Company Registration Number: 00515058

The Exeter Cash Plan
(formerly Engage Mutual Health)

Annual report and financial statements

Year ended 31 December 2015

Table of Contents

Strategic Report

On 26 February 2015, the Prudential Regulatory Authority formally confirmed the transfer of engagements of Homeowners Friendly Society Limited, the ultimate parent company of Engage Mutual Health at that time, to Family Assurance Friendly Society Limited, which became effective on 31 March 2015.

On 30 October 2015, the Company changed its name from Engage Mutual Health to The Exeter Cash Plan following the signing of a sale and purchase agreement the effect of which was to transfer the total share capital of the company from the ownership of Engage Health Holdings Limited to Exeter Cash Plan Holdings Limited. As a result of this transaction, the ultimate parent company changed from being Family Assurance Friendly Society Limited to Exeter Friendly Society Limited.

Principal Activities

The change in the Company's ownership structure will not impact the principal activity of the company, which is the underwriting of health insurance business. The Company is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

The Company's strategic aim for the next three years is to consolidate and stabilise the business in order to support its future development.

Business review

The loss on ordinary activities after taxation for the year ended 31 December 2015 amounted to £648,000 (2014: £789,000). This loss reflects the investment into developing the business during the year.

The key performance indicators of The Exeter Cash Plan (formerly Engage Mutual Health) focus on the performance of the health insurance business and are reviewed on a monthly basis through the committee structures. The key performance indicators comprise:

- Claims ratio, measured on an individual product basis as well as on the overall book. The claims ratio in 2015 was 88% (2014: 80%); and
- Net earned premiums. During 2015, net earned premium decreased to £5.4 million (2014: £7.4 million) largely as a result of the business transfer referred to in the section below.

A key performance indicator going forward will be the number of policyholders, which totalled 27,769 at the year end. No comparative figure for the continuing business for the prior year end is available.

Other developments

On 13 July 2015, the Company ceased to underwrite, arrange and administer the Benenden Health Cash Plan book of insurance business, following a transfer of engagements. Since that date, this business has been arranged and administered by BUPA Insurance Services Limited and underwritten by BUPA Insurance Limited.

From 30 October 2015, all health insurance policy administration activities of the Company were outsourced to a third party, the Wessex Group. Since that date all other administrative activities including Finance, Actuarial and Compliance services, have been provided by Exeter Friendly Society Limited, the ultimate parent company.

Proposed dividend

The Directors do not recommend the payment of a dividend for the year (2014: £nil).

Strategic Report

Principal risks and uncertainties

The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. In meeting its obligations, the Board has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The significant risks that the Company is exposed to are as follows:

- Insurance risk arising from the inherent uncertainties as to the occurrence, amount and timing of insurance policy liabilities;
- Market risks relating to the value of assets held by the Company;
- Credit risk due to default by debtors or investment counterparties;
- Liquidity risk arising from cash management;
- Operational risk relating to processes and procedures; and
- Legal and regulatory risks.

Further details of the principal risks facing the business, and the Board's policies and processes for managing or mitigating those risks, can be found in Note 4 to the financial statements. Having monitored and reviewed the Company's risk management and internal control systems during the year, the Board is satisfied that these are operating effectively.

On behalf of the Board of Directors

W W Dobbin, BA, Barrister
Chairman
30 March 2016

Registered Office:
Lakeside House
Emperor Way
Exeter
EX1 3FD

Directors' Report

As permitted by section 414C(11) of the Companies Act 2006, certain information is not included in the Directors' Report because it has instead been shown in the Strategic Report. This information is:

- Results and dividends;
- Principal activities of the Company;
- Business review and future prospects;
- Principal risks and uncertainties.

Directors and their interests

The present members of the Board and the members who were in office during the year and up to the date of signing the financial statements are shown below:

W W Dobbin (from 30 October 2015)
D S Brand (from 30 October 2015)
P E J Le Beau (from 30 October 2015)
K F Richardson (from 30 October 2015)
S J Payne (from 30 October 2015)
A D S Chapman (from 30 October 2015)
P Austin (from 30 October 2015)
W T Hamilton (from 30 October 2015)
S J Philp (from 30 October 2015)
J W Adams (from 1 April 2015 until 30 October 2015)
S C Markey (from 1 April 2015 until 30 October 2015)
K F Meeres (from 1 April 2015 until 30 October 2015)
P J Burrows (until 30 June 2015)
P G Chandler (until 1 April 2015)
K J D Elliott (until 1 April 2015)
C E Fawcett (until 1 April 2015)
A T Gosling (until 1 April 2015)
N B Masters (until 1 April 2015)
M McComb (until 1 April 2015).

