

Company registration number 1043742

Charity registration number 263960

ALLCHURCHES TRUST LIMITED

2014 ANNUAL REPORT

Allchurches Trust Limited

2014 Annual Report

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Allchurches Trust Limited

Directors

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

Allchurches Trust Limited

Chairman's Foreword

2014 - A Record Year

2014 was a year of record receipts for Allchurches from our wholly owned subsidiary, the Ecclesiastical Insurance Group. In all, we received a total of £23.5 million, of which £7.0 million was received on 29 December. These record receipts helped us to re-build our reserves and to make record grants totalling £9.7 million, as well as setting aside provision for further grants to Anglican dioceses and cathedrals in 2015.

Our Investments

After a challenging year in underwriting terms in 2013, Ecclesiastical, our major asset, achieved a much better insurance result in 2014. Improved performance in each of the core underwriting areas generated an underwriting profit of £9.2m, with the results in Ireland and Australia in particular showing that actions taken to address challenges have started to deliver returns. This result, and maintaining the record of strong investment return, contributed to an overall profit before tax for the Ecclesiastical Insurance Group of £45.9m.

The turn-round in Ecclesiastical's insurance performance is a tribute to the immensely hard work of Ecclesiastical staff, ably led by Mark Hews (the Chief Executive) and his senior team. The investment performance in difficult markets is also very creditable. It is no wonder that Ecclesiastical Investment Management (EIM) has now won the Money Facts award for Best Ethical Investment provider for the past six years running.

The excellent investment performance was reflected in the rising value of Allchurches' own Capital Endowment Fund – managed by EIM – which increased in size from £33.4 million to £35.8 million at the year end.

Ecclesiastical's Goal: £50 million to charity over 3 years

In my Foreword to last year's Report, I said that Ecclesiastical had committed itself to a clear and demanding three year strategy with a goal of becoming the most trusted and ethical specialist financial services group, giving £50 million to good causes through Allchurches over the period 2014-16. The record payments made to Allchurches by the company in 2014 indicate that, with continued support from its customers, the company is well on track to achieve its target. The £50 million goal has undoubtedly proved very motivational, for many of Ecclesiastical's business partners as well as staff. Nonetheless we in Allchurches recognise the huge effort delivering this strategy has required of all staff, under the strong leadership of the Ecclesiastical Board as well as its senior management team.

The fruits of that effort enabled us to increase our grants to Anglican dioceses and cathedrals in 2014 for the first time since 2011, taking these to £6.6 million and £1.2 million respectively. The 5% increase in these grants compensated for increased costs as a result of inflation in 2012 and 2013.

In addition to increasing our grants to dioceses and cathedrals, we were able to donate £1.9 million in response to individual applications from parish churches, cathedrals, schools and other charities. We also set aside £0.5 million for future expenditure on 'flagship' projects of strategic value to the Church of England, about which we are currently in discussion with Church House, Westminster.

We monitor carefully the uses to which our grants are put and it is clear to us that they have a hugely beneficial impact on the churches, organisations and communities that receive them. Just a few of the many testimonials received included:

- "The lads find Pastor Alex easy to talk to and always available. Wherever on the base, he and his church are part of our military life."
Sandon Road Baptist Church, Stafford
- "The sanctuary will become a usable space for the whole community."
Tom Morrison, St. Matthew's Church, Perth
- "What you are doing is saving peoples' lives. When I felt there was no hope you gave me hope."
Polish single mother, Salvation Army, Droitwich Spa
- "I am sure that many of the community groups who use our hall will benefit enormously from this repair."
Rev. Bernadette Hegarty, St. Paul's Church, Bow Common, London

We began a review of our grant-making policies in 2014, which we expect to complete in the course of 2015. This entails us considering all of our different grant programmes and how they can be made even more effective. We will report on the outcome of this review in next year's Report.

Allchurches Trust Limited

Chairman's Foreword

How we will use the £50 million

With Ecclesiastical well on track to achieve its goal of donating £50 million to good causes through Allchurches over three years, the Board of Allchurches has considered carefully how it will use the additional funds at its disposal. The Board has agreed to:

- Set aside £5 million in each of the three years 2015-17 towards building up our expendable Capital Endowment Fund. Underlying this decision is the need to make prudent provision to ensure a sustainable flow of funds to our beneficiaries, given the potentially fluctuating nature of receipts from Ecclesiastical.
- Spend the remainder of the additional grants received on increased donations to our beneficiaries.
- Add to the total available for distribution the income from the Endowment Fund, currently running at around £1.4 million a year.

One result already of the increased funds available is the provision of £0.5 million a year for 'flagship' projects to which I have already referred.

Strengthening Links with Our Beneficiaries

As well as passing on the benefits of Ecclesiastical's improved performance to our beneficiaries, we have been working hard to improve relations and communications with them, and with potential applicants, and to make Allchurches a charity with which they find it easy to do business. So we have:

- Introduced on 1 April 2014 our new online grant application system. Over 90% of applications to the Trust are now made in this way.
- Begun to explore, with the aid of an external consultancy, how we can communicate more effectively with our various stakeholders, including Ecclesiastical staff.

Philip Arundel – Allchurches' Grants and Relationships Manager - and I have between us addressed all six regional conferences of Church of England Archdeacons and, in January 2015, their national conference. This has been helpful not least in enabling us to gather feedback on how we can further improve the effectiveness of our grant programmes.

People

There was one change in the Board of the Trust in 2014. After over ten years as a Director, Fraser Hart retired and was succeeded by Michael Arlington. Fraser brought to the Board a valuable knowledge of the finances of the Church of England at diocesan and parish level, first-hand experience of the challenges facing the rural church, an infectious enthusiasm for mission and the church's work among young people, and a selfless willingness to give of his time in sifting through the detail of hundreds of applications for grants. He is greatly missed. However, we were fortunate in securing the services of Michael Arlington as his successor. Michael is also a farmer, as well as the Chair of the Diocesan Board of Finance in Southwell and Nottingham and the Deputy Chair of the Finance Committee of the Archbishops' Council. We are looking forward greatly to benefiting from his contribution in the years ahead.

Our staffing also saw a modest increase to help us cope with the rising level of applications to the Trust. We recruited Paul Playford as a part-time Grants Officer covering Wales and the South and West of England. Paul has a close knowledge of the Baptist church as well as of the work of Ecclesiastical. He is already proving his value, not least in supporting Philip Arundel alongside Iain Hearn, our experienced and loyal Grants Administrator. Nonetheless our administrative costs remain very low, at less than 2% of our budget.

Allchurches Trust Limited

Chairman's Foreword

Looking ahead

2015 promises to be as busy a year as 2014 has been. As well as continuing to engage with the Board of Ecclesiastical as it reflects on the future development of the company, we shall:

- Complete our review of our grant-making policies, informed by the changing expectations and priorities of our major beneficiaries, not least the Church of England.
- Confirm our medium term communications strategy.
- Provide funds for the first of what we hope will be a number of 'flagship' projects
- Further strengthen our staffing in order to ensure we continue to meet the expectations of our beneficiaries and our regulatory obligations.

Thanks to the achievements of the Ecclesiastical Board and staff, and with continued support of Ecclesiastical by its customers, Allchurches and its beneficiaries can face the immediate future with confidence.

Sir Philip Mawer

Allchurches Trust Limited

Trustees' Report - Strategic Report

The directors present their strategic report, annual report and review together with the audited financial statements for the year ended 31 December 2014. In accordance with the Statement of Recommended Practice 'Accounting and Reporting by Charities' (2005), the Trustees' Annual Report and Directors' Report have been combined into one Trustees' Report. The directors are responsible for the general control and management of the administration of the charity. They are, therefore, the charity trustees. In this report they are referred to as 'the Board'.

Constitution

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

The governing documents are the Memorandum and Articles of Association.

Strategic Report

Objects and future activities

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

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

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

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

Review of the company's business

Overview

ATL had a successful year and was able to increase its financial support to the Church and other charitable institutions with distributions of £9.7 million (2013: £9.5 million). At the year end date, total charity funds were £423.6 million (2013: £411.6 million) and total group assets were £1,504.8 million (2013: £1,521.2 million).

The charitable distributions of ATL are shown in its statement of financial activities on page 18.

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

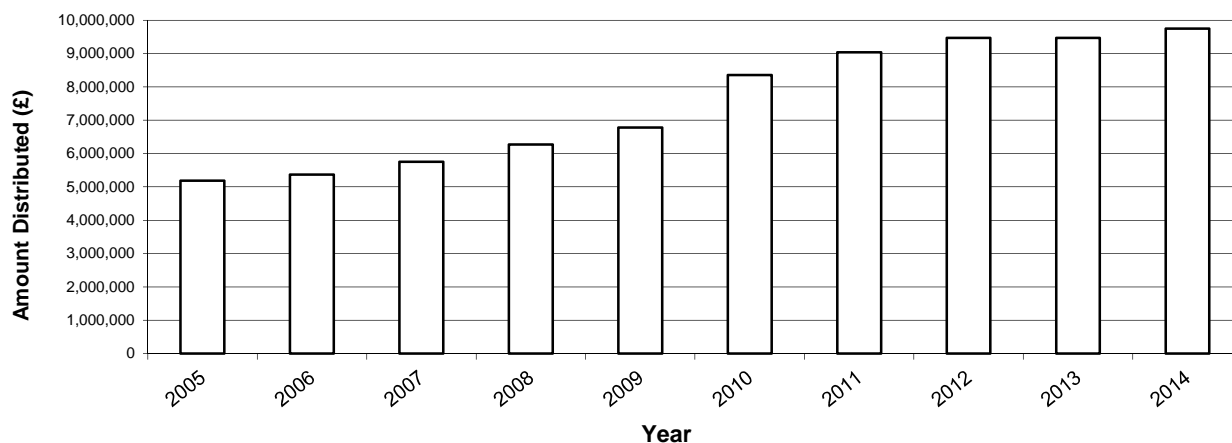
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Trustees' Report - Strategic Report

Achievements and performance

Distributions

ATL has steadily increased distributions to Anglican dioceses, cathedrals and parishes, and to other churches and charitable organisations since 1972, distributing £75.4 million over the last 10 years.



During 2014, ATL allocated charitable distributions amounting to £9,747,000. A breakdown of these grants is as follows:

	2014		2013	
	£000	No.	£000	No.
Dioceses	6,618	121	6,256	123
Cathedrals	1,305	155	1,427	164
Parishes and other charities	1,824	898	1,784	933
	9,747	1,174	9,467	1,220

Dioceses and cathedrals

The majority of ATL's donations are used to support the dioceses and cathedrals of the Church of England. During the year, ATL allocated donations of £7.9 million (2013: £7.7 million) to those beneficiaries.

Grants were largely used as follows:

- supporting deployment of clergy in parishes, particularly within areas of greatest need;
- funding specific mission and outreach initiatives, for example, youth and children's work and school chaplaincies;
- training of lay and ordained people, including pioneer ministers;
- resourcing and developing music in cathedrals;
- repairs and maintenance of the fabric of cathedrals; and
- educational outreach and programmes in cathedrals.

