

ECCLESIASTICAL INSURANCE GROUP PLC
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

The Company has now published its annual report and accounts for 2008.

This Annual Financial Report announcement contains the information required to comply with the Disclosure and Transparency Rules, and the Directors' Report forming part of the Annual Financial Report.

The financial information set out below does not constitute the Company's statutory accounts for the year ended 31 December 2007 or 2008. The annual report and accounts will be available on the Company's website at www.ecclesiastical.com. Copies of the audited financial statements are also available from the registered office at Beaufort House, Brunswick Road, Gloucester GL1 1JZ.

A copy of the Company's statutory accounts for the year ended 31 December 2008 has been submitted to the UK Listing Authority, and will shortly be available for inspection at the UK Listing Authority's Document Viewing Facility, which is situated at:

Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Tel. No. 020 7066 1000

Group Chief Executive's Report

Total gross written premiums increased by 4.3% in 2008 to £403.6m. General business premiums increased by 5.2% and long term business premiums decreased by 10.8%, as anticipated following the change to a multi-tie sales offering towards the end of 2007.

Group result before tax was a loss of £22.3m (2007: £35.8m profit) with an improved combined operating ratio of 100.8% (2007: 102.9%).

In 2008 we saw a number of key banks fail and widespread financial volatility which affected equity and credit markets. We are now in the midst of what is the most serious financial crisis to hit the UK, and indeed the world, for at least 80 years. Total net investment return for the group (including investment income and net fair value movements) was a loss of £51.6m (2007: £70.1m gain). Total investment income increased to £71.5m (2007: £58.8m). Overall performance was ahead of benchmarks, total funds under management including our business money as well as our customers' funds, dropped by approximately 5% remaining around £1.1 billion.

Group result after tax was a £15.3m loss (2007: £26.7m profit).

Total equity decreased to £356.6m (2007: £375.7m).

The underlying strength of the business in terms of solvency margins and combined operating ratio is such that we are able to increase our ordinary grant to Ecclesiastical's charitable owner Allchurches Trust to £7.0m from £4.2m in 2007. This represents our biggest ordinary grant ever, building upon the past few years of exceptional results where we also gave 'special' grants.

Theft of metal and associated claims amounting to a net cost of £12m continued to put pressure on the underwriting result. We have taken action to reduce our exposure, strengthen risk management practices and increase prices. Our proactive approach was recognised with a win at the 2008 British Insurance Awards in the risk management category.

Our group combined operating ratio was 100.8%, which is a reflection of some unusually poor claims experience in our London market operation, otherwise underlying insurance results for 2008 have been more than satisfactory. Our core UK and Ireland business showed excellent progress and ended 2008 in a strong position, with a combined operating ratio of 94.5% (2007: 107.3%).

The acquisition of South Essex Insurance Brokers (SEIB) on 1 April 2008 marked a significant step for us. The business is performing in line with expectations, with £4.7 million of fee and commission income for the nine months since acquisition.

The rating agencies Standard & Poor's and A M Best both maintained our rating for Ecclesiastical Insurance Office plc, which is quite an achievement in these difficult economic conditions.

Our financial services business made good progress with the first full year of focusing on giving advice and selling other companies' products being a successful step forward, we exceeded our overall premium plans.

In 2008 we joined ClimateWise, HRH The Prince of Wales UK initiative for insurers to look both at their own environmental policy and also at their interaction with their customers. The Group actively participated in the Association of British Insurers and the Association of Mutual Insurers in terms of policy and best practice development for the industry.

The group has considerable financial resources and, as a consequence, the directors believe the group is well placed to continue in operational existence for the foreseeable future, despite the current uncertain economic outlook. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Michael Tripp
Group Chief Executive

Directors' Report

Principal activity

The principal activity of the company is that of an investment holding company, Its principal subsidiary is Ecclesiastical Insurance Office plc. That company and its life assurance subsidiary, Ecclesiastical Life Limited transact most forms of general and long term insurance. The group also has branches in Canada and the Republic of Ireland.

Ownership

The entire equity capital of the company is owned by Allchurches Trust Limited.

Board of directors

The board comprises the chairman, Mr N. J. E. Sealy, eight other non-executive directors and three executive directors and has nine scheduled meetings each year. The board is responsible for the overall strategic direction of the group. Executive management of the group is delegated to the Group Chief Executive and executive management team.

The directors of the company at this date:

- * N. J. E. Sealy FCA *Chairman*
- * W. M. Samuel BSc, FCA *Deputy Chairman*
- * The Rt. Revd. N. Baines BA *Bishop of Croydon*
- * D. Christie BA, BSc (Econ) Dip. Ed.
- * M. D. Couve BComm, LLM, MA Law, Solicitor
- * J. F. Hylands FFA
- * A. P. Latham ACII
- * Sir Philip Mawer DLitt, LLD
- * The Venerable N. Peyton MA, BD, STM *Archdeacon of Newark*
- G. A. Prescott BA, FCA *Deputy Group Chief Executive*
- M. H. Tripp BSc, ARCS, FIA *Group Chief Executive*
- S. A. Wood BSc, FCII *Managing Director, UK & Ireland.*

* Represents Non Executive Directors

Mr W. M. Samuel, Mr M. D. Couve and Mr D. Christie retire by rotation and, being eligible, offer themselves for re-election. Mr N. J. E. Sealy retires by rotation and does not seek re-election at the annual general meeting. Mr W. M. Samuel was appointed as Deputy Chairman on 21 April 2008, and will succeed Mr N. J. E. Sealy as Chairman at the conclusion of the annual general meeting on 24 June 2009.

