)**
Total amounts recognised in statement of profit or loss	**(153,107)**	**(91)**	**(153,198)**
Exchange differences	**(812)**	**(117)**	**(929)**
Premiums paid	**156,657**	**-**	**156,657**
Total cash flows	**156,657**	**-**	**156,657**
At 31 December 2023	**38,027**	**2,153**	**40,180**

Notes to the financial statements

30 Insurance liabilities and reinsurance assets (continued)

(iv) Reconciliation of the asset for incurred claims

Reinsurance contracts held	Estimates of present value of future cash flows £000	Risk adjustment for non-financial risk £000	Total £000
At 1 January 2022	135,229	27,904	163,133
Recoveries of incurred claims and other insurance service expenses	108,571	8,921	117,492
Changes that relate to past service	6,404	(12,010)	(5,606)
Net income/(expense) from reinsurance contracts	114,975	(3,089)	111,886
Finance expense from reinsurance contracts held	(6,704)	-	(6,704)
Net insurance financial result	(6,704)	-	(6,704)
Total amounts recognised in statement of profit or loss	108,271	(3,089)	105,182
Exchange differences	3,558	939	4,497
Amounts received	(70,338)	-	(70,338)
Total cash flows	(70,338)	-	(70,338)
At 31 December 2022	176,720	25,754	202,474
Recoveries of incurred claims and other insurance service expenses	**71,621**	**5,427**	**77,048**
Changes that relate to past service	**(19,275)**	**(11,749)**	**(31,024)**
Net income/(expense) from reinsurance contracts	**52,346**	**(6,322)**	**46,024**
Finance income from reinsurance contracts held	**7,190**	**-**	**7,190**
Net insurance financial result	**7,190**	**-**	**7,190**
Total amounts recognised in statement of profit or loss	**59,536**	**(6,322)**	**53,214**
Exchange differences	**(4,385)**	**(835)**	**(5,220)**
Amounts received	**(70,540)**	**-**	**(70,540)**
Total cash flows	**(70,540)**	**-**	**(70,540)**
At 31 December 2023	**161,331**	**18,597**	**179,928**

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

Chain ladder methods extrapolate paid amounts, incurred amounts (paid claims plus case estimates) and the number of claims or average cost of claims, to ultimate claims based on the development of previous years. This method assumes that previous patterns are a reasonable guide to future developments. Where this assumption is felt to be unreasonable, adjustments are made or other methods such as Bornhuetter-Ferguson or average cost are used. The Bornhuetter-Ferguson method places more credibility on expected loss ratios for the most recent loss years. For smaller portfolios the materiality of the business and data available may also shape the methods used in reviewing reserve adequacy.

The selection of results for each accident year and for each portfolio depends on an assessment of the most appropriate method. Sometimes a combination of techniques is used. The average weighted term to payment is calculated separately by class of business and is based on historical settlement patterns.

(vi) Risk Adjustment for non-financial risk
The Risk Adjustment for non-financial risk is the compensation the Group requires for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk as it fulfils insurance contracts. Uncertainty is assessed using actuarial methods to quantify the variability in undiscounted net outcomes on an ultimate horizon.

The Group's risk appetite is to hold claims reserves, including a net Risk Adjustment, equating to at least a 75% probability of sufficiency. This approach generally results in a favourable release of provisions in the current financial year, arising from the settlement of claims relating to previous financial years.

Overall, it is estimated that the booked net Risk Adjustment provides for a confidence level of approximately 90% (2022: 90%), which is established by comparing the uplift for the booked net Risk Adjustment to the uncertainty distribution. Percentile estimates for loss distributions are highly uncertain as they contain a large number of judgements on possible future outcomes. This means that the percentile may see some fluctuation year on year due to inherent volatility.

Notes to the financial statements

30 Insurance liabilities and reinsurance assets (continued)

(vii) Calculation of provisions for latent claims
The Group adopts commonly used industry methods including those based on claims frequency and severity and benchmarking.

(viii) Discounting
General insurance outstanding claims provisions have been discounted by applying currency and term specific discount rates in the following territories:

Geographical territory	Discount rate 2023	Discount rate *Restated** 2022	Mean term of liabilities (years) 2023	Mean term of liabilities (years) *Restated** 2022
UK and Ireland	**4.0% to 5.3%**	3.6% to 5.4%	**7.5**	7.5
Canada	**3.5% to 4.7%**	4.5% to 5.2%	**4.3**	4.3
Australia	**3.9%**	3.8%	**3.6**	3.9

*The comparative financial statements have been restated as detailed in note 41.

The above rates of interest are based on government bond yields of the relevant currency and term at the reporting date. Adjustments are made, where appropriate, to reflect the illiquidity of the liabilities. At the year end the undiscounted gross outstanding claims liability was £738,352,000 for the Group (2022 restated: £734,839,000).

The impact of discount rate changes on the outstanding claims liability is presented within net insurance financial result (note 9).

The sensitivity of Group profit or loss and other equity reserves to interest rate risk, taking into account the mitigating effect on asset values is provided in note 4(h).

(ix) Assumptions
The Group follows a process of reviewing its reserves for outstanding claims on a regular basis. This involves an appraisal of each reserving class with respect to ultimate claims liability for the recent exposure period as well as for earlier periods, together with a review of the factors that have the most significant impact on the assumptions used to determine the reserving methodology. The work conducted is subject to an internal peer review and management sign-off process.