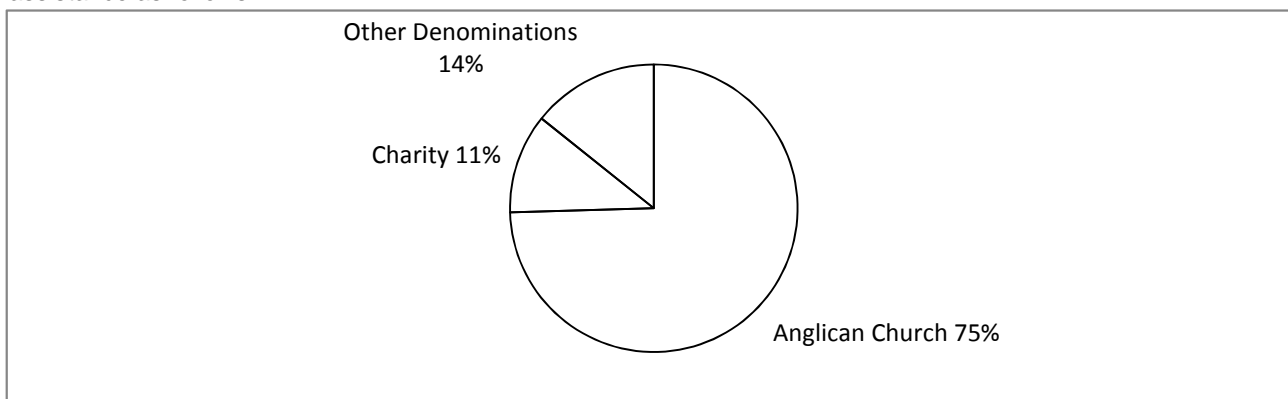
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Trustees' Report - Strategic Report

Anglican churches, churches of other denominations and the Christian community

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

During 2014, ATL made charitable distributions from its general fund in response to appeals for financial assistance as follows:



Special project fund

ATL seeks to support a small number of projects which have a wider impact above and beyond the local community. On occasion, some projects are supported annually for up to three years. During the year, ATL provided funds to support the Baptism and Funerals Project of the Archbishops' Council, the Society of Mary and Martha, and the Bible Reading Fellowship as well as the training of senior church leaders.

Overseas projects fund

During the year ATL donated to £12,500 (2013: £nil) to support Christian causes overseas. In the current year, subsidiary companies operating in Australia and Canada donated £183,000 (2013: £229,000) to charitable causes in those countries.

Delivering public benefit

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

Alloway Parish Church of Scotland - Ayr

A grant was given to modernise and extend the church halls which are widely used by all ages of the community.

Alton Castle

Financial assistance was given to enable the expansion of facilities at Alton Castle, a Christian residential youth centre, in order to accommodate youth ministry for 14-25 year olds.

St Patrick's Church of Ireland - Ballymoney, County Antrim

A donation was given to restore the church's Old School building, which stands in the grounds of the church, to enable it to be used as both a church and community resource.

St Peter and St Paul's Church - Blandford Forum, Dorset

Financial assistance was given to undertake urgent repair and restoration of the church's cupola and tower and to improve access to the main entrance.

Bradford Cathedral

A grant was given towards production of new altar frontals and vestments to celebrate Bradford's textile heritage.

Bridport United Church (Methodist and United Reformed) - Dorset

A donation was given to undertake major renovation work to the church. Work included the removal of pews, renewal of the heating system and window repairs.

Allchurches Trust Limited

Trustees' Report - Strategic Report

Burbage Methodist Church - Leicestershire

A grant was given to build a new church with modern facilities to serve both church and community.

Cathedral of the Isle of Man

Financial assistance was given towards the creation of a new cloister area in the cathedral grounds to promote music and education, offering public benefit to a wide range of people. The new development will include a song and teaching room, office space and residential accommodation.

St John the Evangelist Church - Cophorne, West Sussex

A donation was given to replace the existing church hall with one that has a main hall that would match the largest hall currently in the village. The building will have a first floor roof space consisting of additional function rooms and office space.

Lower Ford Street Baptist Church - Coventry

A grant was given to rebuild the church to enable it to be used to meet the needs of both the church and the inner city community in which it sits.

Dursley Tabernacle United Reformed Church – Gloucestershire

Financial assistance was given to restore and develop the parsonage, which is an integral part of the church building, for use as a youth club and church activities.

Christ Church - Eccleston, Merseyside

A grant was given to install kitchen and toilet facilities in the church, to install a new heating system and to improve accessibility.

St John the Evangelist Scottish Episcopal Church - Edinburgh

A donation was given to undertake a major development of the church including improved accessibility, new community spaces and improved facilities.

Eversfield Preparatory School - Solihull, West Midlands

A grant was made to build a new sports and performing arts centre at the school.

Wesley Methodist Chapel - Harrogate, North Yorkshire

A donation was made towards the removal of the chapel's ground-level pews, to create a level floor, to improve heating and lighting and to install secondary glazing. Some of the existing rooms and the kitchen will be redesigned to better serve the community.

Helping Hand, Blackpool

Financial assistance was given towards Christian outreach using an outreach bus which is able to spread God's word into the heart of the community.

Hope Baptist Church (part of the Yorkshire Baptist Association)

A grant was given to help complete the development of a community venue for wholeness and wellbeing. Specifically, this project aims to refurbish a toilet block.

St Michael's Church - Kirkby Thore, Cumbria

Financial assistance was given to undertake urgent repairs to the church's roof, to attend to movement, faulty pointing and cracking to exterior masonry, to attend to wooden raised flooring, to the repair of drains and to repair windows.

Lower Darwen Parish Church (St James') - Lancashire

A donation was given to refurbish the interior of the church. Work included adding a second floor to provide meeting rooms, toilet facilities and a chapel. The lower floor of this part of the church will incorporate a reception area and an enlarged kitchen.

Machynlleth Parish Church (St Peter's) - Powys

A grant was given to create a community venue at the church's east end with catering facilities which will benefit both church and community.

Moorlands College - Christchurch, Dorset

A donation was given to create a new kitchen and dining room facilities at the college, to create a large multi-function lecture theatre for use by both students and local churches and to develop a reception area.

Allchurches Trust Limited

Trustees' Report - Strategic Report

Newchapel Parish Church (St James) - Stoke on Trent

Financial assistance was given to furnish the church's community building, including the kitchen, heating, lighting, plumbing, flooring, electrics and décor.

Parish Church of St Peter with St James & St Andrew - Heysham, Lancashire

A grant was given towards major roof repairs to the church.

St Paul's Church - Seacombe, Merseyside

A donation was made to undertake urgent high level repairs to the church to enable the west end of the church to become weatherproof.

St Thomas Church - Bury, Lancashire

Financial assistance was given to undertake urgent repairs to the church's north nave and aisle roofs.

The Clarke Folly Centre - Ilkley, West Yorkshire

A grant was given to alter the front of the building and re-grade the ramp so both sets of doors could be replaced with fully automatic doors ensuring accessibility for all users.

The Coquetdale Music Trust - Thropton, Northumberland

A donation was given to undertake the restoration of a former United Reformed Church to provide an accessible and affordable community venue. The building will have teaching space, a recording studio and space to stage exhibitions.

The Lodge Trust - Market Overton, Rutland

Financial assistance was given to replace former converted stables into living flats. This Christian charity provides care for people with learning disabilities.

The Salvation Army - Droitwich Spa, Worcestershire

A donation was made to extend the charity's current building to provide a multi-purpose community hall, flooring suitable for children, and a cafe and kitchenette area, to extend the main kitchen with more catering equipment and to re-model the reception area.

Youthscape - Luton, Bedfordshire

A grant was given to develop a young people's chapel within the charity's new building. The charity was set up by churches in Luton to develop innovative approaches to working with young people, especially those at risk.

Allchurches Trust Limited

Trustees' Report - Strategic Report

Financial review

Incoming resources

The Trust received a grant of £23.5 million (2013: £4.0 million) from the Ecclesiastical group during the year. After taking into account the grant received in March 2014, the Trust retained in unrestricted funds, at the start of the year, cash reserves sufficient to meet 2014 distributions to its regular beneficiaries at a similar level to the prior year. Over the year, funds available for future distributions have increased by £13.6 million partly as a result of re-building working reserves and partly due to the receipt of a £7.0 million grant from Ecclesiastical on 29 December.

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

The income of ATL is shown in its statement of financial activities on page 18.

Investment performance

In 2014, economic conditions in the Eurozone and Asia fell behind expectation. However both the UK and the US continued to enjoy a recovery in economic growth. The UK market only generated moderate returns, held back by the weakness of commodity and oil stocks. The US equity market performed well, supported in sterling terms by the strengthening of the US dollar. The European markets were weak as hopes of recovery generated at the start of the year were disappointed and the region teetered on the brink of recession and deflation by the year end. Asian markets were impacted by a slowdown in the Chinese economy and in particular in the weakness of the real estate market. The gilt market performed well as government bond yields fell after the announcement of quantitative easing in the Eurozone, as well as the impact on inflation of falling oil and commodity prices and a softening in expectations for global economic growth particularly in the Eurozone. The corporate bond market also performed well as credit spreads continued to decline. ATL's Capital Endowment Fund made a total return of 8.1% (2013: 17.4%), compared with a 6.3% (2013: 15.5%) return of the WM Charity Monitor, an independent external benchmark. The value of the Fund increased from £33.4m to £35.8m over the year.

Trading subsidiaries

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

The company's trading subsidiaries reported a profit of £38.7m (2013: profit of £54.7m) as shown in the consolidated statement of financial activities on page 19. General business underwriting returned to profit as actions taken over the last couple of years took effect. Investment return remained profitable, but lower than the prior year as markets did not generate the strong returns experienced in 2013. In April, South Essex Insurance Brokers acquired the business of Lansdown Insurance Brokers, resulting in an increased contribution to group profits. During the year, the group completed its purchase of Lycetts Holdings Limited, an insurance broking group. Despite competitive pressures, Lycetts contributed a healthy profit to the group.

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

Principal risks and uncertainties facing the company

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

Details of the financial risk management objectives and policies of ATL and its exposures are disclosed in note 1 to the financial statements. ATL is exposed to financial risk through its investments in subsidiary undertakings, its cash on deposit and its endowment portfolio of investments held. In respect of its investments in subsidiaries, ATL is subject to the financial risks within those undertakings, in particular that the proceeds from the trading subsidiaries' financial assets are not sufficient to fund the obligations arising from their insurance contracts. The most important components of financial risk are interest rate risk, credit risk, currency risk and equity price risk. Further details of the financial risks of the trading subsidiaries can be found in the Risk Management section of the Strategic Report in the accounts of Ecclesiastical Insurance Office plc. In respect of its cash deposits and its endowment portfolio investments, ATL is exposed to interest rate risk, credit risk, currency risk and equity price risk.

Allchurches Trust Limited

Trustees' Report - Governance and Decision Making

Governing body

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

Board proceedings

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

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

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

Appointments to the Board

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

Board of directors

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

Mr H. F. Hart resigned as a director on 8 July 2014. Mr M. Arlington was appointed as a director on 8 September 2014.

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

Election of directors

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

Mr M. Chamberlain and Mr C. Smith retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. Mr M. Arlington retires at the forthcoming annual general meeting and, being eligible, offers himself for election.

Induction and training

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

Members

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

Allchurches Trust Limited

Trustees' Report - Governance and Decision Making

Charitable and political contributions

During the course of the year the company and its subsidiary undertakings distributed from their resources £10.2 million (2013: £10.0 million) for charitable purposes. A summary of these distributions is set out in note 11. Details of grants have been submitted to the Charity Commission.

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

Reserves policy

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

Reserves at the end of the financial year amounted to £15.5 million (2013: £1.9 million). The increase in reserves during the year is partly explained by the need to re-build working reserves, which had been depleted in previous years, and partly by the receipt of a grant of £7.0 million from Ecclesiastical on 29 December as a result of their performance during the year.

Investment policy

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

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

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

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

Grant-making policy

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

Allchurches Trust Limited

Trustees' Report - Governance and Decision Making

Directors' Responsibilities Statement

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

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

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

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

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

Auditor and the disclosure of information to the auditor

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

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

In accordance with Section 489 of the Companies Act 2006, a resolution proposing that Deloitte LLP be re-appointed as auditor of the company will be put to the annual general meeting.

Related parties

Related parties of ATL include its subsidiary undertakings.

Going concern

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

Post balance sheet event

Events subsequent to the balance sheet date are detailed in note 31 to the financial statements.

Allchurches Trust Limited

Trustees' Report - Governance and Decision Making

Equalities and diversity

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

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

ATL itself has no direct employees.

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

Mrs R. J. Hall
Secretary

Allchurches Trust Limited

Independent Auditor's Report

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

We have audited the financial statements of Allchurches Trust Limited for the year ended 31 December 2014 which comprise the consolidated and parent charitable company statements of financial activities, the consolidated profit and loss account, the consolidated and parent charitable company balance sheets, the consolidated cash flow statement, the accounting policies and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Equalisation reserves

Our evaluation of the presentation of information in the financial statements has had regard to the statutory requirement for insurance companies to maintain equalisation reserves. The nature of equalisation reserves, the amounts set aside at 31 December 2014, and the effect of the movement in those reserves during the year on the balance on the general business technical account and profit or loss on ordinary activities before taxation, are disclosed in note 23.