Mr G. A. Prescott has indicated his intention to resign as a director on 2 June 2009. The directors wish to convey their gratitude for his contribution to the board.

A proposal will be put forward that Mr M. C. J. Hews be appointed to the board as an executive director with effect from 2 June 2009.

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

Corporate governance

The Ordinary shares of the company are not quoted on the London Stock Exchange and therefore its operations do not come within the ambit of the Financial Reporting Council's Combined Code on Corporate Governance. However, the board of directors of the company intends and believes that the affairs of the company should be conducted in accordance with best business practice, and uses the Combined Code, by which UK listed companies are measured, to review performance in this area.

Group audit committee

The group audit committee comprises the following non-executive directors, appointed by the board:

W. M. Samuel (Chairman)
A. P. Latham (from 3 June 2008)
M. D. Couve
J. F. Hylands

The committee had five scheduled meetings during the year and deals with accounting, legal and compliance, internal control and security matters, reviews the group's annual results and the work and reports of internal and external auditors.

Appointments committee

The Ecclesiastical Insurance Office appointments committee comprises the following non-executive directors, appointed by the board:

N. J. E. Sealy (Chairman)
W. M. Samuel (from 3 June 2008)
D. Christie

The committee meets periodically to review the structure, size and composition of the board and to evaluate the director's skills, knowledge and experience. The committee considers the leadership need and succession planning of the group when making decisions on new appointments.

Remuneration committee

The Ecclesiastical Insurance Office remuneration committee comprises the following non-executive directors, appointed by the board:

M. D. Couve (Chairman)
A. P. Latham (from 3 June 2008)
The Venerable N. Peyton

The committee meets when necessary to determine the conditions of employment and pay and benefits of the chairman, each of the executive directors and the executive management team.

Remuneration Policy

The group's objective is to provide competitive remuneration packages, relevant to the particular market in which it operates, that will attract and retain high calibre employees and will encourage and reward superior performance.

The group's policies are aimed at meeting those objectives and ensuring that all employees are rewarded fairly for their individual contributions to its performance.

Executive directors and executive management

The remuneration of the executive directors and executive management team comprises a basic salary, pension contributions, annual and long term performance related bonuses (over rolling three year periods) and certain benefits in kind, including a company car or car allowance. The other available benefit in kind is the provision of private medical insurance, which is on the same terms as for all eligible staff. There are no other incentive or share option schemes. Annual and long term performance related bonuses are ultimately at the discretion of the Ecclesiastical Insurance Office plc board.

External professional advice has been sought in the process of determining appropriate remuneration packages.

Pensions arrangement

Mr G. A. Prescott and Mr S. A. Wood are members of the group's defined benefits pension scheme.

In accordance with the Scheme rules, a common retirement age of 63 applies to all members, and pensionable service accrues at a rate of one-eightieth of pensionable salary for each year of service up to a maximum of 40 years. No pension benefits are accrued on bonuses or other benefits.

Mr M. H. Tripp is a member of the group's defined contribution scheme which is operated by Ecclesiastical Life Limited, a subsidiary undertaking.

External directorships

External directorships are considered to be valuable in terms of broadening the experience and knowledge of executive directors, provided there is no conflict of interest and the commitment required is not excessive. Such appointments are subject to the approval of the board. Monetary payments received by executive directors from outside directorships are paid over to and retained by the employer.

Internal controls

The board is ultimately responsible for the systems of internal controls maintained by the group. The board reviews the effectiveness of the group's system of internal controls annually and considers it to be appropriate for the group. The system of controls is intended to provide reasonable assurance, but not an absolute guarantee, against material errors, financial misstatements or loss. The key features of the control systems are as follows:

The board approves financial, business and investment strategies and plans, reviews exposure limits and then monitors the results on a regular basis.

The group operates a comprehensive annual budgetary control system which monitors results against business plans on a monthly basis. Business and investment reports are submitted regularly to the board, and financial results are reported to the board on a quarterly basis.

The group has an internal audit function whose role is to review and monitor the various control mechanisms. The internal audit function has direct access to the Group Chief Executive and to the chairman of the group audit committee.

Going concern

The group has considerable financial resources and, as a consequence, the directors believe the group is well placed to

continue in operational existence for the foreseeable future, despite the current uncertain economic outlook. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2008 (2007: £nil).

Charitable and political donations

Charitable donations paid and provided for by the Ecclesiastical group in the year amounted to £8.0 million (2007: £14.1 million).

During the last ten years, a total of £65.7 million (2007: £62.0 million) has been provided by group companies for church and charitable purposes.

It is the group's policy not to make political donations.

Employees

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 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.

The group considers a number of key performance indicators in the assessment of its people strategy. In addition to numeric measures, such as staff turnover and absenteeism, the group pays particular attention to the outcome of its annual staff satisfaction surveys, and has developed measures for assessing the success of its leadership and succession planning programmes.