The most significant assumptions in determining the undiscounted general insurance reserves are the anticipated number and ultimate settlement cost of claims, and the extent to which reinsurers will share in the cost. Factors which influence decisions on assumptions include legal and judicial changes, significant weather events, other catastrophes, subsidence events, exceptional claims or substantial changes in claims experience and developments in older or latent claims. Significant factors influencing assumptions about reinsurance are the terms of the reinsurance treaties, the anticipated time taken to settle a claim and the incidence of large individual and aggregated claims.

(x) Changes in assumptions
There are no significant changes in approach but we continue to evolve estimates in light of underlying experience.

(xi) Sensitivity of results
The sensitivity of profit before tax to reasonably possible final settlement assumptions used to calculate the general insurance liabilities is shown in the following table. No account has been taken of any correlation between the assumptions.

	Change in variable	Potential (decrease)/increase in the result 2023 Gross £000	2023 Net £000	2022 Gross £000	2022 Net £000
Deterioration in loss ratio	+1%	**(5,791)**	**(3,301)**	(5,280)	(3,040)
Improvement in loss ratio	-1%	**5,791**	**3,301**	5,280	3,040
Increase in net liability for incurred claims excluding risk adjustment	+10%	**(55,498)**	**(39,365)**	(54,851)	(37,179)
Decrease in net liability for incurred claims excluding risk adjustment	-10%	**55,498**	**39,365**	54,851	37,179
Increase in risk adjustment*	+1%	**(6,590)**	**(4,842)**	(6,531)	(4,642)
Decrease in risk adjustment*	-1%	**6,590**	**4,842**	6,531	4,642

* Calculated on undiscounted present value of future cash flows

At 31 December 2023, it is estimated that a fall of 1% in the discount rates used would increase the Group's net outstanding claims liabilities and decrease profit before tax and equity by £14,314,000 (2022 restated: £16,444,000).

Notes to the financial statements

30 Insurance liabilities and reinsurance assets (continued)

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

Estimate of ultimate net claims

Group	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000	2021 £000	2022 £000	2023 £000	Total £000
At end of year	59,633	42,739	47,402	45,920	44,053	44,230	45,459	47,289	47,599	52,252	
One year later	47,690	40,397	41,631	41,706	37,456	39,842	37,509	47,102	45,575		
Two years later	47,428	37,740	37,740	37,797	32,867	37,243	36,193	45,079			
Three years later	41,494	32,297	36,337	34,818	31,647	39,164	37,579				
Four years later	35,164	28,506	35,217	36,431	32,884	39,248					
Five years later	33,233	27,418	32,993	36,550	31,722						
Six years later	33,309	30,544	33,896	38,618							
Seven years later	34,245	30,296	34,297								
Eight years later	35,233	29,231									
Nine years later	34,173										
Current estimate of ultimate claims	34,173	29,231	34,297	38,618	31,722	39,248	37,579	45,079	45,575	52,252	387,774
Cumulative payments to date	(28,362)	(22,255)	(24,486)	(25,187)	(17,612)	(19,729)	(13,594)	(8,214)	(4,468)	(1,553)	(165,460)
Outstanding liability	5,811	6,976	9,811	13,431	14,110	19,519	23,985	36,865	41,107	50,699	222,314
Effect of discounting											(53,593)
Present value											168,721
Discounted liability in respect of earlier years											108,849
Total discounted net liability for liability classes											277,570
Total discounted gross liability for non-liability classes and all expenses											177,321
Total discounted net liability included in insurance liabilities in the statement of financial position											454,891

Notes to the financial statements

30 Insurance liabilities and reinsurance assets (continued)

(b) Life business insurance contracts
(i) Reconciliation of the liability for remaining coverage

Insurance contracts issued	Estimates of present value of future cash flows £000	Risk adjustment for non-financial risk £000	Contractual service margin £000	Total £000
At 1 January 2022	19,267	454	1,522	21,243
Changes that relate to current service				
CSM recognised in profit or loss for the services provided	-	-	-	-
Change in the risk adjustment for non-financial risk for the risk expired	-	1,224	-	1,224
Experience adjustments	(13,855)	-	-	(13,855)
	(13,855)	1,224	-	(12,631)
Changes that relate to future service				
Changes in estimates that adjust the CSM	-	-	-	-
Changes in estimates that result in onerous contract losses or reversal of	-	-	-	-
Contracts initially recognised in the period	-	-	-	-
	-	-	-	-
Insurance service result	(13,855)	1,224	-	(12,631)
Finance income from insurance contracts issued	-	-	-	-
Net insurance financial result	-	-	-	-
Total amounts recognised in statement of profit or loss	(13,855)	1,224	-	(12,631)
Claims and other directly attributable expenses paid	(5,002)	(1,676)	(1,478)	(8,156)
Total cash flows	(5,002)	(1,676)	(1,478)	(8,156)
At 31 December 2022	410	2	44	456
Changes that relate to current service				
CSM recognised in profit or loss for the services provided	-	-	-	-
Change in the risk adjustment for non-financial risk for the risk expired	-	**20**	-	**20**
Experience adjustments	**(30)**	-	-	**(30)**
	(30)	**20**	-	**(10)**
Changes that relate to future service				
Changes in estimates that adjust the CSM	-	-	-	-
Changes in estimates that result in onerous contract losses or reversal of	-	-	-	-
Contracts initially recognised in the period	-	-	-	-
	-	-	-	-
Insurance service result	**(30)**	**20**	-	**(10)**
Finance income from insurance contracts issued	-	-	-	-
Net insurance financial result	-	-	-	-
Total amounts recognised in statement of profit or loss	**(30)**	**20**	-	**(10)**
Claims and other directly attributable expenses paid	**(43)**	**(20)**	**2**	**(61)**
Total cash flows	**(43)**	**(20)**	**2**	**(61)**
At 31 December 2023	**337**	**2**	**46**	**385**

Notes to the financial statements

30 Insurance liabilities and reinsurance assets (continued)

(ii) Assumptions
The most significant assumptions in determining life reserves are as follows:

Mortality
An appropriate base table of standard mortality is chosen depending on the type of contract. Where prudent, an allowance is made for future mortality improvements based on trends identified in population data. For both 2023 and 2022 the base tables used were ELF16F and ELT16M with a 1% improvement applied each year.