Parent company

The Company is a wholly owned subsidiary of Exeter Cash Plan Holdings Limited. The ultimate parent company is Exeter Friendly Society Limited, a friendly society incorporated under the Friendly Societies Act 1992.

Preparation of financial statements

The financial statements for the current year and the prior year comparatives have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. This provides consistency with the Company's ultimate parent company Exeter Friendly Society. There has been no impact regarding calculations valuations of the financial statements.

Directors' Report

Employees

The Company did not directly employ any staff during 2015. Up until 30 October 2015 it utilised the staff and premises of Homeowners Friendly Society Limited and Family Assurance Friendly Society Limited in carrying out its activities and incurred the cost of staff through management charges.

From 30 October 2015, all health insurance policy administration activities of the Company were outsourced to a third party, the Wessex Group, and the cost of this arrangement is charged directly to the Company. All other direct costs incurred from that date are charged to the Company, including the staff costs of one employee of Exeter Friendly Society Limited (the ultimate parent company), who is dedicated to the development of the Company's business. All other administrative activities, including Finance, Actuarial and Compliance services, are provided by Exeter Friendly Society Limited, although the cost of these activities are not recharged to the Company.

Directors' and officers' liability insurance

Exeter Friendly Society Limited purchased and maintained throughout the year, on behalf of its subsidiaries, Directors' and Officers' liability insurance in respect of the Company and its Directors. It is available for inspection at the registered office of the Company, details of which are provided on page 4.

Going concern

The ultimate parent company of The Exeter Cash Plan (formerly Engage Mutual Health) is Exeter Friendly Society Limited. Exeter Friendly Society has prepared a business plan for itself and its subsidiaries and has projected the future working capital requirements of The Exeter Cash Plan (formerly Engage Mutual Health). The Directors of The Exeter Cash Plan (formerly Engage Mutual Health) have presented the accounts on a going concern basis as Exeter Friendly Society Limited has confirmed, as part of the business plan, its commitment to funding the future working capital requirements of The Exeter Cash Plan (formerly Engage Mutual Health) for a period of at least twelve months from the date of the signing of the accounts.

Approved by the Board of Directors and signed by order of the Board

W W Dobbin, BA, Barrister
Chairman
30 March 2016

Directors' responsibilities statement in respect of the Strategic Report, the Directors' Report and the financial statements

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with 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 year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent Auditors and disclosure of information to auditors

Each Director at the date of this report confirms that:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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.

Independent Auditors' Report to the Members of The Exeter Cash Plan (formerly Engage Mutual Health)

Report on the financial statements

Our opinion

In our opinion, The Exeter Cash Plan's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2015;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent Auditors' Report to the Members of The Exeter Cash Plan (formerly Engage Mutual Health)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities Statement set out on page 7, 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) ("ISAs (UK & Ireland")). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Joanne Leeson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
30 March 2016

Statement of Comprehensive Income
for the year ended 31 December 2015

	Note	2015		2014
		£000		**£000**
Net earned premiums	5	5,380		7,410
Investment income	6	12		22
Net gains on investments	7	(3)		-
Total Income		**5,389**		**7,433**
Net benefits and claims		(4,731)		(5,951)
Net change in insurance contract liabilities	8	407		15
Other technical charges	12	(302)		(654)
Net operating expenses (excluding commission to brokers)	9	(1,408)		(968)
Commission and introductory fees to brokers	9	(3)		(665)
Total benefit, claims and expenses		**(6,037)**		**(8,222)**
Loss before tax		**(648)**		**(789)**
Income tax expense	13	-		-
Loss for the year		**(648)**		**(789)**

All income and expenditure relates to continuing operations.