Environment

In 2008, the group signed up to the ClimateWise principles, an initiative launched by HRH, The Prince of Wales together with over 40 leading organisations in the insurance industry. Signatory organisations are committed to taking action on climate change. The principles cover:

Leading the way in analysing and reducing risks;

Informing and engaging in public policy debate;

Supporting climate awareness amongst customers;

Incorporating climate change into investment strategies;

Reducing the environmental impact of businesses; and

Reporting in public on the actions taken, and being fully accountable.

Each organisation that has signed up to ClimateWise will undergo an annual independent review to report on progress made, and demonstrate this using supporting evidence. Our first progress report will be submitted in 2009.

We have made some significant changes already, and have plans for future activity. Key achievements include establishing an Environmental Strategy Group which monitors, manages and improves environmental performance throughout the group, launching a new environmental policy and being a sponsor of the South West Climate Change Impacts Partnership. We are awarding contracts to suppliers whose environmental policies are aligned with those of the group, we sponsor a local park and ride scheme in Gloucester and have also reduced our energy consumption by 26% across our main premises over the last two years.

Policy on payment of creditors

It is the group's policy to pay creditors promptly and fully, in accordance with the terms of their contracts. The group has not adopted any particular external code. The number of days' purchases represented by the amounts due to trade creditors of the group at 31 December 2008, calculated in accordance with Schedule 7 of the Companies Act 1985, was 27 days (2007: 18 days).

Events after the balance sheet date

Details of events after the balance sheet date are contained in note 42 of the full financial statements.

Principal risks and uncertainties

The principal risks and uncertainties, together with details of the financial risk management objectives and policies of the group and company, are disclosed in notes 3 and 4 of the full financial statements and are set out below.

Auditor and the disclosure of information to auditors

So far as each person who was a director at the date of approving the 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 he is obliged to take as a director in order to make himself 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 234ZA of the Companies Act 1985.

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

Non-audit work

The company does not impose an automatic ban on the auditor undertaking non-audit work. The group's aim is to identify appropriate service providers and ensure that any non-audit work is carried out in a manner that affords full value for money. The service provider must not be in a position of conflict in respect of the work in question and must have the skill, competence and integrity to carry out the work in the best interests of the company and the group.

Auditors of the company are only permitted to perform audit-related and non-audit work if, in the opinion of the group audit committee, it is appropriate for them to do so and there are no actual or perceived conflicts of interest.

Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements. The directors are required to prepare financial statements for the group in accordance with International Financial Reporting Standards (IFRS) and have also elected to prepare financial statements for the company in accordance with IFRS. Company law requires the directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1, *Presentation of Financial Statements*, requires that the financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. Directors are also required to:

Properly select and apply accounting policies;

State whether the financial statements have been prepared on a going concern basis;

Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and

Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Addressees of the annual report

The purpose of the report is to provide information to the members of the company. Neither the company nor its directors accept or assume responsibility to any person for the annual report (beyond the responsibilities arising from the production of the annual report under the requirements of company law).

Financial Summary

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	2008 £000	2007 £000
Gross written premiums	403,608	386,915
Outward reinsurance premiums	(140,043)	(132,094)
Net change in provision for unearned premiums	(2,300)	(1,183)
Net earned premiums	261,265	253,638
Fee and commission income	38,764	38,025
Other operating income	998	600
Net investment return	(51,646)	70,139
Total revenue	249,381	362,402
Claims and change in insurance liabilities	(252,451)	(267,833)
Reinsurance recoveries	71,608	73,357
Fees, commissions and other acquisition costs	(74,582)	(70,563)
Other operating and administrative expenses	(67,829)	(57,755)
Change in provisions for investment contract liabilities	13,893	265
Change in net asset value attributable to unitholders	14,749	(1,097)
Total operating expenses	(294,612)	(323,626)
Operating (loss)/profit	(45,231)	38,776
Finance costs	(1,079)	(1,247)
Transfers from/(to) the unallocated divisible surplus	23,962	(1,731)

(Loss)/profit before tax	(22,348)	35,798
Tax credit/(expense)	7,045	(9,138)
(Loss)/profit after tax	<u>(15,303)</u>	<u>26,660</u>

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 December 2008

	2008	2007
	£000	£000
Net fair value losses on property	(28)	(39)
Gain on currency translation differences	6,396	5,996
Net income recognised directly in equity	<u>6,368</u>	<u>5,957</u>
Result for the year after tax	(15,303)	26,660
Total recognised income and expense for the year	<u>(8,935)</u>	<u>32,617</u>

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	2008	2007
	£000	£000
Assets		
Goodwill and other intangible assets	26,419	4,807
Deferred acquisition costs	34,048	31,751
Deferred tax assets	2,589	2,755
Pension assets	24,974	21,276
Property, plant and equipment	11,094	10,522
Investment property	24,561	33,558
Financial investments	966,884	976,252
Reinsurers' share of contract provisions	198,921	189,259
Current tax recoverable	538	3,127
Other assets	105,738	98,252
Cash and cash equivalents	155,411	197,993
Total assets	<u>1,551,177</u>	<u>1,569,552</u>
Equity		
Share capital	20,000	20,000
Retained earnings and other reserves	276,125	295,219
Equity attributable to equity holders of the parent	<u>296,125</u>	<u>315,219</u>
Minority interests	60,453	60,453
Total equity	<u>356,578</u>	<u>375,672</u>

