Registration number: 02644860

Ecclesiastical Planning Services Limited

2018 Annual Report and Financial Statements

Ecclesiastical Planning Services Limited

Report and accounts 31 December 2018

Page **Contents**

Ecclesiastical Planning Services Limited

Officers and Professional Advisers

Directors	D. R. Moore	MA, MBA	*Chairman*
	C. A. H. Clark	ACII	
	Mrs D. P. Cockrem	MA, FCA	
	P. D. New	BSc, FIA	
Company Secretary	Mrs R. J. Hall	FCIS	
Auditor	Deloitte LLP London United Kingdom		
Bankers	National Westminster Bank Plc		
Registered Office	Beaufort House, Brunswick Road, Gloucester, GL1 1JZ		
Company Registration Number	02644860		

Strategic Report

The directors present their strategic report of the company for the year ended 31 December 2018.

Objective and strategy
The principal activity of Ecclesiastical Planning Services Limited (EPSL) is the distribution and administration of prepaid funeral plans through independent funeral directing outlets.

EPSL consolidated its funeral plan business having completed two small acquisitions in prior years. The consolidation primarily involved improving the support provided to the funeral directing firms that use EPSL to support funeral plan sales to their customers. In addition, EPSL supported Royal London with the launch of the Royal London Funeral Plan by facilitating access to a network of funeral directing firms that were keen to participate in the initiative on the basis that they will service the plans at the time of need.

EPSL's business model remains focused on providing first class support to funeral directors that offer prepaid funeral plans to their customers while developments such as the initiative with Royal London mean that EPSL can help its funeral director partners secure business from customers that may not want to visit a funeral director to set up a plan. Other developments included launching a new EPSL website which provides consumers with information about funeral plans and helps them locate a funeral director that can help set up a plan with a funeral director who is a partner of Ecclesiastical.

Review of the company's business
The results for the year are shown on page 9 and the financial position at the year end is shown on page 11.

In the statement of profit and loss gross written premiums represents the initial liability the company has assumed in respect of the funeral plans sold in the year. The reinsurance premiums represent the transfer of the initial liability from the company to regulated insurers.

EPSL's trading activity during 2018 was broadly in line with that expected by the directors. Gross fee income at £4.1m was slightly lower than anticipated reflecting the much tougher trading conditions than in prior years. Administration expenses were broadly in line with expectations.

The tougher trading conditions were due to increased competition and bad publicity for the funeral planning industry in general from some new providers with less than transparent business practices.

The directors believe that an analysis of key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance and position of the business.

Future prospects
EPSL has become established as one of the leading funeral plan providers. It is committed to developing its funeral plan business steadily and sustainably by concentrating on supporting more funeral directors with their pre-payment business.

Calls for the pre-paid funeral plan market to be regulated continue, and EPSL has participated in the HM Treasury investigation into the governments suggestion that pre-paid funeral plans should be regulated by the Financial Conduct Authority (FCA). EPSL supports the concept of statutory regulation for funeral plans.

As part of a larger financial services group, EPSL is well placed to develop its funeral plan business in a fully regulated environment. The business also remains alert to any opportunities that may emerge as a result of a move to a fully regulated landscape.

Ecclesiastical Planning 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 notes 3 and 4 to the financial statements.

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.

By order of the Board

R. Hall

Mrs R. J. Hall
Company Secretary
7 May 2019

Ecclesiastical Planning Services Limited

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

Future prospects
The future prospects for the company are presented in the Strategic Report on page 2.

Dividends
The directors do not recommend the payment of a dividend for the year ended 31 December 2018, (2017: £Nil).

Board of directors
The directors of the company at the date of this report are stated on page 1.

Mr I.G. Campbell resigned as chairman and director on 31 August 2018. Mrs H.E. Price resigned as a director on 26 September 2018. Mr D.R. Moore was appointed as chairman and director on 1 September 2018. Mrs D.P Cockrem was appointed as a director on 1 December 2018.

The company has qualifying third party indemnity provisions for the benefit of its directors. The provisions were in place from the date of appointment and remain in force at the date of this report.

Ownership
The entire issued share capital of the company is owned by Ecclesiastical Insurance Group 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 the 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.

Ecclesiastical Planning Services Limited

Directors' Report

Going concern
The company has adequate financial resources and no recourse to external borrowing. When appropriate, additional financial support is provided by the Ecclesiastical 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 for at least twelve months following the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the company's annual report and financial statements.

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

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

By order of the Board

R. Hall

Mrs R. J. Hall
Company Secretary
7 May 2019

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

Report on the audit of the financial statements

Opinion
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit 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.

We have audited the financial statements of Ecclesiastical Planning Services Limited (the company) 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 22.

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.

Basis of opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with ethical requirements that are relevant to our audit of the financial statements in the UK, including FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We are required by the ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements and identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters

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

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistences or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on work we have performed, we conclude that there is a material misstatement of this other information, we are required to report the fact.

We have nothing to report in respect of these matters.