Discounting
The nominal discount rate curve is calculated on a bottom up basis. The risk free curve is based on the UK government bond yield curve. A liquidity premium based on the return on a notional index of fixed interest assets, including gilts and corporate bonds, is added to the risk free curve. The liquidity premium is adjusted for credit risk and differences in liquidity between the notional assets and the liabilities.

	2023	*Restated** 2022
Non-Profit Life Business	**3.2% to 5.1%**	2.8% to 4.8%

*The comparative financial statements have been restated as detailed in note 41.

Funeral plans renewal expense level and inflation
Numbers of policies in force and both projected and actual expenses have been considered when setting the base renewal expense level. The unit renewal expense assumption for in-force business is £14.27 per annum (2022: £17.94 per annum).

Expense and benefit inflation curves are set with reference to GBP inflation swaps of various terms, and using linear interpolation between available swap terms.

Tax
It has been assumed that current tax legislation and rates enacted at 1 January 2024 will continue to apply. All in-force business is classed as protection business and is expected to be taxed on a profits basis.

(iii) Changes in assumptions
Projected investment returns have been revised in line with the changes in the actual yields of the underlying assets. As a result, liabilities have increased by £0.6m (2022: £15.0m decrease).

The assumed future expenses of running the business have been revised based on expenses that are expected to be incurred by the company. The effect on insurance liabilities of the changes to renewal expense assumptions (described above) was a £0.5m decrease (2022: £0.3m decrease).

Notes to the financial statements

30 Insurance liabilities and reinsurance assets (continued)

(iv) Sensitivity analysis
The sensitivity of profit before tax to changes in the key assumptions used to calculate the life insurance liabilities is shown in the following table. No account has been taken of any correlation between the assumptions.

Variable	Change in variable	Potential (decrease)/ increase in the result 2023 £000	Restated* 2022 £000
Deterioration in mortality	+10%	**(820)**	(890)
Improvement in mortality	-10%	**960**	1,040
Increase in fixed interest/cash yields	+1% pa	**(340)**	(260)
Decrease in fixed interest/cash yields	-1% pa	**360**	230
Worsening of base renewal expense level	+10%	**20**	30
Improvement in base renewal expense level	-10%	**(20)**	(30)
Increase in expense inflation	+1% pa	**50**	80
Decrease in expense inflation	-1% pa	**(40)**	(60)

*The comparative financial statements have been restated as detailed in note 41.

(v) Maturity analysis
The table below shows the maturity profile of the CSM release.

	Within 1 year £000	Between 1 and 5 years £000	After 5 years £000	Total £000
At 31 December 2023				
CSM release after accretion	4	13	29	46
At 31 December 2022 (restated*)				
CSM release after accretion	4	12	28	44

*The comparative financial statements have been restated as detailed in note 41.

Notes to the financial statements

31 Provisions for other liabilities and contingent liabilities

Group	Regulatory and legal provisions £000	Other provisions £000	Contingent Consideration £000	Total £000
At 1 January 2023	2,420	3,691	-	6,111
Acquisitions	-	659	1,125	1,784
Additional provisions	3,615	577	47	4,239
Used during year	(3,637)	(254)	-	(3,891)
Exchange differences	-	(6)	-	(6)
At 31 December 2023	2,398	4,667	1,172	8,237
Current	2,398	2,008	-	4,406
Non-current	-	2,659	1,172	3,831

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

In addition, from time to time, the Group may be subject to complaints and threatened or actual legal proceedings. Whilst the majority relate to cases where there has been no customer detriment, we recognise that we have provided, and continue to provide, advice and services across a wide spectrum of regulated activities. We therefore believe that it is prudent to hold a provision for the estimated costs of customer complaints relating to services provided. The Group continues to reassess the ultimate level of complaints expected and the appropriateness of the provision, which reflects the expected redress and associated administration costs that would be payable in relation to any complaints

The Group does not include disclosures in relation to contingent liabilities associated with cases where the likelihood of any payment is remote. The Group also does not disclose an estimate of the potential financial impact or effect on the Group of contingent liabilities where it is not currently practicable to do so. The Group is committed to promptly report incidents or cases to the relevant regulator or authority in certain circumstances.

Dilapidations provision
The provision for other costs relates to costs in respect of dilapidations. Dilapidations provisions are based on the Group's best estimate of future expense required to restoring a leased property to its original state on completion of the lease.

Contingent consideration
The provision for contingent consideration relates to the provision held within Lloyd and Whyte, recognised on acquisition.