Liabilities

Insurance contract provisions	956,146	909,469
Investment contract liabilities	40,943	54,919
Unallocated divisible surplus	15,874	39,836
Borrowings	7,586	7,607
Provisions for other liabilities and charges	13,589	8,207
Retirement benefit obligations	5,021	11,452
Deferred tax liabilities	32,582	47,922
Current tax liabilities	2,958	1,831
Deferred income	18,200	16,662
Other liabilities	44,858	26,985
Net asset value attributable to unitholders	56,842	68,990
Total liabilities	<u>1,194,599</u>	<u>1,193,880</u>
Total equity and liabilities	<u>1,551,177</u>	<u>1,569,552</u>

CONSOLIDATE CASH FLOW STATEMENT

For the year ended 31 December 2008

	2008	2007
	£000	£000
Net cash from operating activities	<u>64,332</u>	<u>36,354</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(2,138)	(1,609)
Proceeds from the sale of property, plant and equipment	48	75
Purchases of intangible assets	(2,392)	(573)
Acquisition of subsidiary, net of cash acquired	(20,781)	(905)
Purchases of financial investments & investment property	(501,386)	(339,961)
Sale of financial investments	412,323	280,507
Net cash used by investing activities	<u>(114,326)</u>	<u>(62,466)</u>
Cash flows from financing activities		
Payment of finance lease liabilities	(424)	(396)
Repayment of other borrowings	-	(13,750)
Dividends paid to minority interests of subsidiaries	(5,214)	(5,214)
Donations paid to ultimate parent undertaking	(4,000)	(15,500)
Net cash used by financing activities	<u>(9,638)</u>	<u>(34,860)</u>
Net decrease in cash and cash equivalents	<u>(59,632)</u>	<u>(60,972)</u>
Cash and cash equivalents at beginning of year	197,993	254,834
Exchange gains on cash and cash equivalents	17,050	4,131

Cash and cash equivalents at end of year	155,411	197,993
---	---------	---------

NOTES TO THE PRELIMINARY ANNOUNCEMENT OF RESULTS

For the year ended 31 December 2008

1. Basis of preparation

The company has prepared this announcement of its consolidated results using the same accounting policies and methods of computation as the full financial statements for the years ended 31 December 2007 and 31 December 2008 as prepared under International Financial Reporting Standards (IFRS) as adopted for use in the EU.

2. Statement of changes in equity

	2008	2007
	£000	£000
At 1 January	375,672	357,159
Total recognised income and expense for the year	(8,935)	32,617
Minority share of dividends paid in the year	(5,214)	(5,214)
Net charitable grant to ultimate parent undertaking	(4,945)	(8,890)
At 31 December	356,578	375,672

3. General information

Whilst the financial information included in this announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), this announcement does not itself contain sufficient information to comply with IFRS. Full financial statements that comply with IFRS were approved by the Board of Directors on 21 April 2009.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2008 or 2007, but is derived from those accounts. Statutory accounts for 2007 have been delivered to the Registrar of Companies and those for 2008 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to matters by way of emphasis without qualifying their report and did not contain statements under s237(2) or (3) Companies Act 1985.

Ecclesiastical Insurance Group plc is a subsidiary of Allchurches Trust Limited which is a private company limited by guarantee.

The ordinary shares of Ecclesiastical Insurance Group plc are not listed.

Principal Risks and Uncertainties – Insurance Risk

Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is unpredictable and difficult to quantify with certainty.

The principal risk that the group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities, which may occur if the frequency or severity of claims and benefits are greater than estimated. Insurance events are unpredictable and the actual level of claims and benefits may vary from year

to year from the estimates established using statistical techniques.

Factors that typically aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical spread and type of customer covered.

Experience shows that the larger and more diversified the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. The group's insurance underwriting strategy aims to diversify the type of insurance risks accepted in order to reduce the variability of the expected outcome.

General business risks

General insurance business classes written include property and liability. Property cover mainly compensates the policyholder for damage suffered to their properties or for the value of property lost. Property may also include cover for pecuniary loss through the inability to use damaged insured commercial properties. Liability insurance contracts protect policyholders from the liability to compensate injured employees (employers' liability) and third parties (public liability). Motor policies provide both property and liability cover for the insured. Injury, death or incapacity as a result of an unforeseen event is covered by the accident class of business.

In all operations pricing controls are in place, underpinned by sound statistical analysis and market expertise and appropriate external consultant advice. The group manages risks to limit severity through its underwriting strategy, a comprehensive reinsurance programme and proactive claims handling. Net retention limits are in place and the group arranges catastrophe reinsurance cover to protect against aggregations of losses.

Frequency and severity of claims

Property classes

For property insurance contracts, including the property element of motor contracts, the number of claims made can be affected by weather events, changes in climate and crime rates. Individual claims can vary in amount since the property insured is diverse in both size and nature. The cost of repairing property varies according to the extent of damage, cost of materials and labour charges.

Climate change may give rise to more frequent and severe extreme weather events, such as river flooding, hurricanes and drought, and their consequences, for example, subsidence claims.