The notes on pages 13 to 27 form part of these financial statements

Statement of Financial Position
as at 31 December 2015

		Note	2015		2014
			£000		£000
Assets					
	Deferred acquisition costs				
	- General business	14	16		-
	Loans and other receivables:				
	- Insurance receivables	16	595		99
	- Prepayments and accrued income		-		2
	Financial assets, fair value through profit and loss	15	1,997		5,324
	Cash and cash equivalents		1,078		282
	Total Assets		**3,686**		**5,706**
Equity					
	Share capital	22	5,000		5,000
	Accumulated losses		(2,546)		(1,898)
	Total Equity		**2,454**		**3,102**
Liabilities					
	Insurance contract liabilities	17	439		1,229
	Trade and other payables				
	- Insurance payables	18	562		130
	- Amounts due to group undertakings		123		1,000
	- Other payables including tax and social security	19	69		245
	- Accruals and deferred income		39		-
	Total Liabilities		**1,232**		**2,604**
	Total equity and liabilities		**3,686**		**5,706**

The financial statements on pages 10 to 27 were approved by the Board of Directors on 30 March 2016 and were signed on its behalf by:

W W Dobbin, ~~BA, Barrister~~
Chairman

A D S Chapman, ACII, APFS
Chief Executive

J P Edwards, BSc, ACIS
Secretary

Statement of Changes in Equity
for the year ended 31 December 2015

	2015			2014		
	Share capital	General reserve	Total	Share capital	General reserve	Total
	£000	£000	£000	£000	£000	£000
At 1 January	5,000	(1,898)	3,102	4,000	(1,109)	2,891
Issue of share capital	-	-	-	1,000		1,000
Loss for the year	-	(648)	(648)	-	(789)	(789)
Balance at 31 December	**5,000**	**(2,546)**	**2,454**	**5,000**	**(1,898)**	**3,102**

The notes on pages 13 to 27 form part of these financial statements.

Statement of Cash Flows
for the year ended 31 December 2015

	Note	2015	2014
		£000	£000
Cash and cash equivalents at the beginning of the year		**282**	**1,033**
Cash flows from operating activities			
Cash generated from/(used in) operating activities	20	784	(1,774)
Interest income received		12	22
Net cash generated from/(used in) operating activities		**796**	**(1,752)**
Cash flows from financing activities			
Proceeds from issue of share capital		-	1,000
Net cash generated from financing activities		**-**	**1,000**
Net increase/(decrease) in cash and cash equivalents		**796**	**(752)**
Cash and cash equivalents at the end of the year		**1,078**	**282**

The notes on pages 13 to 27 form part of these financial statements.

Notes to the Financial Statements
for the year ended 31 December 2015

1 Accounting policies

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The IFRS transition date was 1 January 2014. In addition the Society's accounts comply with the Friendly Societies (Accounts and Related Provisions) Regulations 1994 (the Regulations).

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, financial assets and financial liabilities at fair value through income.

The accounting policies have been applied consistently and the financial statements have been prepared on a going concern basis.

1.2 Significant accounting judgements, estimates and assumptions

The key accounting estimates and judgements relate to the following areas:

i. **Valuation of insurance contract liabilities**
Estimates are made for the expected ultimate cost of claims reported as at the year end date and the cost of claims incurred but not yet reported (IBNR) to the Company. It can take many months before the ultimate cost of claims can be established with certainty, and the final outcome may be better or worse than provided. Standard actuarial claims projection techniques are used to estimate outstanding claims. These techniques use past patterns of delay between claims being incurred and settled, and apply them to claims already reported for each time period. Judgement is used to adjust the results for any elements that may not be fully reflected in the modelling.

To the extent that the ultimate cost is different from the estimate, where experience is better or worse than expected, the surplus or deficit will be credited or charged to gross claims within the Statement of Comprehensive Income in future years.

1.3 Principal accounting policies

i. **Contract classification**
All policies issued by the Company are insurance contracts under IFRS 4.

ii. **Premiums**
Written premiums are accounted for in the period in which contracts are entered into. Premiums are recognised as earned over the period of the policy, premiums applicable to periods after the year end date being carried forward to the following year.

iii. **Claims**

Claims are approved benefit claims incurred in the year, together with changes in the provision for outstanding claims at the year end. Claims incurred but not reported (IBNR) are projected using a triangulation method, supplemented by estimates for factors not fully reflected in the modelling. The date at which a claim is deemed to be incurred is the date at which the corresponding treatment occurs. The IBNR provision is then calculated as the ultimate projected cost of claims less cumulative claims incurred already reported. Provision is also made for claims notified but not settled and are estimated on an individual case by case basis.

iv. **Reinsurance**

Insurance contracts written are not reinsured. As such all amounts are stated as net of reinsurance.