Respective responsibilities of directors and auditor

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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 December 2014 and of the parent charitable company's incoming resources and application of resources, including its consolidated income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Allchurches Trust Limited

Independent Auditor's Report

Matters on which we are required to report by exception

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

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

Mark McQueen ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
27 April 2015

Allchurches Trust Limited

Company Statement of Financial Activities

for the year ended 31 December 2014

	Notes	2014			2013
		Unrestricted funds £000	Endowment funds £000	Total funds £000	Total funds £000
INCOMING RESOURCES					
Incoming resources from generated funds:					
<i>Investment income</i>					
Gift aid from subsidiary undertaking		23,500	-	23,500	4,000
Dividend and interest income		22	1,393	1,415	1,316
<i>Voluntary income</i>					
Donations		1	-	1	1
Donated services and facilities		96	-	96	89
Total incoming resources		23,619	1,393	25,012	5,406
RESOURCES EXPENDED					
Charitable activities					
Charitable distributions	11	9,747	-	9,747	9,467
Costs of generating funds					
<i>Costs of generating voluntary income</i>					
Donated services and facilities		96	-	96	89
<i>Investment management costs</i>					
		-	103	103	92
Governance costs	5	165	-	165	245
Total resources expended		10,008	103	10,111	9,893
Net incoming/(outgoing) resources before other recognised gains and losses		13,611	1,290	14,901	(4,487)
OTHER RECOGNISED GAINS AND LOSSES					
<i>Gains and losses on investment assets</i>					
Movement in revaluation reserve	15	(4,078)	-	(4,078)	35,975
Other investment gains		-	1,187	1,187	3,659
Total recognised gains and losses and net movement in funds		9,533	2,477	12,010	35,147
Total funds brought forward		378,272	33,365	411,637	376,490
Total funds carried forward	20	387,805	35,842	423,647	411,637

Voluntary income consists of an amount of £96,000 (2013: £89,000) estimated by the directors as the fair value of management and administration costs incurred by subsidiary undertakings on behalf of the company but not recharged. An equal amount is shown within resources expended during the year.

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

Allchurches Trust Limited

Consolidated Statement of Financial Activities

for the year ended 31 December 2014

	Notes	2014			2013
		Unrestricted funds £000	Endowment funds £000	Total funds £000	Total funds £000
INCOMING RESOURCES					
Incoming resources from generated funds:					
<i>Investment income</i>					
Dividend and interest income		22	1,393	1,415	1,316
<i>Voluntary income</i>					
Donations		1	-	1	1
<i>Activities for generating funds</i>					
Trading subsidiaries' profit		38,734	-	38,734	54,736
Total incoming resources		38,757	1,393	40,150	56,053
RESOURCES EXPENDED					
Charitable activities					
Charitable distributions	11	10,168	-	10,168	9,955
Costs of generating funds					
Investment management costs		-	103	103	92
Governance costs of the charity		165	-	165	245
Total resources expended		10,333	103	10,436	10,292
Net incoming resources before other recognised gains and losses		28,424	1,290	29,714	45,761
OTHER RECOGNISED GAINS AND LOSSES					
Currency translation differences		(1,696)	-	(1,696)	(10,071)
Gains on other financial investments of the charity		-	1,187	1,187	3,659
Actuarial losses on retirement benefits		(17,195)	-	(17,195)	(4,202)
Total recognised gains and losses and net movement in funds		9,533	2,477	12,010	35,147
Total funds brought forward		378,272	33,365	411,637	376,490
Total funds carried forward	20	387,805	35,842	423,647	411,637

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

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

Allchurches Trust Limited

Consolidated Profit and Loss Account

for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
TECHNICAL ACCOUNT - GENERAL BUSINESS			
Gross premiums written	3(a)	328,630	392,592
Outward reinsurance premiums		(135,132)	(131,274)
Net premiums written	3(a)	193,498	261,318
Change in the gross provision for unearned premiums		(23,651)	(27,206)
Change in the provision for unearned premiums, reinsurers' share		(7,527)	2,613
Change in the net provision for unearned premiums		(31,178)	(24,593)
Earned premiums, net of reinsurance		224,676	285,911
Claims paid			
- gross amount		188,263	206,963
- reinsurers' share		(43,033)	(38,888)
		145,230	168,075
Change in the provision for claims			
- gross amount		(13)	20,526
- reinsurers' share		(19,272)	2,343
		(19,285)	22,869
Claims incurred, net of reinsurance		125,945	190,944
Net operating expenses	5(a)	90,221	103,773
Total technical charges		216,166	294,717
Balance on the technical account before equalisation provision		8,510	(8,806)
Change in the equalisation provision	23	538	(247)
Balance on the technical account for general business		9,048	(9,053)

Allchurches Trust Limited

Consolidated Profit and Loss Account

for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
TECHNICAL ACCOUNT - LONG-TERM BUSINESS			
Gross premiums written	3(b)	167	6,753
Outward reinsurance premiums		-	-
Earned premiums, net of reinsurance		167	6,753
Investment income	4	2,729	2,966
Unrealised gains on investments		6,227	-
Total technical income		9,123	9,719
Claims paid	- gross and net amount	7,017	7,854
Change in the provision for claims	- gross and net amount	26	(44)
Claims incurred, gross and net of reinsurance		7,043	7,810
Change in technical provision for linked business		1,878	(510)
Net operating expenses	5(a)	271	804
Investment expenses and charges	4	109	116
Unrealised losses on investments		-	1,134
Tax attributable to long-term business	10	-	(311)
		380	1,743
Total technical charges		9,301	9,043
Balance on the technical account for long-term business		(178)	676

Allchurches Trust Limited

Consolidated Profit and Loss Account

for the year ended 31 December 2014

	Notes	2014 £000	Restated* 2013 £000
NON-TECHNICAL ACCOUNT			
Balance on the general business technical account		9,048	(9,053)
Balance on the long-term business technical account		(178)	676
		8,870	(8,377)
Investment income	4	37,395	48,734
Unrealised gains on investments		2,707	31,726
Investment expenses and charges	4	(477)	(124)
Other finance income	19	6,221	3,997
Other operations		6,349	4,163
Other charges	5(b)	(6,406)	(5,854)
Profit on disposal of associate		86	-
Charitable grants	11	(10,168)	(9,955)
		35,707	72,687
Operating profit			
- acquisitions		262	-
- share of (loss)/profit of associate		(102)	14
- other continuing operations		43,879	64,543
Change in equalisation provision	23	538	(247)
Profit on ordinary activities before tax	3(c)	44,577	64,310
Tax charge on profit on ordinary activities	10	(4,548)	(5,670)
Profit on ordinary activities after tax		40,029	58,640
Minority interests	22	(9,128)	(9,219)
Retained profit for the financial year	20	30,901	49,421

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2014

		2014 £000	2013 £000
Retained profit for the financial year		30,901	49,421
Currency translation differences		(1,696)	(10,071)
Actuarial losses relating to pension asset		(21,385)	(7,888)
Movement on deferred tax relating to pension asset		4,277	1,186
Actuarial (losses)/gains relating to other retirement benefits		(491)	3,654
Movement on deferred tax relating to other retirement benefits		98	(948)
Change in asset restriction net of tax		306	(207)
Total recognised gains and losses for the financial year	21	12,010	35,147

*In the prior year, investment expenses and charges included intra-group investment expenses which are now included in other operations.

Allchurches Trust Limited

Parent Company Balance Sheet

at 31 December 2014

	Notes	2014			2013
		Unrestricted funds £000	Endowment funds £000	Total funds £000	Total funds £000
Fixed assets					
Investments	15	372,232	33,957	406,189	408,847
Current assets					
Prepayments and accrued income		-	193	193	143
Cash at bank and in hand		15,807	1,692	17,499	7,028
		<u>15,807</u>	<u>1,885</u>	<u>17,692</u>	<u>7,171</u>
Liabilities					
Creditors: amounts falling due within one year	26	196	-	196	4,289
Net current assets		<u>15,611</u>	<u>1,885</u>	<u>17,496</u>	<u>2,882</u>
Total assets less current liabilities		<u>387,843</u>	<u>35,842</u>	<u>423,685</u>	<u>411,729</u>
Creditors: amounts falling due after more than one year	26	38	-	38	92
Net assets		<u>387,805</u>	<u>35,842</u>	<u>423,647</u>	<u>411,637</u>
The funds of the charity					
Unrestricted funds					
Unrestricted income funds	20	15,623	-	15,623	2,012
Revaluation reserve	20	372,182	-	372,182	376,260
		<u>387,805</u>	<u>-</u>	<u>387,805</u>	<u>378,272</u>
Endowment funds	20	-	35,842	35,842	33,365
Total charity funds		<u>387,805</u>	<u>35,842</u>	<u>423,647</u>	<u>411,637</u>

The financial statements of Allchurches Trust Limited, registration number 1043742, on pages 18 to 67 were approved by the Board on 27 April 2015 and signed on its behalf by

Sir Philip Mawer

Chairman

C. Smith

Trustee

Allchurches Trust Limited

Consolidated Balance Sheet

at 31 December 2014

	Notes	2014			2013
		Unrestricted funds £000	Endowment funds £000	Total funds £000	Total funds £000
ASSETS					
Intangible assets	14	40,148	-	40,148	31,965
Investments					
Land and buildings	15	72,810	-	72,810	48,604
Participating interests	15	-	-	-	390
Other financial investments	15	896,418	33,957	930,375	984,508
		969,228	33,957	1,003,185	1,033,502
Reinsurers' share of technical provisions					
Provision for unearned premiums	23	50,134	-	50,134	43,121
Claims outstanding	23	107,331	-	107,331	89,472
		157,465	-	157,465	132,593
Debtors					
Debtors arising out of direct insurance operations	17(a)	65,114	-	65,114	68,761
Debtors arising out of reinsurance operations	17(b)	7,230	-	7,230	8,808
Other debtors		24,246	-	24,246	29,910
		96,590	-	96,590	107,479
Other assets					
Tangible assets	18	8,622	-	8,622	8,570
Cash at bank and in hand		138,217	1,692	139,909	134,656
		146,839	1,692	148,531	143,226
Prepayments and accrued income					
Accrued interest and rent		7,031	193	7,224	8,019
Deferred acquisition costs		31,117	-	31,117	34,757
Other prepayments and accrued income		3,641	-	3,641	3,786
		41,789	193	41,982	46,562
Total assets excluding pension assets		1,452,059	35,842	1,487,901	1,495,327
Pension assets	19	16,855	-	16,855	25,830
Total assets	3(e)	1,468,914	35,842	1,504,756	1,521,157

Allchurches Trust Limited

Consolidated Balance Sheet

at 31 December 2014

	Notes	2014			2013
		Unrestricted funds £000	Endowment funds £000	Total funds £000	Total funds £000
LIABILITIES					
Reserves					
Translation reserve	20	12,583	-	12,583	14,279
Profit and loss account	20	375,222	-	375,222	363,993
Endowment funds	20	-	35,842	35,842	33,365
		387,805	35,842	423,647	411,637
Minority interests	22	106,450	-	106,450	109,137
Technical provisions					
Provision for unearned premiums	23	161,624	-	161,624	186,642
Claims outstanding	23	564,380	-	564,380	569,179
Equalisation provision	23	25,299	-	25,299	25,837
		751,303	-	751,303	781,658
Technical provision for linked liabilities	23	94,324	-	94,324	92,446
Provisions for other risks	24	33,071	-	33,071	37,701
Creditors					
Creditors arising out of direct insurance operations		831	-	831	656
Creditors arising out of reinsurance operations	17(b)	13,033	-	13,033	13,579
Other creditors including taxation and social security	26	33,371	-	33,371	31,248
		47,235	-	47,235	45,483
Accruals and deferred income		36,053	-	36,053	33,700
Total liabilities excluding retirement benefit obligations		1,456,241	35,842	1,492,083	1,511,762
Pension liabilities	19	2,635	-	2,635	-
Retirement benefit obligations	19	10,038	-	10,038	9,395
Total liabilities		1,468,914	35,842	1,504,756	1,521,157