Notes to the financial statements

32 Deferred tax

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

Group	Unrealised gains on investments £000	Net retirement benefit assets £000	IFRS 17 transition adjustment £000	Other differences £000	Total £000
At 1 January 2022 (as restated*)	45,560	4,386	589	(9,195)	41,340
(Credited)/charged to profit or loss	(8,483)	(67)	116	342	(8,092)
Credited to other comprehensive income	-	(2,822)	-	(485)	(3,307)
Transfer on disposal of subsidiary	-	-	-	61	61
Exchange differences	(22)	-	-	(264)	(286)
At 31 December 2022 (as restated*)	37,055	1,497	705	(9,541)	29,716
(Credited)/charged to profit or loss	**(967)**	**(31)**	**(151)**	**1,190**	**41**
(Credited)/charged to profit or loss - Impact of change in deferred tax rate	**(140)**	**(2)**	**(11)**	**38**	**(115)**
Charged to other comprehensive income	-	**1,183**	-	**521**	**1,704**
Charged to other comprehensive income - Impact of change in deferred tax rate	-	**76**	-	**33**	**109**
Transfer on acquisition of subsidiary	-	-	-	**(572)**	**(572)**
Exchange differences	**115**	-	**(21)**	**183**	**277**
At 31 December 2023	**36,063**	**2,723**	**522**	**(8,148)**	**31,160**

Parent

The deferred tax liability, shown below, arises on unrealised gains on investments. The decrease of £349,000 (2022: increase of £687,000), is recognised in the statement of profit or loss in the year.

*The comparative financial statements have been restated as detailed in note 41.

Certain deferred tax assets and liabilities have been offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2023 Group £000	2023 Parent £000	*Restated** 2022 Group £000	*Restated** 2022 Parent £000
Deferred tax liabilities	**41,159**	**1,731**	40,881	2,080
Deferred tax assets	**(9,999)**	-	(11,165)	-
	31,160	**1,731**	29,716	2,080

*The comparative financial statements have been restated as detailed in note 41.

Included in the above are unused tax losses of £10,114,000 (2022: £10,565,000) arising from life business, which are available for offset against future tax profits and can be carried forward indefinitely.

Notes to the financial statements

33 Other liabilities

	2023 Group £000	2023 Parent £000	*Restated** 2022 Group £000	*Restated** 2022 Parent £000
Derivative liabilities	**2,381**	-	3,234	-
Other creditors	**60,447**	-	36,815	3
Amounts owed to related parties	-	**17,903**	1	5,932
Accruals and deferred income	**44,363**	**140**	38,126	122
	107,191	**18,043**	78,176	6,057
Current	**106,635**	**18,043**	77,564	6,057
Non-current	**556**	-	612	-

*The comparative financial statements have been restated as detailed in note 41.

Derivative liabilities are in respect of equity futures contracts and are detailed in note 24.

Other creditors includes deferred consideration of £nil (2022: £636,000) which relates to the acquisition of the entire issued ordinary share capital of of G.D. Anderson & Co. Limited by Lycett, Browne-Swinburne & Douglass Limited.

Included within deferred income of the Group is £2,522,000 (2022: £2,444,000) classified as contract liabilities in accordance with IFRS 15.

34 Subordinated liabilities

	2023 £000	2022 £000
6.3144% EUR 30m subordinated debt	**25,853**	25,818
	25,853	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.

35 Investment contract liabilities

	2023 £000	2022 £000
Investment contract liabilities	**603,111**	596,270
	603,111	596,270

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

Notes to the financial statements

36 Leases

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

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

Group	Land and buildings £000	Motor vehicles £000	Other equipment £000	Total £000
At 1 January 2023	19,550	973	113	20,636
Acquisition	3,192	-	838	4,030
Additions	8,300	143	2	8,445
Disposals	(303)	(74)	-	(377)
Depreciation expense	(3,536)	(199)	(183)	(3,918)
Exchange differences	(88)	-	-	(88)
At 31 December 2023	27,115	843	770	28,728
At 1 January 2022	23,671	1,010	163	24,844
Additions	349	330	92	771
Disposals	(1,286)	(172)	(18)	(1,476)
Depreciation expense	(3,347)	(196)	(128)	(3,671)
Exchange differences	163	1	4	168
At 31 December 2022	19,550	973	113	20,636

Set out below are the carrying amounts of lease obligations:

Group	2023 £000	2022 £000
Current	5,461	2,446
Non-current	23,556	18,466
	29,017	20,912

Notes to the financial statements

36 Leases (continued)

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

	2023 £000	2022 £000
Depreciation expense of right-of-use assets	3,918	3,671
Interest expense on lease liabilities	1,100	997
Expenses relating to short-term leases	4	16
Expenses relating to low value leases	4	82
	5,026	4,766

The Group had total cash outflows for leases, including interest paid, of £4,655,000 (2022: £4,768,000). The future cash outflows relating to leases that have not yet commenced are disclosed in note 37.

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

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

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

	2023 £000	2022 £000
Year 1	8,261	8,124
Year 2	6,988	7,749
Year 3	5,584	6,547
Year 4	5,005	5,253
Year 5	3,941	4,748
After 5 years	13,397	16,554
	43,176	48,975

37 Commitments

At the year end, the Group had capital commitments of £2,358,000 (2022: £76,000) relating to development costs.

The Group has lease contracts for right-of-use assets that had not commenced at 31 December 2023. These leases will commence in 2024. Leases for other equipment have a term of 4 years with expected cash outflow of £28,000 per annum.

Notes to the financial statements

38 Related undertakings

Ultimate parent company and controlling party
The Company is a wholly-owned subsidiary of Benefact Trust Limited, a company incorporated in England and Wales. Its ultimate parent and controllir company is Benefact Trust Limited, for which copies of the financial statements are available from the registered office as shown in the directors and Company information section of this Annual Report and Accounts. The parent companies of the smallest and largest groups for which group financial statements are drawn up are Benefact Group plc and Benefact Trust Limited, respectively.