The maximum claim payable is limited to the sum insured. The group has the right to re-price the risk on renewal. It also has the ability to impose deductibles, reject fraudulent claims and pursue third parties for payment of some or all costs. These contracts are underwritten on a reinstatement basis or repair and renovation basis as appropriate. Costs of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims. Individual large claims are more likely to arise from fire, storm or flood damage. The greatest likelihood of an aggregation of claims arises from weather or recession related events.

Liability classes

For liability insurance contracts, including the liability element of motor contracts, the frequency and severity of claims can be affected by several factors. The most significant are the increasing level of awards for damages suffered and the increase in the number of cases that were latent for a long period of time. Inflation, from these and other sources, is a significant factor due to the long period typically required to settle these claims.

The group has the right to re-price the risk on renewal. It also has the ability to impose deductibles, reject fraudulent claims and pursue third parties for payment of some or all costs. The severity of bodily injury claims is highly influenced by the value of loss of earnings and the future cost of care.

Concentrations of risk

The underwriting strategy is designed to ensure that the underwritten risks are well diversified in terms of type and amount of risk and geographical spread. The group protects its gross underwriting exposure through the use of a comprehensive programme of reinsurance. The concentration of insurance risk for the financial year before and after reinsurance by territory in relation to the type of risk accepted is summarised below, with reference to written premiums:

<i>Group</i>		Type of risk				
		Property	Liability	Motor	Accident	Total
		£000	£000	£000	£000	£000
2008						
Territory						
United Kingdom	Gross	202,698	62,130	20,975	6,816	292,619
	Net	109,947	55,145	19,419	6,476	190,987
Australia and New Zealand	Gross	44,440	11,808	8,382	428	65,058
	Net	16,491	10,065	8,099	377	35,032
Canada	Gross	13,132	4,315	-	-	17,447
	Net	9,070	3,897	-	-	12,967
Other overseas	Gross	5,941	3,584	5	39	9,569
	Net	3,845	3,299	5	37	7,186
Total	Gross	266,211	81,837	29,362	7,283	384,693
	Net	139,353	72,406	27,523	6,890	246,172
2007						
Territory						
United Kingdom	Gross	197,148	65,587	20,644	6,880	290,259
	Net	107,006	58,322	19,051	6,495	190,874
Australia and New Zealand	Gross	35,655	11,615	7,550	467	55,287
	Net	13,039	9,846	7,268	368	30,521
Canada	Gross	11,229	3,748	-	-	14,977
	Net	7,367	3,414	-	-	10,781
Other overseas	Gross	3,427	1,743	-	18	5,188
	Net	1,505	1,538	-	18	3,061
Total	Gross	247,459	82,693	28,194	7,365	365,711
	Net	128,917	73,120	26,319	6,881	235,237

Sources of uncertainty in the estimation of future claim payments

Property classes

The property classes, including property damage under motor contracts, give rise to a variety of different types of claims including fire, business interruption, weather damage, subsidence, accidental damage to insured vehicles and theft. There can be variability in both the number of claims in each period and the size of those claims. If a weather event happens near the end of the financial year, then the uncertainty about ultimate claims cost in the financial statements is much higher because there is insufficient time for adequate data to be received to assess the final cost of claims.

Claims payment on average occurs within a year of the claim event, however there is variability around this average with larger claims typically taking longer to settle.

Subsidence claims are difficult to predict because the damage is often not apparent for some time. Changes in soil moisture conditions can give rise to changes in claim volumes over time. The ultimate settlements can be small or large with a

greater risk of a settled claim being re-opened at a later date.

Liability classes

The settlement value of claims arising under public and employers' liability and the liability element of motor contracts is particularly difficult to predict. There is uncertainty as to whether any payments will be made and, if they are, the amount and timing of the payments. Key factors driving the high levels of uncertainty include the late notification of possible claim events and the legal process.

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

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

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

Note 32 in the full financial statements presents the development of the estimate of ultimate claim cost for public and employers' liability claims occurring in a given year. This gives an indication of the accuracy of the estimation technique for incurred claims.

Sources of uncertainty

The ultimate settlement cost of incurred 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;

Whether all such reinsurances will remain in force over the long term;

Prudence in the provisions for outstanding claims

The group has taken into account the uncertain nature of claims reporting and settlement when provisioning for outstanding claims.

Special provisions for latent claims

The public and employers' liability classes can give rise to very late reported claims, which are often referred to as latent claims. These can vary in nature and are difficult to predict. They typically emerge slowly over many years. The group has taken a prudent approach to reflect this uncertainty and believes that it holds adequate reserves for latent claims that may result from exposure periods up to the reporting date.

Long term business fund

Frequency and severity of claims

The group provides a range of life insurance products, which are summarised in the table below:

	With-profit fund £000	Non-profit fund £000	Total £000
Long term business provision at 31 December 2008			
Life assurance	67,666	45,318	112,984
Pensions assurance	37,656	-	37,656
Pensions annuities in payment	-	69,192	69,192
Life annuities in payment	-	11,203	11,203
Permanent health insurance	-	380	380
Total	105,322	126,093	231,415
Investment products	-	40,943	40,943
Total technical provisions excluding outstanding claims, net of reinsurance	105,322	167,036	272,358
Long term business provision at 31 December 2007			
Life assurance	77,539	43,030	120,569
Pensions assurance	37,216	-	37,216
Pensions annuities in payment	-	65,611	65,611
Life annuities in payment	-	14,147	14,147
Permanent health insurance	-	420	420
Total	114,755	123,208	237,963
Investment products	-	54,919	54,919
Total technical provisions excluding outstanding claims, net of reinsurance	114,755	178,127	292,882

Long term insurance contracts

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or wide-spread changes in lifestyle resulting in more or fewer claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

For non-profit contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted.