Allchurches Trust Limited

Consolidated Cash Flow Statement

for the year ended 31 December 2014 (excluding long-term insurance business)

	Notes	2014 £000	2013 £000
Net cash inflow from operating activities	27(a)	9,239	45,185
Servicing of finance			
Dividends paid to minority interests by subsidiary		(167)	(216)
Preference dividends paid to minority interests		(9,181)	(9,085)
Other interest paid		(87)	(124)
Taxation paid		(2,193)	(2,819)
Capital expenditure			
Purchase of tangible fixed assets		(3,268)	(3,340)
Proceeds from the disposal of fixed assets		71	54
Acquisitions and disposals		(15,361)	1,268
Financing			
Capital element of lease purchase rental payments		(371)	(405)
	27(b)	(21,318)	30,518
Cash flows were invested as follows:			
Increase/(decrease) in cash holdings		6,631	(6,338)
Portfolio investment			
Purchases of shares and other variable yield securities		3,206	10,763
Purchases of fixed income securities		128,406	239,936
Purchases of properties		23,817	17,894
Sales of shares and other variable yield securities		(9,327)	(53,251)
Sales of fixed income securities		(171,845)	(177,033)
Sales of properties		(2,206)	(1,453)
Net investment of cash flows		(21,318)	30,518
Movement arising from cash flows		(21,318)	30,518
Movement in long-term business	27(b)	(1,055)	(5,685)
Changes in market values and exchange rate effects		(2,301)	16,567
Total movement in portfolio investments net of financing		(24,674)	41,400
Portfolio investments net of financing at 1 January		1,167,768	1,126,368
Portfolio investments net of financing at 31 December	27(b)	1,143,094	1,167,768

Allchurches Trust Limited

Accounting Policies

Basis of preparation

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

The principal activities of the trading subsidiaries of the charity remain the transaction of insurance and the provision of financial services, and all funds within the trading subsidiaries support their trade. As such, the consolidated financial statements are required to be prepared in accordance with Schedule 3 of SI2008/410. For consistency with the requirements of Schedule 3, the directors have followed the material recommendations of the 2005 (amended in 2006) Statement of Recommended Practice issued by the Association of British Insurers (ABI SORP) and the Statement of Recommended Practice 'Accounting and Reporting by Charities' (Charities SORP). Where it provides a more appropriate presentation of financial statements, the ABI SORP has been adopted. ATL will adopt the Charities SORP (FRS 102) with effect from 1 January 2015.

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

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

Basis of consolidation

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

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

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

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

Funds structure

Unrestricted funds of the charity consist of funds available to the directors to apply for the general purposes of the charity, in addition to each of the priorities adopted by ATL as set out in the Trustees' Report on page 6. Endowment funds are expendable endowments that are retained to strengthen the charity's reserves. The directors have the power to convert endowment funds to expendable income.

Incoming resources

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

Allchurches Trust Limited

Accounting Policies

Resources expended

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

Foreign exchange

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

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

Premium levies

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

Product classification

Contracts under which the trading subsidiaries accept significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Contracts that do not transfer significant insurance risk are classified as investment or service contracts. All of the trading subsidiaries' long-term business contracts are classified as insurance contracts.

Both insurance and investment contracts may contain a discretionary participating feature, which is defined as a contractual right to receive additional benefits as a supplement to guaranteed benefits. The trading subsidiaries do not have any such participating contracts (referred to as with-profit contracts). The trading subsidiaries' long-term business contracts are referred to as non-profit contracts in the financial statements.

Premium income

General insurance business

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

Premiums written include adjustments to premiums written in prior periods and estimates for pipeline premiums and are shown net of insurance premium taxes. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business.

Long-term business

Insurance contract premiums are recognised as revenue when the liabilities arising from them are created.

Revenue from investment management services

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

Allchurches Trust Limited

Accounting Policies

Claims

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

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

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

Insurance contract liabilities

General insurance provisions

(i) Outstanding claims provisions

General insurance outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs. Significant delays are experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, the ultimate cost of which cannot be known with certainty at the balance sheet date. An estimate is made representing the best estimate plus a risk margin within a range of possible outcomes. Designated insurance liabilities are remeasured to reflect current market interest rates.

(ii) Provision for unearned premiums

The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods is deferred as a provision for unearned premiums. The provision is computed separately for each insurance contract using the daily pro rata method and adjusted where necessary to take into account the risk profile of the contracts. The change in this provision is taken to the profit and loss account in order that revenue is recognised over the period of risk.

(iii) Unexpired risks

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

(iv) Equalisation provision

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

Long-term business provisions

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

Reinsurance

The trading subsidiaries assume and cede reinsurance in the normal course of business, with retention limits varying by line of business. Premiums on reinsurance assumed are recognised as revenue in the same manner as direct business. Outwards reinsurance premiums are accounted for in the same accounting period as the related premiums for the direct or inwards reinsurance business being reinsured. The group does not reinsure its existing long-term business.

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

Allchurches Trust Limited

Accounting Policies

Intangible assets

Goodwill

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

Other intangible assets

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

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

Financial instruments

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

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

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

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

Investments

Land and buildings

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

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

Other financial investments

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

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

Investments are classified into this category if they are managed, and their performance evaluated, on a fair value basis. Purchases and sales of these investments are recognised on the trade date, which is the date that the group commits to purchase or sell the assets, at their fair value adjusted for transaction costs. Investments within this category are classified as held for trading if they are derivatives or acquired principally for the purpose of selling in the near term.

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

(ii) Loans and receivables

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

Allchurches Trust Limited

Accounting Policies

Derivative financial instruments

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

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

Investment income and expenses

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

Unrealised gains and losses on investments are calculated as the difference between market value and original cost, and the movement during the year is recognised in the profit and loss account. The value of realised gains and losses includes an adjustment for previously recognised unrealised gains or losses on investments disposed of in the accounting period. Unrealised gains and losses on investments held by the parent company are included as other recognised gains and losses in the statement of financial activities.

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

Offset of financial assets and financial liabilities

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

Deferred acquisition costs

General insurance business

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

Long-term business

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

Taxation

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

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

Allchurches Trust Limited

Accounting Policies

Taxation (continued)

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

Insurance broking debtors and creditors

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

Tangible assets

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

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

Employee benefits

Pension obligations

The trading subsidiaries operate a number of defined benefit and defined contribution plans, the assets of which are held in separate trustee-administered funds.

For defined benefit plans, the pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the service lives of employees, in accordance with the advice of qualified actuaries. The pension obligation is measured as the present value of the estimated future cash outflows using a discount rate based on market yields for high-quality corporate bonds. The resulting pension scheme surplus, where recoverable, or deficit appears as an asset or obligation in the consolidated balance sheet. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

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

Other post-employment obligations

Some trading subsidiaries provide post-employment healthcare benefits to their retirees. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses. Independent qualified actuaries value these obligations annually.

Other benefits

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Leasing commitments

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

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

Allchurches Trust Limited

Notes to the Financial Statements

1 Financial risk and capital management

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

There has been no change from the prior period in the nature of the financial risks to which the group is exposed. The group's management and measurement of financial risks is informed by either stochastic modelling or stress testing techniques.

(a) Categories of financial instruments

Group	Financial assets			Financial liabilities			Total £000
	Designated at fair value £000	Held for trading £000	Loans and receivables* £000	Held for trading £000	At amortised cost £000	Other assets and liabilities £000	
At 31 December 2014							
Other financial investments	924,155	-	6,220	-	-	-	930,375
Debtors	-	-	95,221	-	-	1,369	96,590
Cash at bank and in hand	-	-	139,909	-	-	-	139,909
Prepayments and accrued income	-	-	7,389	-	-	34,593	41,982
Creditors	-	-	-	-	(35,692)	(11,543)	(47,235)
Accruals and deferred income	-	-	-	-	(19,599)	(16,454)	(36,053)
Net other	-	-	-	-	-	(701,921)	(701,921)
Total	924,155	-	248,739	-	(55,291)	(693,956)	423,647
At 31 December 2013							
Other financial investments	974,734	158	9,616	-	-	-	984,508
Debtors	-	-	104,028	-	-	3,451	107,479
Cash at bank and in hand	-	-	134,656	-	-	-	134,656
Prepayments and accrued income	-	-	8,234	-	-	38,328	46,562
Creditors	-	-	-	-	(35,828)	(9,655)	(45,483)
Accruals and deferred income	-	-	-	-	(19,418)	(14,282)	(33,700)
Net other	-	-	-	-	-	(782,385)	(782,385)
Total	974,734	158	256,534	-	(55,246)	(764,543)	411,637

* Cash at bank and in hand is presented within loans and receivables. Other financial investment loans and receivables include loans secured by mortgages which were available for sale at 31 December 2014. See note 31 for more details.

Allchurches Trust Limited

Notes to the Financial Statements

1 Financial risk and capital management (continued)

(b) Fair value hierarchy

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

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

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

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

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

Analysis of fair value measurement bases

Group

Fair value measurement at the end of the reporting period based on

At 31 December 2014

Financial assets at fair value through profit and loss:

Other financial investments:

Equity securities

Debt securities

Level 1 £000	Level 2 £000	Level 3 £000	Total £000
297,445	209	24,377	322,031
597,343	4,543	238	602,124
894,788	4,752	24,615	924,155

At 31 December 2013

Financial assets at fair value through profit and loss:

Other financial investments:

Equity securities

Debt securities

Currency options

303,675	270	23,204	327,149
641,805	5,463	317	647,585
-	158	-	158
945,480	5,891	23,521	974,892

Allchurches Trust Limited

Notes to the Financial Statements

1 Financial risk and capital management (continued)

(b) Fair value hierarchy (continued)

Fair value measurements based on level 3

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

Group

At 31 December 2014

Opening balance

Total gains/(losses) recognised in profit or loss

Closing balance

Total gains/(losses) for the period included in profit or loss for assets held at the end of the reporting period

Financial assets at fair value through profit and loss

Equity securities £000	Debt securities £000	Total £000
23,204	317	23,521
1,173	(79)	1,094
24,377	238	24,615
1,173	(79)	1,094

At 31 December 2013

Opening balance

Total gains/(losses) recognised in profit or loss

Purchases

Closing balance

Total gains/(losses) for the period included in profit or loss for assets held at the end of the reporting period

21,880	6,176	28,056
1,324	(5,782)	(4,458)
-	(77)	(77)
23,204	317	23,521
1,324	(5,782)	(4,458)

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

Allchurches Trust Limited

Notes to the Financial Statements

1 Financial risk and capital management (continued)

(c) Interest rate risk

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

Interest rate risk concentration is reduced by adopting asset-liability duration matching principles where appropriate. Excluding assets held to back the long-term business, the average duration of the group's fixed income portfolio is two years (2013: two years), reflecting the relatively short-term average duration of its general insurance liabilities. The mean term of discounted general insurance liabilities is disclosed in note 23 (a) part (iv).

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

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

	Maturing:			Total £000
	Within 1 year £000	Between 1 & 5 years £000	After 5 years £000	
<i>Group long-term business</i>				
At 31 December 2014				
Assets:				
Debt securities	1,053	24,311	79,490	104,854
Cash and cash equivalents	1,924	-	-	1,924
	2,977	24,311	79,490	106,778
Liabilities:				
Technical provision for linked liabilities	6,014	21,816	66,494	94,324
	6,014	21,816	66,494	94,324
At 31 December 2013				
Assets:				
Debt securities	1,104	27,024	73,075	101,203
Cash at bank and in hand	2,214	-	-	2,214
	3,318	27,024	73,075	103,417
Liabilities:				
Technical provision for linked liabilities	6,125	22,200	64,121	92,446
	6,125	22,200	64,121	92,446

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

Allchurches Trust Limited

Notes to the Financial Statements

1 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. Key areas where the group is exposed to credit risk are:

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

The carrying amount of financial and reinsurance assets represents the group's maximum exposure to credit risk. The group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty. Limits on the level of credit risk are regularly reviewed.