Related undertakings
The Company's interest in related undertakings at 31 December 2023 is as follows:

Company	Company Registration Number	Share Capital	2023 Holding of shares by Company	2023 Holding of shares by Group	2022 Holding of shares by Company	2022 Holding of shares by Group	Activity
Subsidiary undertakings							
Incorporated in the United Kingdom							
Ecclesiastical Insurance Office plc [1]	24869	Ordinary	100%	-	100%	-	Insurance
		Preference	4.35%	-	4.35%	-	
Benefact Management Services Limited [1,4]	1811698	Ordinary	100%	-	100%	-	Dormant company
Benefact Broking & Advisory Holdings Limited [1,5]	14493617	Ordinary	100%	-	100%	-	Investment holding company
Ecclesiastical Life Limited [1]	0243111	Ordinary	-	100%	-	100%	Life insurance
Ecclesiastical Financial Advisory Services Limited [1,5]	2046087	Ordinary	-	100%	-	100%	Independent financial adviso
Ecclesiastical Planning Services Limited [1]	02644860	Ordinary		100%	-	100%	Funeral plan administration
Ecclesiastical Underwriting Management Limited [1,5]	02368571	Ordinary	100%	-	100%	-	Insurance management servi
EdenTree Holdings Limited [1,5]	14496067	Ordinary	100%	-	100%	-	Investment holding company
EdenTree Asset Management Limited [1]	11923964	Ordinary	-	100%	-	100%	Investment management
EdenTree Investment Management Limited [1]	2519319	Ordinary	-	100%	-	100%	Investment management
E.I.O. Trustees Limited [1,4]	0941199	Ordinary	-	100%	-	100%	Trustee company
Ecclesiastical Group Healthcare Trustees Limited [1,5]	10988127	Ordinary	-	100%	-	100%	Trustee company
Farmers & Mercantile Insurance Brokers Limited [1,6]	03142714	Ordinary	-	-	-	100%	Insurance agents and brokers
Lycett, Browne-Swinburne & Douglass Limited [1]	00706042	Ordinary	-	100%	-	100%	Insurance agents and brokers
Lycetts Financial Services Limited [1]	02057974	Ordinary	-	100%	-	100%	Independent financial adviso
Lycetts Risk Management Services Limited [1,5]	10906990	Ordinary	-	100%	-	100%	Risk management services
Robertson-McIsaac Limited [1,5]	03544899	Ordinary	-	100%	-	100%	Insurance agents and brokers
G. D. Anderson & Co. Limited [1,5]	00776446	Ordinary	-	100%	-	100%	Insurance agents and brokers
Lycetts Holdings Limited [1,5]	05866203	Ordinary	-	100%	-	100%	Investment holding company
Lloyd & Whyte Group Limited [3]	01143899	Ordinary	-	50.09%	40%	-	Insurance agents and brokers
Mi Specialty Limited [3]	07313009	Ordinary	-	50.09%	40%	-	Insurance
Specialist Broking Retail Limited [3,5]	10301653	Ordinary	-	50.09%	40%	-	Insurance agents and brokers
Direct Corporate Risks Limited [3,5]	12939587	Ordinary	-	50.09%	40%	-	Insurance
Stride Limited [3,5]	01122247	Ordinary	-	50.09%	40%	-	Insurance agents and brokers
Lloyd & Whyte Limited [3,5]	03686765	Ordinary	-	50.09%	40%	-	Insurance agents and brokers
The Medical Insurance Advisory Bureau Limited [3,5]	07217140	Ordinary	-	50.09%	40%	-	Insurance agents and brokers
South Essex Insurance Holdings Limited [1,5]	06317313	Ordinary	-	50.09%	40%	-	Investment holding company
SEIB Insurance Brokers Limited [1,5]	06317314	Ordinary	-	50.09%	40%	-	Insurance agents and brokers
Playle-Russell (Special Risks) Limited [3,5]	03779860	Ordinary	-	50.09%	-	-	Insurance
Lloyd and Whyte (Financial Services) Limited [3,5]	02092560	Ordinary	-	50.09%	40%	-	Financial intermediary
Insurance Broking Finance Limited [3,5]	04981657	Ordinary	-	50.09%	-	-	Insurance agents and brokers
Membership Plans Limited [3,5]	06322047	Ordinary	-	50.09%	40%	-	Insurance agents and brokers
Lloyd & Whyte Community Broking Limited [3,5]	04640518	Ordinary	-	50.09%	40%	-	Insurance agents and brokers
Davies Craddock (Holdings) Limited [3,5]	06523912	Ordinary	-	50.09%	40%	-	Investment holding company
Davies Craddock Limited [3,5]	06403519	Ordinary	-	50.09%	40%	-	Insurance
Cleddau Holdings Limited [3,5]	06537988	Ordinary	-	50.09%	-	-	Investment holding company
Cleddau Insurance Services Limited [3,5]	06542667	Ordinary	-	50.09%	-	-	Insurance agents and brokers
Naturesave Policies Limited [3,5]	02797137	Ordinary	-	50.09%	40%	-	Insurance
Northcott Beaton Limited [3,7]	04773132	Ordinary	-	-	40%	-	Insurance agents and brokers

Notes to the financial statements

38 Related undertakings (continued)

Company	Company Registration Number	Share Capital	2023 Holding of shares by Company	2023 Holding of shares by Group	2022 Holding of shares by Company	2022 Holding of shares by Group	Activity
Incorporated in Australia							
Ansvar Insurance Limited [2]	007216506	Ordinary	-	100%	-	100%	Insurance
Ansvar Insurance Services Pty Limited [2,8]	162612286	Ordinary	-	100%	-	100%	Dormant company
Ansvar Risk Management Services Limited [2]	623695054	Ordinary	-	100%	-	100%	Risk management services
Associated undertakings							
De Novo Risk Solutions Limited [3,9]	10246240	Ordinary	-	20%	-	-	Insurance agents and brokers
Provenance IB Ltd [3,5]	11131702	Ordinary	-	35%	25%	-	Insurance agents and brokers