Notes to the Financial Statements
for the year ended 31 December 2015

1 Accounting policies

1.3 Principal accounting policies

v. Acquisition costs

Acquisition costs represent commission payable and other related expenses of acquiring insurance policies written during the financial year. Acquisition costs which relate to a subsequent period are deferred and charged to the accounting periods in which the related premiums are earned.

vi. Investment income

Investment income is recognised on an accruals basis. Realised and unrealised gains and losses on investments are taken to the Statement of Comprehensive Income. Unrealised gains and losses on investments represent the difference between the valuation of investments at the year end date and their original cost, or if they have been previously re-valued, at that valuation. The movement in unrealised gains and losses recognised in the period includes the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period. Realised gains and losses on investments are calculated as the difference between the net sale proceeds and original cost.

vii. Taxation

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax repayable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that its is no longer probable that the related tax benefit will be realised.

Premiums where applicable are recorded net of insurance premium taxes.

viii. Financial assets

The Company classifies all of its financial assets as financial assets at fair value through income.

Financial assets at fair value through income

The Company classifies all of its investments upon initial recognition as financial assets at fair value through income and subsequent valuation movements are recognised in the Statement of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through income include listed and unlisted investments, and units in collective investment vehicles. Fair value is based on the bid value at the year end.

ix. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, and short term deposits with a maturity of less than 12 months.

1 Accounting policies

1.3 Principal accounting policies

x. **Insurance receivables and payables**
Insurance receivables and payables are recognised when due and include amounts due to and from agents, brokers and insurance contract holders. Where there is objective evidence that the carrying value is impaired then the impairment loss will be recognised in the Statement of Comprehensive Income.

xi. **Unexpired risks**
A provision is made for unexpired risks in respect of certain products to the extent that the expected claims, related expenses and deferred acquisition costs are expected to exceed unearned premiums for those products, after taking account of future investment income on the unearned premium provision.

xii. **Unallocated divisible surplus**
The unallocated divisible surplus represents the excess of assets over and above the insurance contract liabilities and other liabilities. Any profit or loss in the year arising through the Statement of Comprehensive Income is transferred to the unallocated divisible surplus.

2 Disclosures on first time adoption of IFRS

i. **Reconciliation of Equity reported under UK GAAP to that reported under IFRS at 31 December 2014:**

No reconciliation of equity is presented in accordance with IAS1 as there has been no significant change in measurement.

ii. **Reconciliation of profit reported under UK GAAP to the total comprehensive income reported under IFRS for the period ended 31 December 2014:**

No reconciliation of profit is presented in accordance with IAS1 as there has been no significant change in measurement.

iii. **Statement of Cash flows and Statement of Financial Position**

The Statement of Cash Flows and Statement of Financial Position are now presented in accordance with IAS 7 and IAS 1 leading to a significant change in the format of these statements. However, the definition of Cash and Cash Equivalents is comparable and the calculation has not been changed in any significant way.

iv. **Changes in terminology**

UK GAAP	IFRS
Profit and Loss Account	Statement of Comprehensive Income
Balance Sheet	Statement of Financial Position
Reserves	Accumulated losses
Technical Provisions	Insurance contract liabilities
Total earned premiums	Net earned premiums
Gross claims paid	Net benefits and claims
Gross change in the provision for claims	Net change in insurance contract liabilities
Loss on ordinary activities before tax	Loss before tax
Loss on ordinary activities after tax	Loss for the year

3 Capital management

Available capital resources	2015	2014
	£000	£000
Share capital	5,000	5,000
Opening accumulated losses	(1,898)	(1,109)
Loss for the year	(648)	(789)
Total available capital resources	**2,454**	**3,102**
Capital resource requirement	1,796	1,961
Surplus	**658**	**1,141**

i. **Summary**
The total available capital resources relating to the Company's general insurance business amount to £2.5 million (2014: £3.1 million). Its Capital Resources Requirement amounts to £1.8 million (2014: £2.0 million) resulting in a surplus of £0.7 million (2014: £1.1 million).

ii. **Basis of calculation of available capital resources**
The available capital of the General Insurance Fund has been determined in accordance with the Prudential Regulation Authority's (PRA) regulations and applicable accounting standards. Adjustments have been made to restate the assets and liabilities in line with PRA regulations. Accounting policies are set out in Note 1 to these financial statements.

iii. **Basis of calculation of capital requirements**
The Capital Resources Requirement amounts to £1.8 million and is determined in accordance with capital requirement as defined by PRA regulations, namely the General Insurance Capital Requirement.

4 Risk management

This section summarises the principal risks that the Company is exposed to and the way the Company manages them.

The Board reviews the risk register composition on a regular basis and then monitors key risk indicators as part of its monthly performance management.