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

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

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

The trading subsidiaries' credit risk policies detail prescriptive methods for the collection of premiums and control of intermediary and policyholder debtor balances. The level and age of debtor balances are regularly assessed via monthly credit management reports. These reports are scrutinised to assess exposure in more than one region in respect of aged or outstanding balances. Any such balances are likely to be major international brokers who are in turn monitored via credit reference agencies and considered to pose minimal risk of default. The group has no material concentration of credit risk in respect of amounts due from insurance intermediaries and policyholders due to the well-diversified spread of such debtors.

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

(e) Liquidity risk

Liquidity risk is the risk that funds may not be available to pay obligations when due. The trading subsidiaries are exposed to daily calls on their available cash resources mainly from claims arising from insurance contracts. The trading subsidiaries have robust processes in place to manage liquidity risk and have available cash balances, other readily marketable assets and access to funding in case of exceptional need. This is not considered to be a significant risk to the group.

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

Allchurches Trust Limited

Notes to the Financial Statements

1 Financial risk and capital management (continued)

(f) Currency risk

The trading subsidiaries operate internationally and their main exposures to foreign exchange risk are noted below. Foreign operations generally invest in assets and purchase reinsurance denominated in the same currencies as their insurance liabilities, which mitigates the foreign currency exchange rate risk for these operations. As a result, foreign exchange risk arises from recognised assets and liabilities denominated in other currencies and net investments in foreign operations. The group mitigates this risk through the use of derivatives from time to time.

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

The foreign operations create two sources of foreign currency risk:

- the operating results of the foreign branches and subsidiaries in the consolidated financial statements are translated at the average exchange rates prevailing during the period; and
- the equity investment in foreign branches and subsidiaries is translated into sterling using the exchange rate at the financial statement year end date.

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

<i>Group</i>	2014		2013
	£000		£000
Aus \$	45,571	Aus \$	43,053
Can \$	34,757	Can \$	33,044
Euro	20,703	Euro	18,883
NZ \$	10,969	Hong Kong \$	1,658
US \$	2,149	Japanese Yen	1,130

(g) 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 and loss. The group mitigates this risk by holding a diversified portfolio across geographical regions and market sectors, and through the use of options and futures contracts from time to time which would limit losses in the event of a fall in equity markets.

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

<i>Group</i>	2014		2013
	£000		£000
UK	286,719	UK	295,428
Europe	26,520	Europe	25,061
US	3,441	Hong Kong	2,241
Canada	2,583	Singapore	1,909
Other	2,768	Other	2,510
Total	322,031	Total	327,149

Allchurches Trust Limited

Notes to the Financial Statements

1 Financial risk and capital management (continued)

(h) Market risk sensitivity analysis

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

Variable	Change in variable	Potential increase/ (decrease) in profit		Potential changes in other reserves	
		2014 £000	2013 £000	2014 £000	2013 £000
<i>Group</i>					
Interest rate risk	-100 basis points	(3,825)	71	(15)	(121)
	+100 basis points	886	(5,044)	18	131
Currency risk	-5%	1,795	1,192	3,794	3,513
	+5%	(1,706)	(1,133)	(3,605)	(3,337)
Equity price risk	+/-5%	12,640	12,554	-	-

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

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

(i) Capital management

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

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

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

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

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

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

Allchurches Trust Limited

Notes to the Financial Statements

2 Exchange rates

	2014		2013	
The principal rates of exchange used for translation are:	Average	Closing	Average	Closing
Canada	C\$ 1.82	C\$ 1.81	C\$ 1.62	C\$ 1.76
Republic of Ireland	€ 1.24	€ 1.29	€ 1.18	€ 1.20
Australia	A\$ 1.83	A\$ 1.91	A\$ 1.64	A\$ 1.85

3 Group segmental analysis

(a) General business premiums

	2014		2013	
	Gross £000	Net £000	Gross £000	Net £000
Direct:				
Accident	14,161	13,658	17,854	16,965
Motor	736	562	3,258	2,974
Property	214,913	95,751	236,109	122,966
Liability	80,923	72,157	92,698	83,466
	<u>310,733</u>	<u>182,128</u>	<u>349,919</u>	<u>226,371</u>
Reinsurance accepted and London market	17,897	11,370	42,673	34,947
Total	<u>328,630</u>	<u>193,498</u>	<u>392,592</u>	<u>261,318</u>

Geographical analysis - on the basis of location of office

			Restated*	
United Kingdom	237,654	148,343	292,145	194,243
Australia	40,083	6,604	45,669	26,577
Canada	39,365	30,253	41,172	30,606
Ireland	11,528	8,298	13,606	9,892
Total	<u>328,630</u>	<u>193,498</u>	<u>392,592</u>	<u>261,318</u>

*The Ireland office generated gross premium of £4,427,000 and net premium of £3,295,000 relating to insureds located in a different geographical location (2013: £4,370,000 gross premium and £3,246,000 net premium). In the prior year, these premiums were included within Ireland in the table above.

For all other offices, there are no material differences between the geographical location from where the general business premiums were generated and the geographical location of the insured.

(b) Long-term business premiums

Geographical analysis - on the basis of location of office

All long-term business premiums were generated from offices within the United Kingdom. There is no material difference between the geographical location from where the premiums were generated and the geographical location of the insured. The group's life insurance subsidiary is closed to new business.

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

	2014 £000	2013 £000
Life insurance - funeral plan business		
- Single premiums	154	6,745
- Regular premiums	13	8
	<u>167</u>	<u>6,753</u>

Allchurches Trust Limited

Notes to the Financial Statements

3 Group segmental analysis (continued)

(c) Profit before taxation

	2014 £000	2013 £000
United Kingdom	34,244	72,342
Australia	6,351	(375)
Canada	3,260	317
Other overseas	722	(7,974)
Total	<u>44,577</u>	<u>64,310</u>

(d) Net assets

	2014 £000	2013 £000
United Kingdom	351,553	344,898
Australia	42,958	40,310
Canada	34,725	33,047
Other overseas	(5,589)	(6,618)
Total	<u>423,647</u>	<u>411,637</u>

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

(e) Total assets

Of the total assets shown on page 24, £96.3 million (2013: £94.1 million) are attributable to the trading subsidiaries' long-term business fund.

Allchurches Trust Limited

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4 Investment return

	2014		Restated 2013	
	General business £000	Long-term business £000	General business £000	Long-term business £000
<i>Group</i>				
Land and buildings	3,818	-	2,004	-
Income on financial assets not at fair value through profit and loss	805	53	2,887	55
Income on financial assets at fair value through profit and loss	31,288	1,959	34,541	2,235
Income from associate	(102)	-	14	-
Realised investment gains	1,586	717	9,288	676
Investment income	37,395	2,729	48,734	2,966
Investment expenses and charges:				
Interest payable on financial liabilities, at amortised cost	85	-	116	1
Other investment management expenses	392	109	8	115
Total investment management expenses, including interest	477	109	124	116
Net investment return	36,918	2,620	48,610	2,850

Included within income on financial assets not at fair value through profit and loss are exchange losses of £1,343,000 (2013: £840,000 gains) for the general business.

5 Expenses

	2014		2013	
	General business £000	Long-term business £000	General business £000	Long-term business £000
<i>Group</i>				
(a) Net operating expenses				
Commission paid on direct business	50,690	21	61,041	187
Other acquisition costs	15,067	-	17,887	325
Change in deferred acquisition costs	3,327	-	(1,075)	-
Administrative expenses	61,486	250	65,442	292
Reinsurance commissions and profit participation	(40,349)	-	(39,522)	-
	90,221	271	103,773	804
(b) Other charges				
Amortisation of goodwill and other intangibles	6,105	-	5,324	-
Other expenses	301	-	530	-
	6,406	-	5,854	-

Parent

Governance costs of the charity amounted to £165,000 (2013: £245,000).

Allchurches Trust Limited

Notes to the Financial Statements

6 Group operating profit or loss

	2014		2013	
	General business £000	Long-term business £000	General business £000	Long-term business £000
Operating profit or loss has been arrived at after (crediting)/charging:				
Net foreign exchange losses/(gains)	1,343	-	(840)	-
Depreciation				
- owned assets	2,678	-	3,808	-
- leased assets	349	-	427	-
Fair value (gains)/losses on investments designated at fair value through profit and loss	(2,207)	(6,944)	(47,586)	457
Fair value losses on financial instruments held for trading	158	-	7,813	-
Interest payments under lease purchase contracts	87	-	124	-

7 Auditor's remuneration

	2014		2013	
	General business £000	Long-term business £000	General business £000	Long-term business £000
Fees payable to the company's auditor for the audit of the company's annual accounts	6	-	6	-
Fees payable to the company's auditor and its associates for other services:				
- The audit of the company's subsidiaries	333	40	332	46
Total audit fees	339	40	338	46
- Audit-related assurance services	76	8	80	8
- Other assurance services	6	-	6	-
- Taxation advisory services	-	-	4	5
Total non-audit fees	82	8	90	13
Total auditor's remuneration	421	48	428	59

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

Fees payable to the company's auditor in respect of the audit of the trading subsidiaries' associated pension schemes amounted to £15,000 (2013: £15,000).

Allchurches Trust Limited

Notes to the Financial Statements

8 Employee information

The company has no direct employees (2013: nil). The average monthly number of employees, including Executive Directors, employed by the trading subsidiaries during the year, by geographical location, was as follows:

	2014		2013	
	General business No.	Long-term business No.	General business No.	Long-term business No.
United Kingdom	1,018	9	1,045	9
Australia	101	-	110	-
Canada	63	-	60	-
Republic of Ireland	34	-	22	-
	1,216	9	1,237	9

	2014 £000	2013 £000
Wages and salaries	63,016	60,122
Social security costs	5,520	5,225
Pension costs - defined contribution plans	3,067	2,698
Pension costs - defined benefit plans	4,281	4,065
Other post-employment benefits	33	116
	75,917	72,226

The above figures do not include termination benefits of £23,000 (2013: £4,270,000).

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

9 Directors' emoluments

No director received emoluments from ATL during the current or prior year. Reimbursed expenses met by the charity amounted to £6,000 (2013: £9,000) primarily in respect of travel and telephony expenses of six directors (2013: seven). Certain directors receive emoluments in their capacity as non-executive directors of subsidiary undertakings, as follows:

	2014 £000	2013 £000
The aggregate emoluments of the directors in respect of services as non-executive directors of subsidiary undertakings	113	88
Highest paid director's fees	60	42

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

Allchurches Trust Limited

Notes to the Financial Statements

10 Taxation	Long-term business technical account		Non-technical account	
	2014 £000	2013 £000	2014 £000	2013 £000
<i>Group</i>				
UK corporation tax for the current financial year	-	-	2,881	5,066
Overseas tax	-	-	1,220	10
	-	-	4,101	5,076
Adjustment to UK corporation tax for the prior financial year	-	(311)	(1,205)	(1,385)
	-	(311)	2,896	3,691
Deferred tax	-	-	1,652	1,979
	-	(311)	4,548	5,670

The non-technical account current tax charge for the year includes a credit of £22,000 (2013: a charge of £5,000) in respect of the group's associated undertakings.

A change in the UK standard rate of corporation tax from 23% to 21% became effective from 1 April 2014. Where appropriate, current tax has been provided at the blended rate of 21.5%. A further reduction in the rate of corporation tax to 20% will become effective from April 2015. Deferred tax has been provided at the rate of 20%.

UK corporation tax in the long-term business technical account has been calculated at the blended rate of 21.5% (2013: 23.25%).