1 Registered office: Benefact House, 2000 Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester, GL3 4AW, United Kingdom
2 Registered office: Level 5, 1 Southbank Boulevard, Melbourne, VIC 3006, Australia
3 Registered office: Affinity House, Bindon Road, Taunton, Somerset, TA2 6AA
4 Exempt from audit under s480 of the Companies Act 2006
5 Exempt from audit under s479A of the Companies Act 2006
6 Entity was dissolved on 19 December 2023
7 Entity was dissolved on 26 December 2023
8 Exempt from audit
9 Lloyd and Whyte Group Limited, a subsidiary of Benefact Group Plc, acquired 20% of the ordinary share capital of De Novo Risk Solutions Limit on 30 November 2023.

Notes to the financial statements

39 Related party transactions

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

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

	Parent £000	Subsidiaries £000	Other related parties £000
2023			
Group			
Trading, investment and other income, including recharges, and amounts received	-	-	**750**
Trading, investment and other expenditure, including recharges, and amounts paid	**14**	-	**1,362**
Amounts owed by related parties	-	-	**805**
Amounts owed to related parties	-	-	-
Parent			
Trading, investment and other income, including recharges, and amounts received	-	**23,950**	-
Trading, investment and other expenditure, including recharges, and amounts paid	**14**	**41,962**	-
Amounts owed by related parties	-	**91,323**	-
Amounts owed to related parties	-	**152,885**	-
2022			
Group			
Trading, investment and other income, including recharges, and amounts received	-	-	6,361
Trading, investment and other expenditure, including recharges, and amounts paid	14	-	55,345
Amounts owed by related parties	-	-	81,107
Amounts owed to related parties	-	-	-
Parent			
Trading, investment and other income, including recharges, and amounts received	-	55,417	3,996
Trading, investment and other expenditure, including recharges, and amounts paid	14	9,664	55,345
Amounts owed by related parties	-	2,129	79,310
Amounts owed to related parties	-	126,585	-

Trading, investment and other income of the Parent includes loan advances from Subsidiaries totalling £14,100,000 (2022: £54,900,000).

Trading, investment and other expenditure of the Group and Parent consists of loan advances to related parties totalling £6,532,000 (2022: £55,345,000) and share issues of £82,311,000 (2022: £nil) in relation to EdenTree Holdings Limited and Benefact Broking & Advisory Holdings Limited.

On 3 January 2023 two wholly-owned subsidiaries of Ecclesiastical Insurance Office plc, EdenTree Investment Management Limited and Ecclesiastical Financial Advisory Services Limited were transferred to direct ownership of the Benefact Group. Subsequently, the shares of EdenTree Investment Management Limited of £4.7m and EdenTree Asset Management Limited of £6.3m were transferred to EdenTree Holdings Limited and Ecclesiastical Financial Advisory Services Limited of £0.6m, Ecclesiastical Planning Services Limited of £6.4m, Lycetts Holdings Limited of £37.0m and Lloyd & Whyte Group Limited of £13.2m were transferred to Benefact Broking & Advisory Holdings Limited.

On 31 March 2023, the Benefact Group acquired £4.0m of shares in EdenTree Holdings Limited.

On 25 August 2023, the Benefact Group acquired £3.0m of shares in Benefact Broking & Advisory Holdings Limited.

On 29 November 2023, the Benefact Group acquired £10.0m of shares in EdenTree Holdings Limited.

On 30 June 2023 Benefact Broking & Advisory Holdings Limited acquired an additional 10% share in the broker group, Lloyd & Whyte, increasing its ownership to more than 50% and obtaining control. The effect of this transaction was to change the accounting treatment from that of an investment in associate to that of an investment in a subsidiary. As a consequence, the Group recognised a fair value loss of £1.1m in the year, as detailed in note 16.

Amounts owed by related parties to the Parent and Group includes loans of £86,632,000 (2022: £79,310,000) disclosed in note 23 and amounts classified within other assets of £1,809,000 (2022: £2,277,000) disclosed in note 25.

Notes to the financial statements

39 Related party transactions (continued)

Amounts owed to related parties by the Group and by the Parent include insurance liabilities which are included in note 30. Amounts owed to related parties by the Group also includes investment contract liabilities which are included in note 35. Amounts owed to related parties by the Parent includes borrowings of £146,885,382 (2022: £125,808,000).

Transactions and services within the Group are made on commercial terms. With the exception of some insurance liabilities, amounts outstanding between Group companies are unsecured, are not subject to guarantees, and will be settled in cash. No provisions have been made in respect of these balances.

The key management personnel is defined as the Group Management Board (Ecclesiastical's leadership team), Executive and Non-executive directors. The remuneration is shown below.

	2023 £000	2022 £000
Key management personnel		
Wages and salaries	**6,126**	5,411
Social security costs	**677**	750
Pension costs - defined contribution plans	**340**	308
Fees and benefits for non-executive directors	**648**	625
	7,791	7,094

Charitable grants paid to the Group's ultimate Parent undertaking are disclosed in note 15. Contributions paid to and amounts received from the Group's defined benefits schemes are disclosed in note 20.

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

	2023 £000	2022 £000
Salaries and other short-term employee benefits	**2,827**	2,835
Long-term cash incentive	**721**	494
Post-employment benefits	**169**	164
	3,717	3,493

Directors' remuneration includes amounts paid in Canadian dollars. An average exchange rate of 1.67750 Canadian dollars to 1 GBP has been used in respect of the current and prior year.