The group manages these risks through its underwriting strategy and reinsurance arrangements. Industry standard tables are used to price products. No allowance is made for the group's own claims experience as it is not statistically significant. The group's exposure is limited by reinsurance arrangements that restrict exposure on a single risk. Both yearly renewable term and original terms reinsurance arrangements are used.

Both pension and life annuities in payment provide a defined income stream to the client which is commonly contingent on survival. The primary risks on these contracts are the level of future investment returns on the assets backing the liability and the longevity of the policyholders. The investment risk has been largely mitigated by holding fixed interest assets of a similar term to the expected longevity profile. The longevity risk is retained by the group and directly impacts shareholders' equity.

Both with-profit life and pensions assurance products provide a combination of guaranteed and discretionary benefits for

policyholders. The principal risks associated with these contracts are interest rate and equity price risk. In the first instance these risks are borne by the unallocated divisible surplus, which is available for allocation to policyholders as discretionary benefits.

There are no material concentrations of risk in respect of life assurance or annuity business.

The non-profit fund bears any difference between future administration expenses and the specified fees charged to the with-profit fund. The reserves in the non-profit fund for with-profit life and pension contracts reflect a shortfall between the forecast fees receivable and forecast expenses.

Insurance risk for contracts disclosed in this note is also affected by the policyholders' right to pay reduced or no future premiums, or to terminate the contract completely. As a result, the amount of insurance risk is also subject to policyholder behaviour. The group has considered the impact of policyholders' behaviour in the calculation of these liabilities.

Group life yearly renewable contracts

These contracts are mainly issued to employers to insure their commitments to their employees in terms of their pension fund and other employee benefit plans. The risk is affected by the nature of the industry in which the employer operates, in addition to the factors noted above.

The group does have a higher than average concentration of risk in the clergy, but otherwise there is no bias to any particular industry. It is believed that the mortality and morbidity of the clergy does not depart significantly from experience for the United Kingdom population as a whole.

Reinsurance arrangements are in place to mitigate the group's exposure to these risks. The net exposure for any one risk is limited.

Sources of uncertainty in the estimation of future benefit payments and premium receipts

Long term insurance contracts

Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long term changes in overall levels of mortality and the variability in policyholder behaviour.

The group uses appropriate base tables of standard industry mortality according to the type of contract being written. For contracts that insure survival, an adjustment is made for future mortality improvements based on trends identified in the mortality investigations performed by independent actuarial bodies.

Group life yearly renewable contracts

There is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration. However, for incurred disability income claims, it is necessary to estimate the length of the term over which payments will continue to be made. It has been assumed that payments will continue for the remaining term of the policy with no allowance for either mortality or recovery.

Options and guarantees

All material financial options and guarantees are in the with-profit fund and the cost of meeting them is currently covered by the unallocated divisible surplus. These options and guarantees have the potential, depending on the behaviours of financial variables such as interest rates and equity returns, to increase the value of benefits paid to policyholders.

Further details of the material options and guarantees are given below, including the variables that determine the amount payable and the potential effect of adverse changes in market conditions. In line with the measurement of the with-profit policyholder liabilities, a deterministic methodology has been used to measure the options and guarantees and so they are not measured at fair value or using a market-consistent asset model.

With-profit maturity and surrender value guarantees

Substantially all of the conventional with-profit policies have minimum guaranteed benefits on maturity consisting of the sums assured plus previously declared regular bonuses. In addition, a small proportion of endowment policyholders have

minimum guaranteed benefits on surrender after a certain time, consisting of a fixed proportion of the sums assured plus previously declared regular bonuses. The main variable that determines the amount payable under the guarantees is the level of regular bonuses added to the policy.

The difference between the guaranteed benefits and the value of the assets deemed to be allocated to the policies (their asset share) at maturity or at the point of surrender, represents the net cost of the guarantees. For maturities in 2009, this net cost is expected to total £0.6 million (2007: £1.1 million expected for 2008) and for surrenders it is expected to total £0.1 million (2007: £0.2 million expected for 2008). The discounted value of these amounts is included within the with-profit policyholder liabilities for the relevant policies.

The cost of the guarantees is most affected by a fall in equity returns and if returns were 10% lower than anticipated, the above costs would increase to £1.4 million (2007: £1.8 million) and £0.2 million (2007: £0.3 million) respectively.

No market value reduction (MVR) guarantees

For the with-profit bond and the deposit administration group pension contracts, there are circumstances when it is guaranteed that no MVR will apply in determining benefits, ie:

On partial withdrawals of the bond not exceeding 7.5% per annum of the original amount invested;

On withdrawals from the deposit administration contract for the purchase of immediate annuities for individual members; and

On withdrawal of all benefits over a 10 year period.

The cost of the guarantee is determined by the relationship between the total benefits on the contract and the total asset share when applied to the amount of the withdrawal. If withdrawals were made on all contracts up to the maximum level for the no MVR guarantee, then the total cost in 2009 is expected to total £0.7 million (2007: £0.1 million expected for 2008). This is allowed for in determining the liabilities for the contracts.