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

	Non-technical account	
	2014 £000	2013 £000
Profit on ordinary activities before tax	44,577	64,310
Tax on profit on ordinary activities at standard rate	9,584	14,952
<i>Factors affecting charge for the year:</i>		
Unrealised investment movements and other timing differences	(304)	(41)
Non-taxable income	(2,200)	(8,858)
Expenses not deductible for tax purposes	2,563	1,440
Tax paid at non-standard rates	(5,426)	(2,139)
Utilisation of tax losses	(116)	(278)
Adjustments to tax charge in respect of prior years	(1,205)	(1,385)
Total actual amount of current tax	2,896	3,691

Allchurches Trust Limited

Notes to the Financial Statements

11 Charitable distributions

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

	Company		Group	
	£000	No.	£000	No.
Dioceses	6,618	121	6,670	127
Cathedrals	1,305	155	1,307	156
Parishes and other charities	1,824	898	2,191	1,045
	9,747	1,174	10,168	1,328

Due to their extensive nature, further analyses of company distributions are included in a separate publication which has been submitted to the Charity Commission. A list of individual grants to parishes and other charities can be obtained by writing to the company secretary at the address of the registered office shown on page 2. During the last ten years a total of £117.2 million (2013: £97.3 million) has been provided by group companies for church and charitable purposes.

12 Acquisition of additional shares in subsidiary

At 1 January 2014 the group owned 75.0% of Lycetts Holding Limited (hereafter referred to as Lycetts), a holding company of a group whose primary activity is insurance brokerage business. Through the course of 2014 the group acquired the final 25.0% of the shares for a cash consideration of £12,144,000 paid to minority interest shareholders. An additional £8,730,000 of goodwill was generated and the carrying value of the additional interest acquired was £3,414,000. The purpose of the business combination is to diversify the portfolio of the group and benefit from Lycetts' expertise in rural, specialist commercial and bloodstock lines of business.

13 Acquisition of business

On 15 April 2014, South Essex Insurance Brokers Limited acquired the assets of Lansdown Insurance Brokers (hereafter referred to as Lansdown). Lansdown is an insurance broker across a variety of classes of business, with a particular specialism in blocks of flats and apartments and high net worth homes. Lansdown was acquired as part of the group's strategy to identify new market sectors in which to grow, either organically or through acquisition.

The following table sets out the book values of the identifiable assets acquired and their fair value to the group:

	Book value £000	Valuation adjustments £000	Fair value to Group £000
Intangible assets	-	1,166	1,166
Property, plant and equipment	12	-	12
Total assets	12	1,166	1,178
Goodwill			4,392
Total consideration			5,570

The fair value of the identifiable intangible assets of £1,166,000 consists of the value of customer relationships and brand acquired.

The goodwill of £4,392,000 arising from the acquisition consists of intangibles not qualifying for separate recognition, such as workforce, synergies and new business opportunities. None of the goodwill is expected to be deductible for income tax purposes.

Net cash outflows during the year in respect of the acquisition totalled £5,000,000, being the total cash consideration.

The contingent consideration arrangement requires £2,100,000 of retained commission income to be received for the twelve months to 15 April 2015, with the potential amount of the future payment that the group could be required to make being between £nil and £1,000,000. The calculation of commission income is expected to be finalised during May 2015.

Allchurches Trust Limited

Notes to the Financial Statements

13 Acquisition of business (continued)

The fair value of the contingent consideration of £570,000 was estimated based on current commission forecasts, without discounting as the payment is payable after exactly one year from the date of acquisition.

Acquisition costs and costs incurred in integrating the acquisition in the period from 15 April 2014 to 31 December 2014 were immaterial and were charged as an expense through to the profit and loss account.

Lansdown contributed £262,000 profit to the group operating profit for the period. £555,000 profit is included in other operations, and goodwill amortisation of £293,000 is included in other charges.

14 Intangible assets

Group

	Goodwill	Other intangible assets	Total
	£000	£000	£000
Cost:			
At 1 January 2014	41,410	15,561	56,971
Acquisition during the year	13,122	1,166	14,288
At 31 December 2014	54,532	16,727	71,259
Amortisation:			
At 1 January 2014	18,837	6,169	25,006
Provided in the year	4,598	1,507	6,105
At 31 December 2014	23,435	7,676	31,111
Net book value:			
At 31 December 2014	31,097	9,051	40,148
At 1 January 2014	22,573	9,392	31,965

Goodwill arose on the acquisition of subsidiary undertakings and on the acquisition of business.

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

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

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Notes to the Financial Statements

15 Investments	2014			2013		
	General business £000	Long-term business £000	Total £000	General business £000	Long-term business £000	Total £000
<i>Group</i>						
Freehold land and buildings						
- occupied by the group	2,735	300	3,035	3,205	300	3,505
- other	69,775	-	69,775	45,099	-	45,099
	72,510	300	72,810	48,304	300	48,604
Interest in associate	-	-	-	390	-	390
Other financial investments						
<i>Financial investments at fair value through profit and loss</i>						
Equity securities:						
- listed	297,654	-	297,654	303,946	-	303,946
- unlisted	24,377	-	24,377	23,203	-	23,203
Debt securities:						
- government bonds	146,983	50,197	197,180	175,453	50,983	226,436
- listed	356,346	48,360	404,706	373,044	47,900	420,944
- unlisted	238	-	238	205	-	205
Derivative financial instruments						
- options	-	-	-	158	-	158
	825,598	98,557	924,155	876,009	98,883	974,892
<i>Loans and receivables</i>						
Loans secured by mortgages	6,204	-	6,204	7,892	-	7,892
Other loans	16	-	16	1,724	-	1,724
	6,220	-	6,220	9,616	-	9,616
Total other financial investments	831,818	98,557	930,375	885,625	98,883	984,508
Current	361,852	1,001	362,853	420,002	1,104	421,106
Non-current	469,966	97,556	567,522	465,623	97,779	563,402

All properties not occupied by the group, and two properties owned by subsidiaries but occupied by the group, were revalued at 31 December 2014. All other properties occupied by the group were revalued at 31 December 2012. Valuations were carried out by Cluttons, an external firm of chartered surveyors, and were made on the basis of open market value.

In the prior year, Lycetts had a 40% stake in Amlin Plus Limited, which was disposed of in 2014. This holding was accounted for as an associate of the group. See note 30 for further details.

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

At the end of 2014, the loans secured by mortgages were available for sale. See note 31 for further details.

Allchurches Trust Limited

Notes to the Financial Statements

15 Investments (continued)

Parent

	Unrestricted funds	
	2014	2013
	£000	£000
Shares in subsidiary undertakings		
Cost:		
At 1 January and 31 December	50	50
Revaluation:		
At 1 January	376,260	340,285
Revaluation of group undertakings	(4,078)	35,975
At 31 December	372,182	376,260
Net book value:		
At 31 December	372,232	376,310
At 1 January	376,310	340,335

The above investments are unlisted, and include £42,958,000 (2013: £40,310,000) relating to subsidiary undertakings outside the UK.

	Endowment funds	
	2014	2013
	£000	£000
Other financial investments		
Cost:		
At 1 January	28,033	26,536
Additions	2,745	3,524
Disposals	(1,630)	(2,027)
At 31 December	29,148	28,033
Revaluation:		
At 1 January	4,504	1,816
Gains	305	2,688
At 31 December	4,809	4,504
Net book value:		
At 31 December	33,957	32,537
At 1 January	32,537	28,352

Other financial investments are non-current, and consist of listed equity and debt securities, including £6,096,000 (2013: £5,237,000) relating to investments outside the UK.

Allchurches Trust Limited

Notes to the Financial Statements

16 Group derivative financial instruments

The trading subsidiaries utilise non-hedge derivatives to mitigate equity price risk arising from investments held at fair value.

	2014			2013		
	Contract/ notional amount £000	Fair value asset £000	Fair value liability £000	Contract/ notional amount £000	Fair value asset £000	Fair value liability £000
<i>General business</i>						
Equity/Index contracts						
Options	-	-	-	30,000	158	-

All balances are current.

The notional amount above reflects the aggregate of individual derivative positions on a gross basis and so gives an indication of the overall scale of the derivative transaction. It does not reflect current market values of the open positions.

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

17 Group debtors arising out of insurance operations

(a) Group debtors arising out of direct insurance operations

	2014			2013		
	General business £000	Long-term business £000	Total £000	General business £000	Long-term business £000	Total £000
Policyholders	24,469	-	24,469	25,456	18	25,474
Intermediaries	40,645	-	40,645	43,287	-	43,287
	65,114	-	65,114	68,743	18	68,761
Current	63,114	-	63,114	66,743	18	66,761
Non-current	2,000	-	2,000	2,000	-	2,000

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

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

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Notes to the Financial Statements

17 Group debtors arising out of insurance operations (continued)

(c) Impairment of debtors

The trading subsidiaries have recognised a charge of £454,000 (2013: credit of £71,000) in the profit and loss account, reflecting an updated assessment of the level of impairment of insurance and other debtors during the year. Impairments are recognised within administrative expenses with the exception of impairment of investments which are recognised within other charges.

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

Movement in the group allowance for doubtful debts:

	2014	2013
	£000	£000
Balance at 1 January	323	882
Movement in the year	(109)	(559)
Balance at 31 December	214	323

The group allowance for doubtful debts includes a provision of £214,000 (2013: £303,000) in respect of debtors that are individually determined to be impaired based on an assessment of their ageing profile and credit rating at the reporting date.

Included within debtors is £4,927,000 (2013: £5,379,000) overdue but not impaired, of which £4,111,000 (2013: £4,676,000) is not more than three months overdue at the reporting date.

18 Tangible assets

<i>Group</i>	Computer equipment £000	Motor vehicles £000	Office equipment £000	Total £000
Cost:				
At 1 January 2014	30,179	2,878	6,506	39,563
Additions	2,433	525	526	3,484
Acquisition	-	-	12	12
Exchange movements	(48)	-	(37)	(85)
Disposals	(5,947)	(787)	(1,227)	(7,961)
At 31 December 2014	26,617	2,616	5,780	35,013
Depreciation:				
At 1 January 2014	24,536	1,156	5,301	30,993
Charge for the year	2,129	476	422	3,027
Exchange movements	(19)	-	(32)	(51)
Disposals	(5,922)	(507)	(1,149)	(7,578)
At 31 December 2014	20,724	1,125	4,542	26,391
Net book value at 31 December 2014				
General business	5,893	1,491	1,238	8,622
Net book value at 1 January 2014				
General business	5,643	1,722	1,205	8,570

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

Allchurches Trust Limited

Notes to the Financial Statements

19 Retirement benefit schemes

Defined benefit pension plans

The trading subsidiaries' main scheme is a defined benefit scheme for UK employees, which includes two discrete sections, the EIO Section and the Ansvar Section. The assets of the scheme are held separately from those of the group by the Trustee of the Ecclesiastical Insurance Office plc Staff Retirement Benefit Fund (the Fund). The Fund is subject to the Statutory Funding Objective under the Pensions Act 2004. An independent qualified actuary appointed by the Trustee is responsible for undertaking triennial valuations to determine whether the Statutory Funding Objective is met. Pension costs for the scheme are determined by the Trustee, having considered the advice of the actuary and having consulted with the employer. The most recent triennial valuation was at 31 December 2013. Lycetts Holdings Limited also operates a defined benefit plan. As disclosed in 2013, the Irish plan was closed on 31 March 2014 and has been accounted for as a curtailment and settlement as shown in the tables below. Actuarial valuations were reviewed and updated by the actuaries at 31 December 2014 for FRS 17 purposes.

Since 2000, a trading subsidiary has been the sponsoring employer for the Ecclesiastical Insurance Office plc Pension and Life Assurance Scheme (EIOPLA). This is a defined benefit scheme that has been closed to new entrants since 1 July 1998, providing benefits to pensioners of Methodist Insurance plc, a company with a similar culture and whose insurance risks, excluding terrorism, are fully reinsured by the trading subsidiary. The assets of the scheme are held separately from those of the group, and are invested with an insurance company under a Group Funding policy. The most recent triennial valuation was at 1 January 2011.

The EIOPLA has not previously been reported within the group accounts and, while it has not been material from a group perspective, the scheme should have been included within the group results. The financial effects of the scheme have therefore been included in the consolidated statement of financial activities, the consolidated profit and loss account and the consolidated statement of total recognised gains and losses for 2014.

