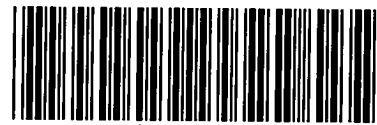


Company registration number : 02046087

Ecclesiastical Financial Advisory Services Limited

2014 Annual Report

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Ecclesiastical Financial Advisory Services Limited

2014 Annual Report

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Ecclesiastical Financial Advisory Services Limited

Officers and Professional Advisers

| | | |
|--|--|-----------------|
| Directors | M.C.J. Hews BSc, FIA M. G. Angell, ACII K.S. Jones MA (Oxon), MBA, MSc R. A. Wood, ACII, FPFS | <i>Chairman</i> |
| Company Secretary | Mrs R.J. Hall FCIS | |
| Auditor | Deloitte LLP, London | |
| Solicitors | Speechly Bircham LLP, London | |
| Registered Office | Beaufort House, Brunswick Road, Gloucester, GL1 1JZ | |
| Company Registration Number | 02046087 | |

Ecclesiastical Financial Advisory Services Limited

Strategic Report

The directors present their strategic report of the company for the year ended 31 December 2014.

Objective and strategy

The principal activity of the company is that of an independent financial adviser (IFA) to our core Church of England client base and to provide a sales, marketing and administration service on behalf of the National Association of Funeral Directors for pre-paid funeral plans under the Perfect Choice brand.

The current strategy is to deliver modest profits from the independent financial adviser and funeral plan activities.

Review of the company's business

The results of the company for the year are shown on page 9 and the position at the year-end is shown on page 11.

An analysis of the fee and commission income received from the separate income streams is as below.

| | 2014 | 2013 |
|---|-----------|-----------|
| | £ | £ |
| Independent financial adviser activity | 582,374 | 584,199 |
| Funeral plan activity | 1,503,468 | 838,826 |
| Total fee and commission income (see note 5 on page 16) | 2,085,842 | 1,423,025 |

During the year the company issued a further 300,000 ordinary shares. The additional share capital is required to ensure compliance with the new capital requirements introduced by the Retail Distribution Review being phased in from 31 December 2015.

After the year-end, the company entered into an agreement to sell the legacy mortgage book. The formal sale agreement was signed on 20 January with economic ownership changing hands from 1 February 2015. Accordingly, all transactions and balances in respect of the mortgage business are now shown as 'Discontinued operations' in both the statement of profit and loss and the statement of financial position.

The Statement of Profit and Loss has been restated to show the effect of the mortgage sale agreement.

Future prospects

Following a review of the IFA business in 2014 the Group decided to continue to offer an independent financial advice service to clergy and church related clients as part of its holistic service offering.

The company is seeking to expand the administration service provided to the National Association of Funeral Directors for pre-paid funeral plans under the Perfect Choice brand by the introduction of a buy-online facility as a cost effective way of attracting additional plan sales from consumers.

Modest growth in both the IFA fee and commission income and the funeral plan fee income coupled with tight control of costs should deliver the modest ongoing profits the Group is expecting from this business.

Ecclesiastical Financial Advisory Services Limited

Strategic Report

Principal risks and uncertainties facing the company

Further information on the principal risks and uncertainties, together with details of the financial risk management objectives and policies of the company, are disclosed in note 3 to the financial statements.

The company is exposed to financial risk through its financial assets and financial liabilities. The most important components of financial risk are interest rate risk, credit risk and liquidity risk.

There has been no change from the prior period in the financial risks that the company is exposed to, nor in the manner in which it manages and measures these risks.

The principal risks to which the company is exposed will reduce significantly in 2015 following the sale of the mortgage portfolio.

By order of the board



Mrs R. J. Hall
Company Secretary
23 March 2015

Ecclesiastical Financial Advisory Services Limited

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2014.

Future prospects

The future prospects for the company are dealt with in the Strategic Report on page 3.

Dividend

The directors do not recommend the payment of a dividend for the year ended 31 December 2014 (2013: £nil).

Board of directors

The directors of the company at the date of this report are stated on page 2. Mr Wood and Mr Angell were appointed to the Board on 16 January 2015.

The company 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.

Ownership

The entire equity share capital of the company is owned by Ecclesiastical Insurance Office plc. The ultimate parent company is Allchurches Trust Limited.