The cost of the guarantee is most affected by a fall in equity returns, and if returns were 10% lower than anticipated, the cost would increase to £0.9 million (2007: increase to £0.2 million).

With-profit guaranteed regular bonus rates

Until 31 December 2009, the deposit administration group pension contracts have a guaranteed regular bonus rate of 3% per annum. It has not been deemed necessary to hold additional reserves in excess of the basic policyholder liabilities for this guarantee.

Principal Risks and Uncertainties – Financial Risk

Financial risk and capital management

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

Although the external environment has changed dramatically over the last year, there has been no change from the prior period in the nature of financial risks that the group is exposed to. The group's management and measurement of financial risks is informed by either stochastic modelling or stress testing techniques.

Categories of financial instruments

Financial assets			Financial liabilities			Other assets
Designated	Held for	Loans and	Designated	Held for	At amortised	

<i>Group</i>	at fair value £000	trading £000	receivables * £000	at fair value £000	trading £000	cost £000	and liabilities £000	Total £000
At 31 December 2008								
Financial								
Investments	933,763	4,081	29,040	-	-	-	-	966,884
Other assets	-	-	102,476	-	-	-	3,262	105,738
Cash and cash equivalents	-	-	155,411	-	-	-	-	155,411
Investment contract liabilities	-	-	-	(40,943)	-	-	-	(40,943)
Borrowings	-	-	-	-	-	(6,000)	(1,586)	(7,586)
Other liabilities	-	-	-	-	(999)	(37,215)	(6,644)	(44,858)
Net other	-	-	-	-	-	-	(778,068)	(778,068)
Total	933,763	4,081	286,927	(40,943)	(999)	(43,215)	(783,036)	356,578

At 31 December 2007								
Financial								
Investments	939,341	1,685	35,226	-	-	-	-	976,252
Other assets	-	-	95,711	-	-	-	2,541	98,252
Cash and cash equivalents	-	-	197,993	-	-	-	-	197,993
Investment contract liabilities	-	-	-	(54,919)	-	-	-	(54,919)
Borrowings	-	-	-	-	-	(6,000)	(1,607)	(7,607)
Other liabilities	-	-	-	-	-	(22,473)	(4,512)	(26,985)
Net other	-	-	-	-	-	-	(807,314)	(807,314)
Total	939,341	1,685	328,930	(54,919)	-	(28,473)	(810,892)	375,672

* Cash and cash equivalents have been presented with loans and receivables.

Interest rate risk

The table below summarises the effective interest rate and maturity dates at the balance sheet date for those assets and liabilities that are exposed to interest rate risk.

<i>Group</i>	Effective interest rate %	Maturing within:			Total £000
		1 year or less £000	2-5 years £000	More than 5 years £000	
At 31 December 2008					
Assets:					
Debt securities	4.7	89,110	313,672	244,581	647,363
Mortgage and other loans	5.2	132	957	15,467	16,556
Non-profit reinsurers' share of long term business provisions	n/a	1,716	277	179	2,172
Other assets including insurance receivables	6.4	40,223	-	-	40,223

Cash and cash equivalents	2.1	155,411	-	-	155,411
		<u>286,592</u>	<u>314,906</u>	<u>260,227</u>	<u>861,725</u>
Liabilities:					
13% Debenture Stock 2018	13.0	-	-	6,000	6,000
Finance lease obligations	11.5	371	1,215	-	1,586
Non-profit long term business provisions	n/a	2,898	1,905	123,462	128,265
Investment contract liabilities	n/a	1,917	4,977	34,049	40,943
		<u>5,186</u>	<u>8,097</u>	<u>163,511</u>	<u>176,794</u>
At 31 December 2007					
Assets:					
Debt securities	4.1	68,361	244,440	209,661	522,462
Mortgage and other loans	7.4	257	1,185	16,885	18,327
Non-profit reinsurers' share of long term business provisions	n/a	1,783	352	75	2,210
Other assets including insurance receivables	6.2	28,807	-	-	28,807
Cash and cash equivalents	4.5	197,993	-	-	197,993
		<u>297,201</u>	<u>245,977</u>	<u>226,621</u>	<u>769,799</u>
Liabilities:					
13% Debenture Stock 2018	13.0	-	-	6,000	6,000
Finance lease obligations	9.6	328	1,279	-	1,607
Non-profit long term business provisions	n/a	3,267	2,826	119,325	125,418
Investment contract liabilities	n/a	2,210	6,701	46,008	54,919
		<u>5,805</u>	<u>10,806</u>	<u>171,333</u>	<u>187,944</u>

Those financial assets and liabilities with fixed interest rates are subject to fair value interest rate risk. Those with variable interest rates are subject to cash flow interest rate risk.

General business insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest bearing. Furthermore, these liabilities do not have maturity dates and hence are not included in the above tables.

Financial investments represent a significant proportion of the group's assets. Investment strategy is set in order to control the impact of interest rate risk on anticipated group cash flows and asset values. The fair value of the group's investment portfolio of debt and fixed income securities reduces as market interest rates rise, and vice versa. Interest rate risk concentration is reduced by the varied maturity profiles of the investments.