The scheme has consistently been in a surplus position but as the recoverability of any surplus is uncertain the asset is derecognised, with any gains or losses relating to the scheme being eliminated in the year. As a result, there would have been no change to the net assets of the group if the scheme had previously been included in the results. Due to the immateriality of the scheme, and the impact of the derecognition of the surplus, prior year results have not been restated. Instead, the scheme has been brought into the group financial statements for 2014, and is shown as a transfer in in the reconciliation of plan assets and reconciliation of defined benefit obligations shown below. Had the prior year comparative been restated, the effect on the financial statements would have been a £24,000 increase in profit for the year and no change to the balance sheet.

The trading subsidiaries also operate a number of defined contribution pension schemes, for which contributions by the group are disclosed in note 8.

<i>Group</i>	2014 £000	2013 £000
The amounts recognised in the balance sheet are determined as follows:		
Present value of funded obligations	(291,709)	(270,812)
Fair value of plan assets	310,047	303,358
Surplus	18,338	32,546
Restrictions on asset recognised	(563)	(258)
Related deferred tax liability	(3,555)	(6,458)
Net asset in the balance sheet	14,220	25,830

The following is the analysis of the net pension asset for financial reporting purposes:

Net pension asset	16,855	25,830
Net pension liability	(2,635)	-
	14,220	25,830

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Notes to the Financial Statements

19 Retirement benefit schemes (continued)

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

	2014	2013
	£000	£000
Current service costs	4,281	4,065
Total, included in net operating expenses	4,281	4,065
Expected return on scheme assets	18,873	15,287
Interest cost on scheme liabilities	(12,135)	(10,623)
Total, included in other finance income	6,738	4,664

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

Actuarial losses	(21,385)	(7,888)
Change in asset restriction	383	(258)
	(21,002)	(8,146)

The actual return on pension plan assets was a gain of £16,199,000 (2013: £29,784,000 gain).

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

	2014	2013
Discount rate	3.67%	4.60%
Inflation (RPI)	3.08%	3.49%
Inflation (CPI)	2.09%	2.70%
Expected return on plan assets	6.32%	5.59%
Future salary increases	4.46%	4.86%
Future increase in pensions in deferment	2.14%	2.74%
Future pension increases (RPI)	3.08%	3.49%
Future pension increases (CPI)	2.08%	2.70%

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

Mortality rate

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

	2014	2013
Male	23.8	25.5
Female	25.5	27.7

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

	2014	2013
Male	26.1	27.9
Female	27.7	30.2

Plan assets are comprised as follows:

	2014	2013
	£000	£000
Equities	153,363	176,292
Bonds	106,064	88,905
Cash	17,925	15,835
Other	32,695	22,326
	310,047	303,358

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Notes to the Financial Statements

19 Retirement benefit schemes (continued)

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

	2014	2013
	£000	£000
<i>Scheme assets</i>		
As at 1 January	303,358	275,637
Transfer in	2,947	-
Pension benefits paid and payable	(11,497)	(5,642)
Contributions paid	3,597	3,492
Expected return on scheme assets	18,873	15,287
Actuarial (losses)/gains recognised in STRGL	(2,674)	14,497
Assets distributed on settlements	(4,416)	-
Exchange differences	(141)	87
As at 31 December	310,047	303,358
<i>Defined benefit obligation</i>		
As at 1 January	270,812	239,268
Transfer in	2,259	-
Current service cost	4,281	4,065
Pension benefits paid and payable	(11,497)	(5,642)
Interest cost	12,134	10,623
Actuarial losses recognised in STRGL	18,711	22,385
Liabilities extinguished on settlements/curtailments	(4,828)	-
Exchange differences	(163)	113
As at 31 December	291,709	270,812
<i>Restriction on asset recognised</i>		
As at 1 January	258	-
Transfer in	688	-
Change in asset restriction	(383)	258
As at 31 December	563	258

The restriction on the asset recognised in the current year relates to the EIOPLA. This scheme is in surplus at the year end date but, due to uncertainty over the recoverability of the surplus, no asset has been recognised. In the prior year, the restriction on the asset recognised related to the Lycetts pension scheme. As this scheme is in deficit at the end of the current year no asset restriction is required.

<i>History of group experience gains and losses</i>	2014	2013	2012	2011	2010
	£000	£000	£000	£000	£000
Present value of defined benefit obligations	(291,709)	(270,812)	(239,268)	(215,292)	(213,740)
Fair value of scheme assets	310,047	303,358	275,637	250,101	237,440
Surplus	18,338	32,546	36,369	34,809	23,700
Experience adjustments on scheme liabilities	4,416	127	(828)	6,656	3,046
Experience adjustments on scheme assets	(2,674)	14,497	17,862	(18,102)	17,111

The cumulative amount of actuarial losses recognised in the consolidated statement of total recognised gains and losses since the 2002 financial year is £42,192,000 (2013: £21,190,000).

The contribution expected to be paid by the trading subsidiaries during the year ending 31 December 2015 is £3.1 million.

Allchurches Trust Limited

Notes to the Financial Statements

19 Retirement benefit schemes (continued)

Post-employment medical benefits

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

The amounts recognised in the balance sheet are determined as follows:	2014	2013
	£000	£000
Present value of unfunded obligations	12,546	11,744
Related deferred tax asset	(2,508)	(2,349)
Net obligations in the balance sheet	10,038	9,395

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

Current service cost	33	116
Total, included in net operating expenses	33	116

Interest cost on scheme liabilities, netted against other finance income	517	667
--	------------	-----

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

Total actuarial (losses)/gains	(491)	3,654
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The movements in the obligations over the year are as follows:

At 1 January	11,744	14,810
Current service cost	33	116
Benefits paid	(239)	(195)
Other finance income	517	667
Actuarial losses/(gains)	491	(3,654)
At 31 December	12,546	11,744

The main actuarial assumption is a long-term increase in medical costs of 12.0% (2013: 12.0%).

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

	Increase	Decrease
	£000	£000
Effect on the aggregate of the current service cost and interest cost	105	(82)
Effect on the medical benefit obligation	2,833	(2,206)

Allchurches Trust Limited

Notes to the Financial Statements

20 Reserves

	Translation reserve £000	Profit and loss account £000	Endowment funds £000	Total £000
<i>Group</i>				
Balance at 1 January	14,279	363,993	33,365	411,637
Currency translation differences	(1,696)	-	-	(1,696)
Losses relating to pension asset	-	(21,079)	-	(21,079)
Movement on deferred tax relating to pension asset	-	4,277	-	4,277
Actuarial losses relating to other retirement benefits	-	(491)	-	(491)
Movement on deferred tax relating to other retirement benefits	-	98	-	98
Transfer from profit and loss account	-	28,424	2,477	30,901
Balance at 31 December	12,583	375,222	35,842	423,647
	Unrestricted funds			
	Income funds £000	Revaluation reserve £000	Endowment funds £000	Total £000
<i>Parent</i>				
Balance at 1 January	2,012	376,260	33,365	411,637
Incoming resources	23,619	-	1,393	25,012
Outgoing resources	(10,008)	-	(103)	(10,111)
Revaluation of group undertakings	-	(4,078)	-	(4,078)
Other investment gains	-	-	1,187	1,187
Balance at 31 December	15,623	372,182	35,842	423,647

Endowment funds are expendable endowments.

21 Reconciliation of movements in group shareholders' funds

	2014 £000	2013 £000
Profit for the financial year	30,901	49,421
Other recognised gains and losses relating to the year	(18,891)	(14,274)
Net movement in shareholders' funds	12,010	35,147
Opening shareholders' funds	411,637	376,490
Closing shareholders' funds	423,647	411,637

22 Minority interests

Minority interests comprise the 8.625% Non-Cumulative Irredeemable Preference shares in Ecclesiastical Insurance Office plc and in the prior year also comprised the Lycetts minority interests (see note 12).

	2014 £000	2013 £000
8.625% Non-cumulative Irredeemable Preference Shares	106,450	105,503
Lycetts minority interests	-	3,634
	106,450	109,137

Allchurches Trust Limited

Notes to the Financial Statements

23 Insurance liabilities and reinsurance assets

<i>Group</i>	2014	2013
	£000	£000
Gross		
Claims outstanding	564,380	569,179
Unearned premiums	161,624	186,642
Technical provision for linked liabilities	94,324	92,446
Equalisation provision	25,299	25,837
Total gross insurance liabilities	845,627	874,104
Recoverable from reinsurers		
Claims outstanding	107,331	89,472
Unearned premiums	50,134	43,121
Total reinsurers' share of insurance liabilities	157,465	132,593
Net		
Claims outstanding	457,049	479,707
Unearned premiums	111,490	143,521
Technical provision for linked liabilities	94,324	92,446
Equalisation provision	25,299	25,837
Total net insurance liabilities	688,162	741,511

The equalisation provision, established in accordance with the Prudential sourcebook for Insurers, is required by Schedule 3 to SI2008/410 to be included within technical provisions, notwithstanding that it does not represent a liability at the balance sheet date. It is in addition to the provisions required to meet the anticipated ultimate cost of settling outstanding claims at the balance sheet date. The provision has reduced shareholders' funds by £25,299,000 (2013: £25,837,000) and increased the balance on the general business technical account and increased the loss before taxation for the year by £538,000 (2013: decrease of £247,000).

(a) General business insurance contracts

The outcome of the ultimate settlement cost of outstanding general insurance claims is inherently uncertain. Such uncertainty includes:

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

Allchurches Trust Limited

Notes to the Financial Statements

23 Insurance liabilities and reinsurance assets (continued)

(i) Reserving methodology

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

Chain ladder methods extrapolate paid amounts, incurred amounts (paid claims plus case estimates) 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 historic settlement patterns.

(ii) Calculation of uncertainty margins

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

(iii) Calculation of provisions for latent claims

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

(iv) Discounting

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

Geographical territory	Discount rate		Mean term of discounted liabilities	
	2014	2013	2014	2013
UK and Ireland	0.8% to 3.3%	0.4% to 3.8%	14	15
Canada	1.3% to 3.0%	1.1% to 3.2%	14	14
Australia	2.3%	3.3%	4	5

The above rates of interest are based on government bond yields of the relevant currency and term at the reporting date. Adjustments are made, where appropriate, to reflect portfolio assets held and to allow for future investment expenses. At the year end the undiscounted gross outstanding claims provision was £606,259,000 (2013: £626,418,000).

At 31 December 2014, it is estimated that a fall of 1% in the discount rates used would increase the trading subsidiaries' net outstanding claims provision by £13,865,000 (2013: £12,402,000). Financial investments backing these liabilities are not hypothecated across general insurance classes of business. The sensitivity of the trading subsidiaries' profit or loss and other equity reserves to interest rate risk, taking into account the mitigating effect on asset values, is provided in note 1 (h).

Allchurches Trust Limited

Notes to the Financial Statements

23 Insurance liabilities and reinsurance assets (continued)

(v) Assumptions

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

The most significant assumptions in determining the undiscounted general insurance reserves are the anticipated number and ultimate settlement cost of claims, and the extent to which reinsurers will share in the cost. Factors which influence decisions on assumptions include legal and judicial changes, significant weather events, other catastrophes, subsidence events, exceptional claims or substantial changes in claims experience and developments in older or latent claims. Significant factors influencing assumptions about reinsurance are the terms of the reinsurance treaties, the anticipated time taken to settle a claim and the incidence of large individual and aggregated claims.

(vi) Changes in assumptions

There are no significant changes in assumptions.

(b) Long-term insurance contracts

(i) Assumptions

The most significant assumptions in determining long-term business reserves are as follows:

Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract. Where prudent, an allowance is made for future mortality improvements based on trends identified in population data.

Investment returns

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

	2014	2013
	Non-profit	Non-profit
UK government bonds: non-linked	1.52%	2.76%
UK government bonds: index-linked	-0.98%	-0.31%
Corporate debt instruments: index-linked	-0.32%	0.42%

The investment return assumption is determined by calculating an overall yield on all cash flows projected to occur from the portfolio of financial assets which are assumed to back the relevant class of liabilities. This is in accordance with a modification to PRA Rule INSPRU 3.1.35R, which was granted in September 2011. For index-linked assets, the real yield is shown.