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

Going concern

The company has adequate financial resources and no recourse to external borrowing. When appropriate, additional financial support is also provided by the group. The Ecclesiastical group has considerable financial resources and, as a consequence, the directors believe the group is well placed to continue to support the company in the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the company's annual report and financial statements.

Ecclesiastical Financial Advisory Services Limited

Directors' Report

Auditor and the disclosure of information to 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 he ought to have taken 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 418 of the Companies Act 2006.

By order of the board



Mrs R. J. Hall
Company Secretary
23 March 2015

Independent auditor's report to the members of Ecclesiastical Financial Advisory Services Limited

We have audited the financial statements of Ecclesiastical Financial Advisory Services Limited for the year ended 31 December 2014 which comprise the statement of profit or loss, the statement of changes in equity, the statement of financial position, the statement of cash flows and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the 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 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 company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 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 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 company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Ecclesiastical Financial Advisory Services Limited

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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
23 March 2015

Ecclesiastical Financial Advisory Services Limited

Statement of Profit or Loss

for the year ended 31 December 2014

| | Notes | 2014 £ | 2013 £ Restated |
|---|-------|-------------------------|-------------------------|
| Revenue | | | |
| Interest receivable | 4 | 1,330 | 1,529 |
| Fees, commission and other income | 5 | <u>2,085,842</u> | <u>1,423,025</u> |
| Total revenue | | <u>2,087,172</u> | <u>1,424,554</u> |
| Expenses | | | |
| Operating expenses | | <u>(2,538,069)</u> | <u>(2,440,954)</u> |
| Total expenses | | <u>(2,538,069)</u> | <u>(2,440,954)</u> |
| Loss for the year before taxation from continuing operations | | (450,897) | (1,016,400) |
| Taxation | 8 | <u>96,337</u> | <u>235,440</u> |
| Loss for the year after taxation from continuing operations | | <u>(354,560)</u> | <u>(780,960)</u> |
| Net (loss)/profit attributable to discontinued operations | 9 | (394,270) | 191,338 |
| Loss for the year attributable to equity holders | | <u>(748,830)</u> | <u>(589,622)</u> |

The company had no recognised income or expense during the current financial year or the preceding financial year other than that included in the statement of profit or loss. Accordingly, no separate statement of comprehensive income has been presented.

Ecclesiastical Financial Advisory Services Limited

Statement of Changes in Equity

for the year ended 31 December 2014

| | 2014 | 2013 |
|---|----------------|----------------|
| | £ | £ |
| Opening shareholder's equity | 390,172 | 393,929 |
| Ordinary share capital issued in the year | 300,000 | - |
| Total comprehensive expense for the year | (748,830) | (589,622) |
| Group tax relief in excess of standard rate | 746,014 | 585,865 |
| Closing shareholder's equity | <u>687,356</u> | <u>390,172</u> |

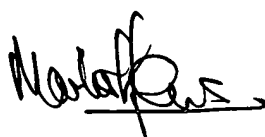
Ecclesiastical Financial Advisory Services Limited

Statement of Financial Position

at 31 December 2014

| | Notes | 2014 £ | 2013 £ |
|---|-------|------------------|------------------|
| Assets | | | |
| Financial investments | 10 | - | 7,891,746 |
| Trade and other receivables | 13 | 742,307 | 134,030 |
| Cash and cash equivalents | 14 | 455,920 | 528,258 |
| Non current assets held for sale | 9 | 6,203,748 | - |
| Total assets | | 7,401,975 | 8,554,034 |
| Liabilities | | | |
| Borrowings | 6 | 6,650,000 | 8,050,000 |
| Trade and other payables | 17 | 58,619 | 107,862 |
| Provision for unearned commission | 18 | 6,000 | 6,000 |
| Total liabilities | | 6,714,619 | 8,163,862 |
| Equity | | | |
| Share capital | 15 | 800,000 | 500,000 |
| Retained earnings | 16 | (112,644) | (109,828) |
| Total shareholders' equity | | 687,356 | 390,172 |
| Total shareholders' equity and liabilities | | 7,401,975 | 8,554,034 |