The Board has set a risk appetite measured as a proportion of available capital for each of the funds. The utilisation of capital against this appetite is measured and considered regularly and appropriate action taken to address any issues.

4.1 Insurance risk

Insurance risk arises on insurance contracts when The Exeter Cash Plan (formerly Engage Mutual Health) agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder. A prudent approach is taken in managing the potential exposure to risks arising from its insurance contracts. Trends in claim rates and other market data are reviewed on a regular basis and premiums for new and renewing contracts adjusted accordingly. The company also maintains a claims reserve based on claims reported at the balance sheet date as well as claims incurred but not yet reported.

4 Risk management (continued)

4.2 Financial risk

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, and insurance liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are market risk, credit risk and liquidity risk. However, the Company also faces financial risks in respect of concentration of investments and counter-party exposures.

Each of the exposures to risk are analysed regularly to assess their likely impact and probability. The overall level of risk is then compiled into a detailed report taking into account the correlation of individual risks to arrive at a required level of capital. The Board is responsible for reviewing the risks faced by the Company and approving the required level of capital to be held against each risk element.

i. Market risk

Market Risk is the risk of losses arising from changes in the value of assets or in the income from the assets. The key risk faced in this area is interest rate risk. The Company manages market risk to ensure that all liabilities can be met as and when they fall due and to support the Company's future strategic and operational objectives. There are no investments in equities or foreign currency assets.

The Company's Investment Committee oversees the investment policy and strategy, which the Company implements through the use of investment mandates. Each mandate aims to manage the market risk using some or all of the following mechanisms:

1. Defined performance benchmarks;
2. Limits on asset allocation by asset type;
3. Limits on duration of the fixed interest portfolio.

The Company is exposed to interest rate risk where changes in interest rates result in changes to market values or cash flows.

ii. Credit risk

Credit risk is the risk that counterparties will be unable to pay amounts due in full when they fall due. The Exeter Cash Plan (formerly Engage Mutual Health) is primarily exposed to credit risk on its financial investments, which are all pooled fixed interest investments, and bank deposits. The Exeter Friendly Society Group regularly monitors the financial strength of its counterparties by reviewing credit rating agencies and other publicly available information. There is no significant credit risk relating to amounts due from contract holders since policy benefits are directly related to the payment of outstanding premiums.

Assets are invested primarily in gilts and deposits. In addition, the Company has taken the following steps to mitigate credit risk:

1. Diversified the portfolio of investments to reduce the potential impact of a credit event;
2. Counterparty limits are in place for each cash deposit.

4 Risk management (continued)

4.2 Financial risk (continued)

Maximum exposure to credit risk:

	Maximum exposure	
	2015	2014
	£000	£000
Debt securities at fair value through income:		
Listed securities	1,997	-
Other financial assets	-	5,324
Insurance Receivables	595	99
Cash and cash equivalents	1,078	282
Total assets bearing credit risk	**3,670**	**381**

iii. **Liquidity risk**

Liquidity risk is the risk that the Company, although solvent, is unable to meet its obligations as they fall due. The Company's objective on liquidity risk management is to ensure that sufficient funds are available over the short and medium term to meet the needs of the Company. This includes new business costs, planned strategic activities, claims payments and day to day cash flow requirements.

Liquidity risk is managed as follows:

1. Budgets are prepared to forecast the short term and medium term liquidity requirements;
2. Assets of suitable marketability and maturity are held to meet the member liabilities as they fall due;
3. Credit risk of deposit takers is managed by having appropriate counterparty and credit limits in place.

The table below summarises the maturity profile of the financial liabilities of the Company based on the term to maturity of the underlying policies or benefits.

Maturity profile of financial liabilities 2015	**Within 1 year**	**1-5 years**	**Over 5 years**	**No term**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Insurance contract liabilities	439	-	-	-	439
Trade and other payables					
- Insurance payables	562	-	-	-	562
- Amounts due from group undertakings	123	-	-	-	123
- Other payables including tax and social security	69	-	-	-	69
- Accruals and deferred income	39	-	-	-	39
Total financial liabilities	**1,232**	**-**	**-**	**-**	**1,232**

Maturity profile of financial liabilities 2014	**Within 1 year**	**1-5 years**	**Over 5 years**	**No term**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Insurance contract liabilities	1,229				1,229
Trade and other payables					
- Insurance payables	130	-	-	-	130
- Amounts due from group undertakings	1,000	-	-	-	1,000
- Other payables including tax and social security	245	-	-	-	245
- Accruals and deferred income	-	-	-	-	-
Total financial liabilities	**2,604**	**-**	**-**	**-**	**2,604**