Allchurches Trust Limited

Notes to the Financial Statements

23 Insurance liabilities and reinsurance assets (continued)

Funeral plans renewal expense level and inflation

Numbers of policies in force and both projected and actual expenses are considered when setting the base renewal expense level. The unit renewal expense assumption for this business is £2.70 per annum (2013: £2.70 per annum). Additionally, now the business volumes are expected to fall, a number of expenses have been reserved for in a separate exercise. A reserve for these expenses is held at £4.8 million.

Expense inflation is set with reference to the index-linked UK government bond rates of return, and published figures for earnings inflation, and is assumed to be 3.68% per annum (2013: 4.05%).

Tax

It has been assumed that tax legislation and rates applicable at 1 January 2014 will continue to apply. All in-force business is classed as protection business and is expected to be taxed on a profits basis.

(ii) Changes in assumptions

Projected investment returns have been revised in line with the changes in the actual yields of the underlying assets. As a result, liabilities have increased by £7.3 million (2013: £1.9 million decrease).

Changes to unit renewal expense assumptions (described in (i) above) had no effect on insurance liabilities (2013: £0.4 million increase).

(iii) Sensitivity analysis

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

<i>Variable</i>	Change in variable	Potential increase/ (decrease) in profit	
		2014	2013
		£000	£000
Deterioration in annuitant mortality	+10%	500	100
Improvement in annuitant mortality	-10%	(600)	(100)
Increase in fixed interest/cash yields	+1%pa	1,000	(1,400)
Decrease in fixed interest/cash yields	-1%pa	(1,700)	(1,100)
Worsening of base renewal expense level	+10%	(600)	(500)
Improvement in base renewal expense level	-10%	500	500
Increase in expense inflation	+1%pa	(900)	(700)
Decrease in expense inflation	-1%pa	700	600

(iv) Available capital resources

	Non-profit life fund	Share-holders' fund	Total life business	Other activities	Group total
2014	£000	£000	£000	£000	£000
Total reserves	(1,314)	43,008	41,694	381,953	423,647
Adjustments to assets/liabilities	7,500	(7,500)	-	(52,209)	(52,209)
Total available capital resources	6,186	35,508	41,694	329,744	371,438
<i>Policyholder liabilities</i>					
- life insurance business	94,324	-	94,324		
Net actuarial liabilities on balance sheet	94,324	-	94,324		

Allchurches Trust Limited

Notes to the Financial Statements

23 Insurance liabilities and reinsurance assets (continued)

2013

Total reserves	(1,136)	41,515	40,379	371,258	411,637
Adjustments to assets/liabilities	7,500	(7,500)	-	(76,617)	(76,617)
Total available capital resources	6,364	34,015	40,379	294,641	335,020
<i>Policyholder liabilities</i>					
- life insurance business	92,446	-	92,446		
Net actuarial liabilities on balance sheet	92,446	-	92,446		

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

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

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

(v) Movements in life capital

	Non-profit life fund £000	Share- holders' fund £000	Total life business £000
2014			
Published capital resources as at 31 December 2013	6,364	34,015	40,379
Effect of new business	44	-	44
Variance between actual and expected experience	146	-	146
Effect of changes to valuation interest rates	(642)	-	(642)
Effect of change to expense assumption	(23)	-	(23)
Effect of change to inflation assumption	120	-	120
Other movements	177	1,493	1,670
Capital resources as at 31 December 2014	6,186	35,508	41,694

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

Allchurches Trust Limited

Notes to the Financial Statements

24 Provisions for other risks and contingent liabilities

(a) Provisions

<i>Group</i>	Deferred tax £000	Regulatory and legal provisions £000	Restructuring and other provisions £000	Total £000
At 1 January 2014	30,991	3,462	3,248	37,701
Additional provisions	-	-	1,130	1,130
Used during year	-	-	(1,669)	(1,669)
Not utilised	-	(1,440)	(1,137)	(2,577)
Exchange differences	-	-	(6)	(6)
Other movements	(1,508)	-	-	(1,508)
At 31 December 2014	29,483	2,022	1,566	33,071

Regulatory and legal provisions

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

In addition, from time to time the trading subsidiaries receive complaints from customers and, while 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 costs of customer complaints relating to services provided. The trading subsidiaries continue to reassess the ultimate level of complaints expected and the appropriateness of the provision, which reflects the potential redress and associated administration costs that would be payable in relation to any complaints we may uphold. Further administration costs in relation to invalid claims are also included in the provision.

Restructuring and other provisions

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

(b) Contingent liabilities

As reported in the 2013 annual report and accounts, a subsidiary of the group is in correspondence with HM Revenue and Customs regarding the treatment of its preference share capital for group tax purposes. While the issue is still not fully resolved, further correspondence has brought more clarity and we now believe that we have adequately provided for any additional tax cost to the group. We no longer believe that there is a contingent liability in respect of this issue in addition to the amount provided.

Allchurches Trust Limited

Notes to the Financial Statements

25 Deferred tax

	2014	2013
<i>Group</i>	£000	£000
The potential net provision for deferred tax provided in the financial statements is as follows:		
Unrealised investment gains	31,997	32,511
Retirement benefit assets	1,047	4,109
Depreciation in excess of capital allowances	(1,652)	(1,242)
Other timing differences	(2,231)	(3,594)
Net provision for deferred tax	29,161	31,784
Movements in the net deferred tax provision are analysed as follows:		
At 1 January	31,784	29,529
Charged to income	1,652	6,862
Credited to income - resulting from reduction in tax rate	-	(4,883)
Credited to equity	(4,298)	(898)
Charged to equity - resulting from reduction in tax rate	-	609
Exchange differences	23	565
At 31 December	29,161	31,784
The net provision for deferred tax is disclosed in the financial statements as follows:		
Amount included in provisions for other risks	29,483	30,991
Amount included in other debtors	(1,369)	(3,316)
Amount included in net pension assets	3,555	6,458
Amount included in retirement benefit obligations	(2,508)	(2,349)
	29,161	31,784

The trading subsidiaries have unused tax loss relief of £4,278,000 (2013: £4,428,000) arising from life business and capital transactions, which are available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

Allchurches Trust Limited

Notes to the Financial Statements

26 Other creditors including taxation and social security

	2014	2013
<i>Group</i>	£000	£000
<i>Amounts falling due within one year:</i>		
Other creditors	26,605	27,312
Taxation	6,007	2,837
	32,612	30,149
<i>Amounts falling due after more than one year:</i>		
Other creditors	759	1,099
	759	1,099
	33,371	31,248
Included in other creditors are obligations under lease purchase contracts due:		
In one year or less	538	630
Between one and five years	721	1,007
	1,259	1,637

Parent

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

27 Notes to the cash flow statement

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

	2014	2013
	£000	£000
Profit on ordinary activities before tax	44,577	64,310
Depreciation charges	3,027	4,235
Amortisation of goodwill and other intangibles	6,105	5,324
Share of loss/(profit) of associate	102	(14)
Profit on disposal of associate	(86)	-
Unrealised gains on investments	(2,707)	(31,726)
Increase in net general insurance technical provisions	(50,669)	(2,612)
Loss/(profit) relating to long-term business	178	(676)
Other interest payable	87	124
Realised investment gain	(1,586)	(9,288)
(Gain)/loss on sale of tangible fixed assets	(13)	119
Movement in other debtors and creditors	10,210	15,460
Exchange and other non-cash movements	13	(71)
Net cash inflow from operating activities	9,238	45,185

Allchurches Trust Limited

Notes to the Financial Statements

27 Notes to the cash flow statement (continued)

(b) Movements in cash, portfolio investments and financing

	At 1 January 2014 £000	Cash flow £000	Changes in long-term business £000	Exchange and other non-cash movements £000	At 31 December 2014 £000
<i>Group</i>					
Cash at bank and in hand	134,656	6,631	(729)	(649)	139,909
Shares and other variable yield securities	327,307	(6,121)	-	845	322,031
Fixed income securities	657,201	(43,439)	(326)	(5,092)	608,344
Land and buildings	48,604	21,611	-	2,595	72,810
	1,167,768	(21,318)	(1,055)	(2,301)	1,143,094

28 Operating leases

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

	2014			2013		
<i>Commitments</i>	Premises £000	Equipment £000	Other £000	Premises £000	Equipment £000	Other £000
Expiring:						
Within one year	166	44	1	879	314	-
Between two and five years	1,015	528	-	747	524	5
Over five years	1,015	-	-	780	13	-
Total	2,196	572	1	2,406	851	5
Payments included in operating expenses	2,979	890	51	3,017	978	50

29 Capital commitments

At the year end the group had capital commitments of £63,000 relating to computer equipment (2013: £1,685,000) and £37,000 relating to office equipment (2013: £nil).

Allchurches Trust Limited

Notes to the Financial Statements

30 Subsidiaries and associate undertakings

(i) Group undertakings

The company's interest in group undertakings at 31 December 2014 is as follows:

Subsidiary undertakings <i>Incorporated and operating in Great Britain, engaged in investment, insurance and financial services or other insurance-related business:</i>	Share capital	Holding of shares by:	
		Parent	Subsidiary
Ecclesiastical Insurance Group plc	Ordinary shares	100%	-
Ecclesiastical Insurance Office plc	Ordinary shares	-	100%
Ecclesiastical Underwriting Management Limited	Ordinary shares	-	100%
Ecclesiastical Financial Advisory Services Limited	Ordinary shares	-	100%
Ecclesiastical Investment Management Limited	Ordinary shares	-	100%
Ecclesiastical Life Limited	Ordinary shares	-	100%
South Essex Insurance Holdings Limited	Ordinary shares	-	100%
South Essex Insurance Brokers Limited	Ordinary shares	-	100%
Lycetts Holdings Limited	Ordinary shares	-	100%
Lycett, Browne-Swinburne & Douglass Limited	Ordinary shares	-	100%
Lycetts Financial Services Limited	Ordinary shares	-	100%
Highflyer Bloodstock Agency Limited	Ordinary shares	-	100%
Farmers & Mercantile Insurance Brokers Limited	Ordinary shares	-	100%
<i>Incorporated and operating in Great Britain, engaged in retail of goods and services:</i>			
Edentree Investment Management Limited	Ordinary shares	-	100%
<i>Incorporated in Great Britain, dormant:</i>			
E.I.O. Trustees Limited	Ordinary shares	-	100%
Lycetts Limited	Ordinary shares	-	100%
Lycetts Hamilton Limited	Ordinary shares	-	100%
Hydra House Limited	Ordinary shares	-	100%
Farmers & Mercantile Insurance Brokers (York) Limited	Ordinary shares	-	100%
Farmdirect Insurance Services Limited	Ordinary shares	-	100%
<i>Incorporated and operating in Australia, engaged in insurance business:</i>			
Ansvar Insurance Limited	Ordinary shares	-	100%
<i>Incorporated in Australia, dormant:</i>			
EA Insurance Services Pty Limited	Ordinary shares	-	100%

The percentage shareholdings of the subsidiaries listed above are the direct or indirect holdings of Ecclesiastical Insurance Group plc.

Allchurches Trust Limited

Notes to the Financial Statements

30 Subsidiaries and associate undertakings (continued)

(ii) Associate undertaking

At the end of the prior year Lycetts Holdings Limited had a 40% shareholding in its associate Amlin Plus Limited, an insurance services company. This interest was disposed of on 20 May 2014.

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

	Period to 20 May 2014 £000	Year ended 31 December 2013 £000
Group's share of:		
Revenue	163	513
Expenses	(265)	(499)
(Loss)/profit before tax	(102)	14
Tax credit/(charge)	22	(5)
(Loss)/profit after tax	(80)	9
Share of assets	-	1,167
Share of liabilities	-	(777)

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

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

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

31 Post balance sheet event

On 20 January 2015, Ecclesiastical Financial Advisory Services Limited entered into an agreement to transfer its mortgage business to Holmesdale Building Society. The transfer was completed on 1 February for consideration of £6,084,000, of which £5,260,000 was received in cash, with retentions of £824,000 payable over the next seven years.

At the year end date, the carrying value of loans secured by mortgages (see note 15) had been reduced by a market value adjustment of £666,000. On completion of the transfer of business, a loss of £19,000 was realised on disposal.