The financial statements of Ecclesiastical Financial Advisory Services Limited, registered number 02046087, on pages 9 to 19 were approved and authorised for issue by the board of directors on 23 March 2015 and signed on its behalf by:



M.C.J. Hews

Chairman

Ecclesiastical Financial Advisory Services Limited

Statement of Cash Flows

for the year ended 31 December 2014

| | 2014 £ | 2013 £ Restated |
|---|------------------|-----------------------|
| Loss before tax attributable to continuing operations | (450,897) | (1,016,400) |
| (Loss)/profit before tax attributable to discontinued operations | (502,255) | 249,300 |
| <i>Adjustments for:</i> | | |
| Interest income and expense | (273,305) | (343,949) |
| Unrealised investment losses | 665,600 | - |
| <i>Changes in operating assets and liabilities:</i> | | |
| Decrease in investments | 1,022,399 | 1,563,514 |
| Decrease in trade and other receivables | 10,077 | 1,296,068 |
| Decrease in trade and other payables | (49,244) | (1,494,400) |
| Decrease in other liabilities | - | (6,000) |
| Cash used in operations | 422,375 | 248,133 |
| Interest received | 329,866 | 415,109 |
| Interest paid | (56,561) | (71,160) |
| Tax recovered | 221,744 | 153,266 |
| Net cash generated from operating activities | 917,424 | 745,348 |
| Financing activities | | |
| Issue of ordinary shares | 300,000 | - |
| Decrease in borrowings | (1,400,000) | (1,250,000) |
| Amounts received for group tax relief in excess of standard rate | 110,238 | 503,041 |
| Net cash used by financing and investing activities | (989,762) | (746,959) |
| Net decrease in cash and cash equivalents | (72,338) | (1,611) |
| Cash and cash equivalents at beginning of year | 528,258 | 529,869 |
| Cash and cash equivalents at end of year | 455,920 | 528,258 |

Ecclesiastical Financial Advisory Services Limited

Notes to the Financial Statements

1 Accounting policies

The principal accounting policies adopted in preparing the company's International Financial Reporting Standards (IFRS) financial statements are set out below.

Basis of preparation

The company's financial statements have been prepared on the historical cost basis and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the European Union, as applicable at 31 December 2014.

New and revised Standards

The Standards adopted in the current year are either outside the scope of company transactions or do not significantly impact the company.

The following Standard was in issue but not yet effective and has not been applied in these financial statements.

| Accounting Standard | Key requirements | Expected impact on financial statements | Effective date |
|---|--|---|---|
| IFRS 15, <i>Revenue from Contracts with Customers</i> | Establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. | The impact of the Standard is being assessed. There is the possibility of commission income being recognised earlier if a contract is approved and consideration is probable. | Annual periods beginning on or after 1 January 2017 |

The other Standards in issue but not yet effective are not expected to significantly impact the company.

Acquisition of businesses

The company uses the purchase method to account for business acquisitions. In the case of business combinations involving entities or businesses under common control the cost of the acquisition is determined as equating to the value of net assets as recognised by the transferor at the date of the transaction. No goodwill arises on such transactions.

Going concern

The company has adequate financial resources and no recourse to external borrowing. When appropriate, additional financial support is also provided by the group. The Ecclesiastical group has considerable financial resources and, as a consequence, the directors believe the group is well placed to continue to support the company in the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the company's annual report and financial statements.

Revenue

Revenue is wholly generated in the United Kingdom, and comprises advisory fees, arrangement fees and commission income (including trail commission), mortgage interest and bank deposit interest.

Advisory fees and commission are recognised over the period for which the services are provided. Mortgage interest and bank deposit interest is recognised as it is accrued. Trail commission income streams are recognised when due.

Ecclesiastical Financial Advisory Services Limited

Notes to the Financial Statements

1 Accounting policies (continued)

Financial instruments

IAS 39 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 and subsequently, up to 31 December 2013, held at amortised cost using the effective interest rate method (except for short-term receivables and payables when the recognition of interest would be immaterial).

The non-current assets held for sale are held at fair value less the costs incurred in selling.

The directors consider that the carrying value of financial assets and liabilities in the financial statements approximates to their fair value.

Offset of financial assets and financial liabilities

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

Investments

The company classified its investments as loans and receivables, up to 31 December 2013.