The group's exposure to interest rate risk in respect of long term insurance and investment contracts is dependent on the types of liabilities which interest bearing assets are being used to support.

Non-profit contracts excluding unit-linked

The benefits payable to policyholders under these contracts 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 eliminated by purchasing fixed interest investments with durations that precisely match the profile of the liabilities. For practical purposes it is not possible to exactly match the durations due to the uncertain profile of liabilities (eg mortality risk) and the availability of suitable assets. Some interest rate risk will persist. The group monitors its exposure by comparing projected cashflows for these assets and liabilities and making appropriate adjustments to its investment portfolio.

With-profit contracts

All contracts are held in a distinct fund. The surplus of assets over liabilities in this fund is available solely to provide future benefits for insurance policyholders. The group is not entitled to a share of this surplus. There is therefore no price, currency, credit, or interest rate risk to the group for these contracts under current circumstances. It is possible under some circumstances that guaranteed benefits will exceed the fund's assets and the group could be called upon to provide financial support to the fund. The nature of these guarantees is described in more detail in note 3(b) of the full financial statements.

Unit-linked contracts

For unit-linked contracts the group matches all the assets on which the unit prices are based with assets in the portfolio. There is therefore no price, currency, credit, or interest rate risk to the group for these contracts.

Credit risk

The group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. 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;

Amounts due from insurance intermediaries and policyholders;

Corporate bond counterparty default.

The carrying amount of financial assets represents the group's maximum exposure to credit risk. Collateral is held over loans secured by mortgages.

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 group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on a regular basis through the year by reviewing their financial strength. The Group Reinsurance Security Committee assesses, monitors and approves the creditworthiness of all reinsurers reviewing relevant credit ratings provided by the recognised credit rating agencies, as well as other publicly available data and market information. The committee also monitors the balances outstanding from reinsurers and publishes an approved list of reinsurers.

The group's credit risk policy details prescriptive methods for the collection of premiums and control of intermediary and policyholder debtor balances. The level and age of debtor balances are regularly assessed via monthly credit management reports. These reports are scrutinised to assess exposure 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.

The fixed interest portfolio consists of a range of 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.

Liquidity risk

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

Currency risk

The group operates internationally and its main exposures to foreign exchange risk are noted below. The group's foreign operations generally invest in assets 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 exposure to foreign currency risk within the investment portfolios arises from purchased investments that are denominated in currencies other than sterling.

The group foreign operations create two sources of foreign currency risk:

The operating results of the group foreign branches and subsidiaries in the group financial statements are translated at the average exchange rates prevailing during the period;

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:

	2008	2007
	Group	Group
	£000	£000
Euro	56,000	55,471
Aus \$	31,011	38,963
Can \$	28,385	24,288
US \$	(7,935)	21,681
Hong Kong \$	6,298	18,132

Equity price risk

The group is exposed to equity price risk because of financial investments held by the group and stated at fair value through the income statement. 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 and parent are exposed is as follows:

	2008	2007
	Group	Group
	£000	£000
UK	85,314	129,664
Europe	48,200	48,451
Hong Kong	5,976	7,176
USA	6,040	6,722
Other	19,644	22,708
Total	165,174	214,721

Market risk sensitivity analysis

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

Variable	Change in variable	Potential increase/ (decrease) in profit		Potential increase/ (decrease) in other equity reserves	
		2008	2007	2008	2007
		£000	£000	£000	£000
<i>Group</i>					
Interest rate risk	-100 basis points	12,013	8,144	238	106
	+100 basis points	(12,152)	(7,699)	(228)	(105)
Currency risk (-)	-5%	2,695	4,883	3,425	2,809
Currency risk +	+5%	(2,560)	(4,639)	(3,253)	(2,669)
Equity price risk	+/-5%	8,259	10,736	-	-

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;

The above analysis is based only on exposures borne by the shareholders, and thus excludes those of with-profit and unit-linked business;

Change in profit is stated net of tax at the standard rate of 28% (2007: 30%).

Capital management

The group's objectives when managing capital are:

To comply with the regulators' capital requirements of the markets in which the group operates;

To safeguard the group's ability to continue to meet stakeholders' expectations, in accordance with its corporate mission, vision and values.

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

In the UK, the group and its UK regulated entities are required to comply with rules issued by the Financial Services Authority (FSA), and submit FSA 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 FSA reviews and may amend by issuing Individual Capital Guidance (ICG). The group sets internal capital standards above the FSA's minimum requirement. For overseas business the relevant capital requirement is the minimum requirement under the local regulatory regime. With the exception as noted below, both the group and the regulated entities within it have complied with all externally imposed capital requirements throughout the year.

During the year the adverse conditions in the financial markets resulted in the regulatory capital of an insurance subsidiary of the group not always exceeding its ICG, although it remained above the regulatory minimum at all times.

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 32(b) (part iv) of the full Annual Report and Accounts for 2008.

Statement of Directors' responsibility

The directors confirm that the information in this announcement has been prepared in accordance with the Disclosure and Transparency Rules 4.1.12, namely:

The full financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and result of the group taken as a whole; and

The directors' report, which incorporates the management report, includes a fair review of the development and performance of the business and the position of the group taken as a whole, together with a description of the principal risks and uncertainties that it faces.