4 Risk management (continued)

4.2 Financial risk (continued)

iv. Fair value estimation

The principal financial assets held at 31 December 2015, analysed by their fair value hierarchies were:

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Assets:				
Financial assets at fair value through income:				
- Debt securities	1,997	-	-	**1,997**
- Other	-	-	-	-
Total assets	**1,997**	**-**	**-**	**1,997**

The principal financial assets held at 31 December 2014, analysed by their fair value hierarchies were:

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Assets:				
Financial assets at fair value through income:				
- Debt securities	-	-	-	-
- Other	-	5,324	-	**5,324**
Total assets	**-**	**5,324**	**-**	**5,324**

Level 1 – Valued using unadjusted quoted price in active markets for identical financial instruments.
Level 2 – Valued using techniques based significantly on observed market data, including net asset values.
Level 3 – Valued using techniques incorporating information other than observable market data.

4.3 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal and regulatory risk. Senior managers in the Exeter Friendly Society Group are responsible for the identification, assessment, control and monitoring of operational risks, including those that arise on its outsourced activities, and for reporting these in accordance with the Company's escalation criteria.

5 Net earned premium

	2015	2014
	£000	£000
Gross written premiums	4,997	7,407
Change in gross provision for unearned premiums	383	3
Gross earned premiums	**5,380**	**7,410**
Net earned premiums	**5,380**	**7,410**

Notes to the Financial Statements
for the year ended 31 December 2015

6 Investment income

	2015		2014
	£000		£000
Income from investments at fair value through income:			
Interest income	12		4
Dividend income	-		18
Total investment income	**12**		**22**

7 Net gains on investments

	2015		2014
	£000		£000
Investments at fair value through income - realised gains/(losses):			
- Debt securities	-		-
- Equity securities	-		-
Investments at fair value through income – unrealised gains/(losses)			
- Debt securities	(3)		-
- Equity securities	-		-
Net gains on investments	**(3)**		**-**

8 Net change in insurance contract liabilities

	2015		2014
	£000		£000
Decrease in gross insurance contract liabilities	(790)		(18)
Less change in provision for unearned premium	383		3
Gross change in insurance contract liabilities	**(407)**		**(15)**
Net change in insurance contract liabilities	**(407)**		**(15)**

Further analysis regarding the movement in insurance contract liabilities can be found in Note 17.

9 Net operating expenses

	2015		2014
	£000		£000
Acquisition costs (excluding commissions)	364		647
Increase in deferred acquisition costs (excluding commissions)	(7)		-
Administrative expenses	1,051		968
Net operating expenses (excluding commission to brokers)	**1,408**		**1,615**
Commission and introductory fees	12		17
Increase in deferred acquisition costs (commission)	(9)		-
Commission to brokers	**3**		**17**
Net operating expenses (including commission to brokers)	**1,411**		**1,632**

Net operating expenses include:			
Independent Auditors remuneration:			
- Fees payable to the Company's independent auditors for the audit of current year financial statements	26		15
- Fees payable to the Company's independent auditors for other services pursuant to legislation	-		-
Fees payable to the Company's independent auditors for other services	5		-
Depreciation	-		-
Loss on disposal of Property, Plant and Equipment	-		-
Aggregate amount of Directors' Emoluments	-		-

10 Employee information

	2015		2014
	Number		Number
The average number of persons (full-time equivalents)			
including Executive Directors employed by the Company			
and subsidiary in the year was:			
Administration	-		-
Business Development	1		-
Average full-time equivalents in the year	1		-
The closing full-time equivalent at 31 December was:	1		-
	2015		**2014**
Staff costs for the above persons were:	**£000**		**£000**
Wages and salaries	8		-
Social security costs	1		-
Other pension costs			-
Total staff costs	9		-

The Company did not directly employ any staff during 2015. Up until 30 October 2015 it utilised the staff and premises of Homeowners Friendly Society Limited and Family Assurance Friendly Society Limited in carrying out its activities and incurred the cost of staff through management charges. From 30 October the administration of the activities of the company was outsourced to a third party, the Wessex Group, and the cost of this arrangement was charged directly to the Company. All other direct costs incurred from 1st November 2015 were directly charged to the Company, including one sales employee who is dedicated to this Company.