These comprise mortgage and other loans, which are recognised when cash is advanced to borrowers and 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 statement of profit or loss.

Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the statement of profit or loss except to the extent that it relates to items taken directly to equity, in which case it is recognised in equity.

Current tax is the expected tax (payable)/receivable on the taxable profit/(loss) for the period and any adjustment to the tax payable in respect of previous periods.

Deferred tax is provided in full, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is measured using tax rates expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled based on tax rates and laws which have been enacted or substantively enacted at the year-end date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are not discounted.

Amounts received in respect of group tax relief in excess of the standard rate are taken directly to equity as a capital contribution.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs, and subsequently stated at amortised cost.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of profit or loss when there is objective evidence that the asset is impaired.

The allowance recognised is measured as the difference between the asset's carrying value and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Ecclesiastical Financial Advisory Services Limited

Notes to the Financial Statements

1 Accounting policies (continued)

Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

2 Critical accounting judgements and key sources of estimation uncertainty

There have been no critical judgements made by management in applying the company's accounting policies that have a significant effect on the amounts recognised in the financial statements. There are no key sources of estimation uncertainty at the year-end date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3 Financial risk and capital management

There has been no change from the prior period in the financial risks that the company is exposed to, nor in the manner in which it manages and measures those risks. Shareholders' equity represents total capital under management.

The company is exposed to financial risk through its financial assets and financial liabilities. The most important components of financial risk are interest rate risk, credit risk and liquidity risk. The company does not have any hedging arrangements in place.

Interest rate risk

The company is exposed to cash flow interest rate risk in respect of its investments, cash and cash equivalents and borrowings.

No sensitivity analysis has been prepared for investments as the mortgage loans are now held at fair value and shown as non-current assets held for sale. In the prior year the mortgage loans were held at amortised cost. A change in interest rates would have no effect on the carrying value of these assets.

Variable rate mortgages are not exposed to significant interest rate risk. The interest rate charged on mortgage loans reflects the cost of capital.

Credit risk

The company's principal financial assets are investments, cash and cash equivalents and trade and other receivables. The carrying amount of these financial assets represents the company's maximum exposure to credit risk. The company has no significant concentration of credit risk with any individual counterparty, except with related parties, with exposure spread over a large number of counterparties and customers. There is a concentration of credit risk exposure to UK residential mortgages.

Liquidity risk

The company is considered to be an integral part of the Ecclesiastical group's business. The group monitors the liquidity of the company to ensure that adequate funds are available to pay obligations when due, and that the company remains solvent.

4 Interest receivable

| | 2014 £ | 2013 £ Restated |
|---------------|--------------|-----------------------|
| Bank interest | 1,330 | 1,529 |
| | <u>1,330</u> | <u>1,529</u> |

Interest receivable is all in respect of financial assets not at fair value through the statement of profit or loss. Mortgage interest in the current financial year is included in Non current assets held for sale and discontinued operations, note 9.

Ecclesiastical Financial Advisory Services Limited

Notes to the Financial Statements

| 5 Fees, commission and other income | 2014 | 2013 |
|---|------------------|------------------|
| | £ | £ |
| Fees | 1,644,315 | 939,390 |
| Commission receivable | 441,527 | 477,635 |
| Movement in provision for unearned indemnity commission | - | 6,000 |
| | 2,085,842 | 1,423,025 |

6 Borrowings

Borrowings consists of two loans from Ecclesiastical Insurance Office plc, the parent company.

The Residential Mortgage loan of £4,800,000 (2013: £6,200,000) is unsecured and has no specified repayment date. The Lifetime Mortgage loan of £1,850,000 (2013: £1,850,000) is unsecured and has an ultimate repayment date of 31 October 2015.

Interest is payable on the Residential Mortgage loan at the London inter-bank offered rate (Libor) plus 0.5% and amounted to £54,731 (2013: £69,324). Interest is payable on the Lifetime Mortgage loan at Libor less 0.5% and amounted to £1,830 (2013: £1,836).

The applicable interest in both the current and prior years has been included in Non current assets held for sale and discontinued operations, note 9.

| 7 Auditor's remuneration | 2014 | 2013 |
|---|-------------|-------------|
| | £ | £ |
| Fees payable to the company's auditor for the audit of the company's annual financial statements. | 3,200 | 3,100 |

Amounts disclosed are net of service taxes, where applicable.