Post-employment benefits includes £80,000 (2022: £78,000) in respect of contributions to a defined contribution scheme.

No directors who were employed by Ecclesiastical Insurance Office plc were members of the Group's defined benefit pension scheme during the year (2022: no directors). One director (2022: one) was a member of the Group's defined contribution scheme during the year.

	2023 £000	2022 £000
Highest paid director - emoluments	**1,303**	1,196
Chair's fees	**158**	150

Notes to the financial statements

40 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

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, net written premiums and the combined operating ratio to their most directly reconcilable line items in the financial statements.

Group

		2023 £000
Gross written premiums		**615,007**
Change in the gross unearned premium provision		**(35,861)**
Insurance revenue	[1]	**579,146**
Net written premiums		**351,340**
Outward reinsurance premiums written		**263,667**
Change in the gross unearned premium provision		**(35,861)**
Insurance revenue	[1]	**579,146**

		2023							
		Insurance		Inv'mnt return	Inv'mnt mngt	Broking and advisory	Corporate costs	Other income and charges	Total
		General £000	Life £000	£000	£000	£000	£000	£000	£000
Insurance revenue	[1]	579,146	147	832	-	-	-	(3)	580,122
Insurance service (expenses)/income		(415,686)	(137)	15,717	-	-	-	3	(400,103)
Insurance service result before reinsurance contracts held		163,460	10	16,549	-	-	-	-	180,019
Net expense from reinsurance contracts		(107,174)	-	-	-	-	-	-	(107,174)
Insurance service result		56,286	10	16,549	-	-	-	-	72,845
Net insurance financial result		-	-	(16,912)	-	-	-	-	(16,912)
Net investment result		-	1,709	50,851	29	(883)	-	7	51,713
Fee and commission (expense)/income		-	(219)	(2,916)	16,293	58,659	-	-	71,817
Other operating (expenses)/income		(31,766)	(993)	(3,943)	(22,823)	(57,300)	(24,079)	88	(140,816)
Other finance costs		-	-	-	-	(286)	-	(3,150)	(3,436)
Share of profit of associate		-	-	-	-	365	-	-	365
Loss on disposal of subsidiary		-	-	-	-	(1,130)	-	-	(1,130)
Profit/(loss) before tax	[2]	24,520	507	43,629	(6,501)	(575)	(24,079)	(3,055)	34,446

Reconciliation to net earned premiums

Insurance revenue	[1]	579,146
Outward reinsurance premiums earned		(249,091)
Net earned premiums	[3]	330,055
Combined operating ratio = ([3] - [2]) / [3]		92.6%

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].

Notes to the financial statements

40 Reconciliation of Alternative Performance Measures (continued)

Group

		2022 £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
Net written premiums		320,475
Outward reinsurance premiums written		238,069
Change in the gross unearned premium provision		(30,619)
General Measurement Model insurance revenue		25
Insurance revenue	[1]	527,950

		*Restated** 2022							
		Insurance		Inv'mnt return	Inv'mnt mngt	Broking and advisory	Corporate costs	Other income and charges	Total
		General £000	Life £000	£000	£000	£000	£000	£000	£000
Insurance revenue	[1]	527,950	58	642	-	-	-	(9)	528,641
Insurance service (expenses)/income		(437,738)	12,572	2,086	-	-	-	226	(422,854)
Insurance service result before reinsurance contracts held		90,212	12,630	2,728	-	-	-	217	105,787
Net expense from reinsurance contracts		(24,775)	-	-	-	-	-	-	(24,775)
Insurance service result		65,437	12,630	2,728	-	-	-	217	81,012
Net insurance financial result		-	-	37,666	-	-	-	-	37,666
Net investment result		-	(17,496)	(49,080)	(22)	974	-	-	(65,624)
Fee and commission (expenses)/income		-	(104)	(5,741)	18,458	45,015	-	-	57,628
Other operating expenses		(33,919)	(355)	(1,251)	(21,961)	(41,185)	(25,743)	-	(124,414)
Other finance income/(costs)		-	-	40	-	(225)	-	(2,456)	(2,641)
Share of profit of associate		-	-	-	-	1,463	-	-	1,463
Inter-fund transfers		-	-	-	-	-	-	-	-
Profit on disposal of subsidiary		-	-	-	-	14,293	-	-	14,293
Profit/(loss) before tax	[2]	31,518	(5,325)	(15,638)	(3,525)	20,335	(25,743)	(2,239)	(617)

Reconciliation to net earned premiums

Insurance revenue	[1]	527,950
Outward reinsurance premiums earned		(223,955)
General Measurement Model insurance revenue		(25)
Net earned premiums	[3]	303,970
Combined operating ratio = ([3] - [2]) / [3]		89.6%

*The comparatives have been restated as a result of adoption to IFRS 17 Insurance Contracts, as detailed in note 41.

Notes to the financial statements

41 Prior year restatement

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 and Parent have 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 methodology used by the Group to calculate the fair value was based on market consistent embedded value principles. The existing 31/12/2021 Solvency II technical provision calculations were leveraged to calculate the fair value at transition to IFRS 17. The assumptions used in the 31/12/2021 best estimate liabilities were concluded to be appropriate for use by a typical market participant in assessing fair value.

As such this fair value calculation is sensitive to the targeted level of the capital requirement coverage assumed and level of diversification allowed for in the capital requirement calculation. Another material assumption was the cost of capital rate assumed in the cost of the capital element of the fair value calculation. These assumptions were all set to be consistent with an average market participant's expectations.