Responsibilities of directors
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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified and material misstatements in the Strategic Report or the Directors Report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report
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.

Paul Stephenson BA FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
7 May 2019

Ecclesiastical Planning Services Limited

Statement of Profit or Loss

For the year ended 31 December 2018

	Notes	**2018**	2017
		£000	£000
Revenue			
Gross written premium		**36,983**	43,173
Outward reinsurance premiums		**(36,983)**	(43,173)
Net earned premiums		**-**	-
Interest receivable	5	**3**	1
Fees and other income	6	**4,069**	3,578
Total revenue		**4,072**	3,579
Expenses			
Finance costs	7	**(47)**	(35)
Claims and change in insurance contract liabilities	8	**(41,381)**	(47,348)
Reinsurance recoveries and reinsurers share of change in insurance contract liabilities	8	**41,381**	47,348
Operating expenses	9	**(3,565)**	(3,168)
Total operating expenses		**(3,612)**	(3,203)
Profit for the year before taxation		**460**	376
Tax expense	13	**(56)**	(73)
Profit for the year attributable to equity holders and total comprehensive income		**404**	303

The company had no recognised income or expense during the current financial year and the preceding financial year other than that included in the statement of profit or loss. Accordingly, no separate statement of other comprehensive income has been presented. All the amounts above are in respect of continuing operations.

Ecclesiastical Planning Services Limited

Statement of Changes in Equity

For the year ended 31 December 2018

	Note	Called up share capital	Retained earnings	Total shareholder's equity
		£000	£000	£000
Balance at 1 January 2017		700	(579)	121
Total comprehensive income for the year		-	303	303
Balance at 31 December 2017		700	(276)	424
Balance at 1 January 2018		**700**	**(276)**	**424**
Total comprehensive income for the year		**-**	**404**	**404**
Balance at 31 December 2018		**700**	**128**	**828**

Ecclesiastical Planning Services Limited

Statement of Financial Position

At 31 December 2018

	Notes	2018 £000	2017 £000
Assets			
Goodwill and other intangible assets	14	**4,804**	5,027
Reinsurers' share of insurance contract liabilities	18	**218,748**	192,982
Trade and other receivables	15	**120**	121
Cash and cash equivalents		**1,741**	2,207
Total assets		**225,413**	200,337
Liabilities			
Borrowings	7	**4,000**	4,000
Provisions for other liabilities and contingent consideration	16	**762**	1,920
Current tax liabilities		**-**	35
Trade and other payables	17	**1,075**	976
Insurance contract liabilities	18	**218,748**	192,982
Total liabilities		**224,585**	199,913
Equity			
Called up share capital	19	**700**	700
Retained earnings	20	**128**	(276)
Total shareholder's equity		**828**	424
Total shareholder's equity and liabilities		**225,413**	200,337

The financial statements of Ecclesiastical Planning Services Limited, company registration number 02644860, on pages 9 to 24, were approved and authorised for issue by the board of directors on 7 May 2019 and signed on their behalf by:

D. P. Cockrem *Director*

Ecclesiastical Planning Services Limited

Statement of Cash Flows

For the year ended 31 December 2018

	2018 £000	2017 £000
Profit for the year before tax	**460**	376
Adjustments for:		
Interest receivable	**(3)**	(1)
Amortisation of intangible assets	**223**	223
Change in provisions	**(1,158)**	(154)
Interest payable	**47**	35
Changes in operating assets and liabilities:		
Increase in reinsurers' share of insurance contract liabilities	**(25,766)**	(34,566)
(Increase)/decrease in trade and other receivables	**(57)**	72
Increase in insurance contract liabilities	**25,766**	34,566
Increase/(decrease) in trade and other payables	**99**	(243)
Tax paid	**(33)**	(52)
Net cash (used in) / provided by operating activities	**(422)**	256
Investing activities		
Purchase of goodwill and intangible assets	**-**	(4,000)
Interest received	**3**	1
Net cash provided by / (used in) investing activities	**3**	(3,999)
Financing activities		
Group loan	**-**	4,000
Loan interest payable	**(47)**	(35)
Net cash (used in)/provided by financing activities	**(47)**	3,965
Net (decrease)/increase in cash and cash equivalents	**(466)**	222
Cash and cash equivalents at beginning of year	**2,207**	1,985
Cash and cash equivalents at end of year	**1,741**	2,207

1 Accounting policies
The principal accounting polices 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 the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and endorsed by the European Union, as applicable at 31 December 2018.

Going concern
The company has adequate financial resources and no recourse to external borrowing. When appropriate, additional financial support is provided by the Ecclesiastical 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 for at least twelve months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the company's annual report and financial statements.

New and revised standards
In the current year the company has adopted amendments to IFRS 4 *Insurance Contracts,* and IFRS 15 *Revenue from Contracts with Customers.* Other Standards adopted in the current year are either outside the scope of company transactions or do not materially impact the company.