8 Taxation

The credit for taxation in the company's statement of profit or loss is in respect of income tax for the current year.

| | 2014 | 2013 |
|---|---------------|----------------|
| | £ | £ |
| | | Restated |
| Current tax Current year | 204,322 | 177,478 |
| Less: tax (credit)/expense of discontinued operations | (107,985) | 57,962 |
| Tax (credit)/expense of continuing operations | 96,337 | 235,440 |

Tax on the company's result before tax differs from the United Kingdom standard rate of corporation tax for the reasons set out in the following reconciliation:

| | 2014 | 2013 |
|---|----------------|------------------|
| | £ | £ |
| | | Restated |
| Loss on ordinary activities before tax | 450,897 | 1,016,400 |
| Tax calculated at the UK standard rate of 21.5% (2013: 23.5%) | 96,943 | 236,313 |
| <i>Factors affecting credit for the year:</i> | | |
| Capital allowances for the year in excess of depreciation | - | 227 |
| Other items/expenses not deductible for tax purposes | (606) | (1,100) |
| Total actual amount of current tax credit | 96,337 | 235,440 |

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

Ecclesiastical Financial Advisory Services Limited

Notes to the Financial Statements

9 Non current assets held for sale and discontinued operations

The company ceased to offer new mortgages following a strategic review in 2007, although it continued to administer the existing book. During the current year management has decided to dispose of the mortgage book in order to more clearly focus its attention on the current elements of the business.

After the end of the financial year the company entered into an agreement with Holmesdale Building Society to transfer its legacy mortgage business. The transfer agreement was completed on 20 January 2015.

| | 2014 £ | 2013 £ |
|---|-----------|-----------|
| Mortgage interest received | 328,536 | 413,580 |
| Loan interest paid to parent | (56,561) | (71,160) |
| Mortgage administration costs | (93,120) | (93,120) |
| Costs of sale | (15,510) | - |
| Market value adjustment | (665,600) | - |
| (Loss)/profit before taxation | (502,255) | 249,300 |
| Attributable taxation | 107,985 | (57,962) |
| Net (loss)/profit attributable to mortgages held for sale | (394,270) | 191,338 |
| Net cash from operating activities | 313,026 | |
| Net cash from investing activities | 1,022,398 | |

The non current assets held for sale consists of mortgages secured on residential property.

| | 2014 £ |
|-------------------------------|-------------|
| Cost at 1 January | 7,891,746 |
| Repayments and redemptions | (1,022,398) |
| Market value adjustment | (665,600) |
| Carrying value at 31 December | 6,203,748 |

The effective interest rate on the mortgages is 4.71% (2013: 4.42%).

Clients have the option to redeem mortgages before the end of the mortgage term. The directors consider that the carrying value approximates to fair value.

There are no debts which are past due at the reporting date and no amounts have been impaired during the current or prior year.

10 Financial investments

| | 2013 £ |
|-------------------------------|-------------|
| Cost at 1 January | 9,455,260 |
| Repayments and redemptions | (1,563,514) |
| Carrying value at 31 December | 7,891,746 |

The effective interest rate on the mortgages was 4.42%.

Clients have the option to redeem mortgages before the end of the mortgage term. The directors consider that the carrying value approximates to fair value.

There are no debts which are past due at the reporting date and no amounts have been impaired during the current or prior year.

Ecclesiastical Financial Advisory Services Limited

Notes to the Financial Statements

11 Employee information

The company had no employees in the year (2013: nil).

12 Directors' emoluments

The directors of the company were employed by Ecclesiastical Insurance Office plc, the company's immediate parent company, and received emoluments from that company for the period they were directors. It is not practicable to allocate their remuneration between the companies of which they were directors during the year. Mr Hews and Mr Jones were members of the group's defined contribution pension scheme during the current and prior year.

13 Trade and other receivables

| | 2014 | 2013 |
|---------------------------------|----------------|----------------|
| | £ | £ |
| Commission debtors | 41 | 157 |
| Amounts owed by related parties | 605,936 | 41,135 |
| Prepayments and accrued income | 136,330 | 92,738 |
| | <u>742,307</u> | <u>134,030</u> |

The directors consider that the carrying value of trade and other receivables is a reasonable approximation of fair value. None of these balances is past due at the reporting date and no amounts have been impaired during the current or prior year.