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 shows the impact of IFRS 17 on the Group's consolidated balance sheet on transition:

Notes to the financial statements

41 Prior year restatement (continued)

	Group		
	As reported 31 December 2022 £000	Impact of IFRS 17 £000	As restated 31 December 2022 £000
Assets			
Goodwill and other intangible assets	53,146	-	53,146
Deferred acquisition costs	52,526	(52,526)	-
Deferred tax assets	9,792	1,373	11,165
Pension surplus	15,338	-	15,338
Investment in associate	12,611	-	12,611
Property, plant and equipment	34,435	-	34,435
Investment property	140,846	-	140,846
Financial investments	1,449,741	-	1,449,741
Reinsurers' share of contract liabilities	306,962	(66,838)	240,124
Current tax recoverable	4,412	-	4,412
Other assets	202,027	(161,568)	40,459
Cash and cash equivalents	145,871	-	145,871
Total assets	2,427,707	(279,559)	2,148,148
Equity			
Share capital	20,000	-	20,000
Retained earnings and other reserves	516,829	783	517,612
Equity attributable to equity holders of the Parent	536,829	783	537,612
Non-controlling interests	101,815	-	101,815
Total equity	638,644	783	639,427
Liabilities			
Insurance contract liabilities	925,896	(195,157)	730,739
Investment contract liabilities	596,270	-	596,270
Borrowings	20,912	-	20,912
Provisions for other liabilities	6,111	-	6,111
Pension deficit	4,412	-	4,412
Retirement benefit obligations	4,960	-	4,960
Deferred tax liabilities	38,803	2,078	40,881
Current tax liabilities	442	-	442
Deferred income	36,166	(36,166)	-
Subordinated liabilities	25,818	-	25,818
Other liabilities	129,273	(51,097)	78,176
Total liabilities	1,789,063	(280,342)	1,508,721
Total shareholders' equity and liabilities	2,427,707	(279,559)	2,148,148

Notes to the financial statements

41 Prior year restatement (continued)

	Group		
	As reported 1 January 2022 £000	Impact of IFRS 17 £000	As restated 1 January 2022 £000
Assets			
Goodwill and other intangible assets	74,261	-	74,261
Deferred acquisition costs	46,027	(46,027)	-
Deferred tax assets	9,607	377	9,984
Pension surplus	28,304	-	28,304
Investment in associate	12,148	-	12,148
Property, plant and equipment	38,469	1	38,470
Investment property	163,355	-	163,355
Financial investments	1,119,127	-	1,119,127
Reinsurers' share of contract liabilities	253,436	(50,670)	202,766
Current tax recoverable	525	-	525
Other assets	177,689	(132,622)	45,067
Cash and cash equivalents	144,012	-	144,012
Total assets	2,066,960	(228,941)	1,838,019
Equity			
Share capital	20,000	-	20,000
Retained earnings and other reserves	543,398	5,188	548,586
Equity attributable to equity holders of the Parent	563,398	5,188	568,586
Non-controlling interests	101,815	-	101,815
Total equity	665,213	5,188	670,401
Liabilities			
Insurance contract liabilities	884,594	(169,341)	715,253
Investment contract liabilities	256,706	-	256,706
Borrowings	24,995	(1)	24,994
Provisions for other liabilities	7,318	-	7,318
Pension deficit	3,725	-	3,725
Retirement benefit obligations	7,058	-	7,058
Deferred tax liabilities	50,358	966	51,324
Current tax liabilities	1,236	-	1,236
Deferred income	29,765	(29,765)	-
Subordinated liabilities	24,433	-	24,433
Other liabilities	111,559	(35,988)	75,571
Total liabilities	1,401,747	(234,129)	1,167,618
Total shareholders' equity and liabilities	2,066,960	(228,941)	1,838,019

Notes to the financial statements

41 Prior year restatement (continued)

(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 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 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.

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 an increase of £0.5m 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.

Notes to the financial statements

41 Prior year restatement (continued)

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) 31 December 2022 £000	Impact of IFRS 9 [2] £000	IFRS 9 31 December 2022 £000
Equity securities	FVTPL	FVTPL	368,492	-	368,492
Debt securities	FVTPL	FVTPL	459,720	-	459,720
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	79,423	-	79,423
Other assets	Loans and receivables	Amortised cost	32,356	478	32,834
Cash and cash equivalents	Loans and receivables	Amortised cost	145,871	-	145,871

[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.

The Parent financial statements have been restated to recognise dividend income from Lycetts Holdings Limited that was inadvertently omitted. This adjustment reflects the accurate representation of the Company's financial position and performance for the respective period. The following shows the impact of this restatement.

	Parent		
	As reported 31 December 2022 £000	Restatement £000	As restated 31 December 2022 £000
Assets			
Investment in associate	10,370	-	10,370
Financial investments	104,071	-	104,071
Current tax recoverable	56	-	56
Other assets	2,707	1,003	3,710
Cash and cash equivalents	1,199	-	1,199
Assets classified as held for distribution	50,277	-	50,277
Total assets	168,680	1,003	169,683
Equity			
Share capital	20,000	-	20,000
Retained earnings and other reserves	19,535	1,003	20,538
Equity attributable to equity holders of the Parent	39,535	1,003	40,538
Non-controlling interests	-	-	-
Total shareholders' equity	39,535	1,003	40,538
Liabilities			
Borrowings	121,008	-	121,008
Deferred tax liabilities	2,080	-	2,080
Other liabilities	6,057	-	6,057
Total liabilities	129,145	-	129,145
Total shareholders' equity and liabilities	168,680	1,003	169,683

42 Post balance sheet events

On 6 February 2024 the Group acquired the entire issued share capital of Access Insurance Limited.

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