Notes to the Financial Statements
for the year ended 31 December 2015

11 Directors' emoluments

The Directors are also Directors of the ultimate holding company, Exeter Friendly Society. The Directors have been wholly remunerated by Exeter Friendly Society for their services to The Exeter Cash Plan (formerly Engage Mutual Health) and other group undertakings. The costs of the Directors have not been cross charged to the subsidiaries of Exeter Friendly Society.

12 Other technical charges

Other technical charges of £302,017 (2014: £653,615) relate to underwriting profit share arrangements. This arrangement ceased on 13 July 2015.

	2015		2014
	£000		£000
Benenden profit share	302		654
Total Other technical charges	**302**		**654**

13 Taxation

13.1 Amounts recognised in profit or loss

	2015		2014
	£000		£000
Current tax expense	-		-
Current year	-		-
Adjustment for prior years	-		-
	-		-

13.2 Reconciliation of current tax expense

	2015		2014
	£000		£000
Loss before tax from continuing operations	**(648)**		**(789)**
Current tax at standard corporation tax rate	(139)		(170)
Increase in tax losses carried forwards	139		169
Adjustment to prior year tax charge	-		1
Current tax on income for period	**-**		**-**

Total accumulated tax losses as at the reporting date is £12,582,024 (2014:£12,442,603).

A deferred tax asset or liability should be provided for timing differences between the recognition of gains and losses in the accounts and for tax purposes. There are no timing differences in the recognition of the losses incurred between the accounts and for tax purposes. Therefore, a deferred tax asset has not been recognised in the Group accounts.

Notes to the Financial Statements
for the year ended 31 December 2015

14 Deferred acquisition costs

		2015		2014
		£000		£000
At 1 January 2015				
Total acquisition costs deferred:				
	Commission and introductory fees	12		-
	Other acquisition costs	4		-
Total acquisition costs amortised:				
	Commission and introductory fees	-		-
	Other acquisition costs	-		-
At 31 December 2015		**16**		-

15 Financial assets

In accordance with IFRS recognition and measurement principles, all the Company's investments are classified as investments designated at fair value through income and are described in these financial statements as investments held at fair value. All investments are designated as held at fair value upon initial recognition and are measured at subsequent reporting dates at fair value, which is the bid price of the exchange on which the investment is quoted. The composition and nature of the assets held are set out below.

Reconciliation of movements per classification in the year

	2015		2014
	£000		£000
At 1 January	5,324		3,305
Additions	2,000		2,019
Disposals at cost	(5,324)		-
Changes in Market value	(3)		-
At 31 December	**1,997**		**5,324**

Fair value through income 2015							
	2015				2014		
	Market value		Cost		Market value		Cost
	£000		£000		£000		£000
Debt securities:							
UK Collectives	1,997		2,000		-		-
	1,997		**2,000**		-		-
Other					5,324		5,324
Total	**1,997**		**1,997**		**5,324**		**5,324**

Notes to the Financial Statements
for the year ended 31 December 2015

16 Insurance receivables

2015	Contract Holders		Agents / Brokers / Intermediaries		Total
	£000		£000		£000
Due as at 31 December 2015 – less than 30 days in arrears	24		571		595
Due as at 31 December 2015 – more than 30 days in arrears	48		-		48
Not yet due as at 31 December 2015	-		-		-
Provision for impairment as at 31 December 2015	(48)		-		(48)
Total insurance receivables	**24**		**571**		**595**
2014	**Contract Holders**		**Agents / Brokers / Intermediaries**		**Total**
	£000		£000		£000
Due as at 31 December 2014– less than 30 days in arrears	99		-		99
Due as at 31 December 2014 – more than 30 days in arrears	-		-		-
Not yet due as at 31 December 2014	-		-		-
Provision for impairment as at 31 December 2014	-		-		-
Total insurance receivables	**99**		**-**		**99**

Debtors greater than 30 days are considered to be impaired. Provision is made on impaired debt to the extent to which recovery is expected based on experience of similar debtors.