The amounts owed by related parties include receivables only with a carrying value of £605,936 (2013: £140,342) and payables with a carrying value of Nil (2013: £99,207).

14 Cash and cash equivalents

The effective interest rate on cash and cash equivalents was 0.25% (2013: 0.25%).

15 Called up share capital

The authorised share capital of the company for both the current and prior years is £5,000,000.

| | 2014 | 2013 |
|--|----------------|----------------|
| | £ | £ |
| Allotted, issued and fully paid ordinary shares of £1 each | | |
| At 1 January | 500,000 | 500,000 |
| Ordinary shares issued during the year | 300,000 | - |
| At 31 December | <u>800,000</u> | <u>500,000</u> |

16 Retained earnings

| | 2014 | 2013 |
|---|------------------|------------------|
| | £ | £ |
| Retained earnings brought forward | (109,828) | (106,071) |
| Loss for the year | (748,830) | (589,622) |
| Group tax relief in excess of the standard rate | 746,014 | 585,865 |
| Retained earnings carried forward | <u>(112,644)</u> | <u>(109,828)</u> |

17 Trade and other payables

| | 2014 | 2013 |
|---------------------------------|---------------|----------------|
| | £ | £ |
| Amounts owed to related parties | 7,125 | 49,927 |
| Other creditors | 51,494 | 57,935 |
| | <u>58,619</u> | <u>107,862</u> |

Trade creditors are recognised at the date of invoice and measured at invoice value net of any discounts and taxes. VAT on both sales and purchases is recognised at invoice date. The directors consider that the carrying value of trade and other payables is a reasonable approximation of fair value.

Ecclesiastical Financial Advisory Services Limited

Notes to the Financial Statements

| 18 Provision for unearned commission | 2014 | 2013 |
|---|--------------|--------------|
| | £ | £ |
| At 1 January | 6,000 | 12,000 |
| Released in current year | - | (6,000) |
| At 31 December | 6,000 | 6,000 |

All amounts provided for unearned commission are expected to be settled within the next twelve months.

19 Ultimate parent company and controlling party

The company is a private limited company incorporated and domiciled in England and is a wholly-owned subsidiary of Ecclesiastical Insurance Office plc. Its ultimate parent and controlling party is Allchurches Trust Limited. The parent companies of the smallest and largest groups for which group financial statements are drawn up are Ecclesiastical Insurance Office plc and Allchurches Trust Limited respectively. Both companies are incorporated and operate in the United Kingdom and copies of their financial statements are available from the registered office shown on page 2.

20 Related party transactions

During the year the company entered into the following transactions with related parties.

The parent related party transactions below relate to Ecclesiastical Insurance Office plc, the company's immediate parent company. Other related parties comprise fellow subsidiary undertakings.

All the amounts due to the parent company under the loan agreements are excluded below and detailed in note 6.

Amounts outstanding are unsecured, are not subject to guarantees, and will be settled in cash. No provisions have been made in respect of these balances.

| | Parent | Other related parties |
|--|---------------|------------------------------|
| | £ | £ |
| For the year ended 31 December 2014 | | |
| Trading, investment and other income, including recharges | - | 170,761 |
| Trading, investment and other charges, including recharges | 1,018,560 | - |
| Amounts owed by related parties | 605,936 | - |
| Amounts owed to related parties | - | 7,125 |
| For the year ended 31 December 2013 | | |
| Trading, investment and other income, including recharges | - | 186,044 |
| Trading, investment and other charges, including recharges | 1,260,131 | - |
| Amounts owed by related parties | 41,135 | - |
| Amounts owed to related parties | - | 49,927 |

Transactions within the group are made on commercial terms.

21 Post balance sheet event

As disclosed in Note 9 above, the company entered into an agreement with Holmesdale Building Society to transfer its legacy mortgage business. The transfer agreement was completed on 20 January 2015.

The transfer of economic ownership was completed on 1 February at an agreed price of £6,083,621. This amount settled by £5,259,621 in cash with retentions of £824,000 payable to the company over the next seven years.