17 Insurance contract liabilities

i. Analysis of insurance contract liabilities

	2015		2014
	£000		£000
Unearned premiums	128		511
Claims incurred but not reported (IBNR)	236		508
Claims liabilities	25		-
Unexpired risk provision	50		210
Total	**439**		**1,229**

ii. Movement in unearned premiums

	2015		2014
	£000		£000
Balance at 1 January	511		514
Premiums written in the year	(5,380)		(7,410)
Premiums earned during the year	4,997		7,407
Balance at 31 December	**128**		**511**

iii. Movement in other insurance contract liabilities

	Claims incurred but not reported	Claims liabilities	Unexpired risk provision	Total
	£000	£000	£000	£000
At 1 January 2015	508	-	210	718
Utilised in the year	(508)	-	(160)	(668)
Provided in the year	236	25	-	261
Balance at 31 December 2015	**236**	**25**	**50**	**311**

	Claims incurred but not reported	Claims liabilities	Unexpired risk provision	Total
	£000	£000	£000	
At 1 January 2014	523	-	240	763
Utilised in the year	(523)	-	(30)	(553)
Provided in the year	508	-	-	508
Balance at 31 December 2014	**508**	**-**	**210**	**718**

18 Insurance payables

	2015	2014
	£000	£000
Due to contract holders	151	130
Due to agents/brokers/intermediaries	411	-
Due to reinsurers	-	-
Total insurance payables	**562**	**130**

19 Other payables including tax and social security

	2015	2014
	£000	£000
Trade payables	-	134
Tax and social security	69	111
Pension payables	-	-
Other payables	-	-
Total other payables including tax and social security	**69**	**245**

Notes to the Financial Statements
for the year ended 31 December 2015

20 Cash generated from operating activities

	2015		2014
	£000		£000
Profit for the year	**(648)**		**(789)**
- Interest receivable	(12)		(22)
- Net gains on investments	3		-
- Purchase of investments	(2,000)		(2,019)
- Sales of investments	5,324		-
Non-cash items			
- Expenses deferred during the year	(16)		-
Changes in working capital			
Net (increase)/decrease in insurance receivables	(496)		(21)
Net decrease/(increase) in other prepayments and accrued income	2		(1)
Net decrease in insurance liabilities	(789)		(49)
Net increase/(decrease) in insurance payables	432		56
Net (decrease)/increase in amounts due to group undertakings	(877)		1,000
Net (decrease)/increase in trade and other payables	(177)		71
Net increase in accruals and deferred income	39		-
Cash generated from/(used in) operations	**784**		**(1,774)**

The Company classifies the cash flows for the purchase and disposal of financial assets in its operating cash flows as the purchases are funded from cash flows associated with the origination of insurance, net of cash flows for payments of insurance benefits and claims and investment contract benefits.

21 Related party transactions

The company is a wholly owned subsidiary of Exeter Friendly Society. IAS 24 requires the subsidiary to disclose any balances due or from other group companies.

Transactions in the year

	2015		2014
	£000		£000
Balances due to group undertakings	123		1,000
Policy maintenance costs recharged from Engage Mutual Administration Limited	980		964
Acquisition costs recharged from Engage Mutual Services Limited	363		647

22 Called up share capital

	2015		2014
	£		£
Issued and fully paid ordinary shares of £1 each	5,000,001		5,000,001

Notes to the Financial Statements
for the year ended 31 December 2015

23 Ultimate parent company

The ultimate parent company and the ultimate controlling party is Exeter Friendly Society Limited, a UK incorporated Friendly Society registered under the Friendly Societies Act 1992.

The immediate parent company is Exeter Cash Plan Holdings Limited, a limited liability company, incorporated in the UK.

Both the ultimate and immediate parent companies are registered at the below address.

The largest company' whose accounts this company is consolidated into is Exeter Friendly Society Limited.

The consolidated accounts of Exeter Friendly Society Limited are available to the public and may be obtained from: The Company Secretary, Lakeside House, Emperor Way, Exeter, EX1 3FD or at www.the-exeter.com.

24 IFRS developments

Standards, amendments and interpretations effective for 2015, which are considered to have no significant impact on the Company's results, are set out below.

24.1 New standards which are now effective

The following standards, amendments and interpretations are mandatory for Exeter Friendly Society in this financial reporting period; however, their implementation has not had a significant impact on the results or net assets of the group:

- IFRS 9 'Financial instruments' (effective for periods beginning on or after 1 January 2015);
- Amendment to IAS 19, 'Employee benefits', on defined benefit plans (effective 1 July 2014) (endorsed for 1 Feb 2015)

24.2 New standards not yet effective

As at the date of authorisation of these financial statements, the following Standards and Interpretations as well as amendments to existing Standards and Interpretations, which have not been applied in these financial statements, were in issue but not effective:

- IFRS 14, 'Regulatory deferral accounts' (effective 1 January 2016);

Management are of the opinion that the above new Standards and Interpretations as well as amendments to existing Standards and Interpretations will not have a material impact upon the Society.