The amendment to IFRS 4 which permits an insurer to take the temporary exemption from applying IFRS 9 Financial Instruments, became applicable to the company in the year. The company qualifies for the temporary exemption, which is available until annual periods beginning on or after 1 January 2021, since at 31 December 2015 greater than 90% of the company's liabilities were within the scope of IFRS 4. There has been no significant change to the company's operations since that date and as a result the company continues to apply IAS 39 Financial Instruments.

The company adopted IFRS 15 *Revenue from Contracts with Customers* with effect from 1 January 2018. IFRS 15 introduced a five-step approach to revenue recognition and established 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.

IFRS 15 has been applied using the modified approach applied retrospectively only to contracts that were not completed contracts at 1 January 2018. The adoption of IFRS 15 had no impact on the company's financial statements at the date of initial application nor on amounts recognised in the year. Minor amendments have been made to the company's accounting policies, which had no impact on the amounts recognised in the financial statements.

The following Standards were in issue but not yet effective and have not been applied in these financial statements.

Accounting Standard	Key requirements	Expected impact on financial statements	Effective date
IFRS 17, *Insurance Contracts*	Establishes revised principles for the recognition, measurement, presentation and disclosure of insurance contracts.	The impact is being assessed. It is likely that the models defined by the standard will result in a change to the value of the insurance contract liabilities and an equal change to the corresponding reinsurance assets. The standard is not expected to impact on profit or shareholder's equity.	Annual periods beginning on or after 1 January 2021 (subject to EU endorsement). A one year deferral has tentatively been proposed by the IASB subject to due process.

1 Accounting policies (continued)
The other Standards in issue but not yet effective are not expected to materially impact the company.

Gross written premiums and outward reinsurance premiums - long term insurance business
The company markets and sells pre-paid funeral plans, under the Perfect Choice brand. Immediately following a sale, the funeral plan funds are invested in a whole-of-life assurance policy with a life insurance company authorised by the Prudential Regulatory Authority (PRA). The company uses independent, third party, PRA authorised life insurance companies and a PRA authorised fellow subsidiary, Ecclesiastical Life Limited (ELL), for this purpose. ELL is closed to new business.

By holding the funds in a whole-of-life assurance policy the plans meet the requirements of Article 60(1) (a) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 and the company is therefore exempt from being a regulated insurer.

Funerals are conducted by independent funeral directors, appointed under the funeral plans, who are not owned by the company. In each case, the company pays the funeral director an amount equal to the proceeds it receives from the whole-of-life assurance policy, as consideration for the provision of funeral services agreed under the plan.

In each case, the ultimate value and timing of the funeral plan funds that will be paid to the funeral director is uncertain. Therefore, the company has accepted insurance risk, as defined under IFRS 4, from the plan holder. The settlement of the company's obligation under the funeral plan contract is directly matched by the proceeds the company receives from the whole-of-life assurance policy, which are shown as reinsurance recoveries.

The funeral plan funds are recognised as written premium when receivable, at which date the liabilities arising from them are also recognised. The transfer of the funds to the life insurance company is then accounted for as a reinsurance premium, on the same day, which results in an offsetting reinsurance asset being recognised.

Fee and other income is wholly generated in the United Kingdom, and comprises initial management fees, management charge rebates from an insurer and bank deposit interest.

Initial management fees are accounted for in accordance with IFRS 4 Insurance contracts and are recognised on inception of the individual funeral plans and the underlying insurance policy. Management charge rebates are accounted for in accordance with IFRS 15 Revenue from contracts with customers. The rebates are variable based on the value of assets under administration, and are recognised over time as services are provided, and once it is reasonably certain that no significant reversal of the amount recognised would occur. Bank deposit interest is recognised as it is accrued.

Insurance contract liabilities
Long-term insurance contract liabilities arising from funeral plans, where the company's liability under the funeral plan is linked to inflation, are determined using methods and assumptions approved by the directors.

Long-term insurance contract liabilities arising from funeral plans, where the company's liability under the funeral plan is linked to performance of a with-profits life assurance plan provided by an independent, third party, life insurance company, are based on the company's estimate of the surrender value of the with-profits life assurance policy at the balance sheet date, in line with IFRS 4.

Reinsurers share of insurance contract liabilities
The company is the named beneficiary on the life assurance products provided by independent, third party, life insurance companies, and ELL. The company has committed to pay the value it receives from these policies to the funeral director, appointed under the funeral plan of the named insured life, in consideration of their provision of the services agreed under the funeral plan. These contracts are shown as reinsurance of the corresponding insurance contract liabilities the company recognises in respect of the related funeral plan.

1 Accounting policies (continued)

Business acquisitions

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the identifiable assets and liabilities acquired at the date of acquisition. The Company uses the option to measure goodwill initially at fair value, less any subsequent impairment.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Other intangible assets

Other intangible assets consists of distribution relationships, and are carried at cost at acquisition less accumulated amortisation and impairment after acquisition. Amortisation is on a straight-line basis over the weighted average estimated useful life of intangible assets acquired. The amortisation and impairment charge for the period is included in the statement of profit or loss within operating expenses.

Financial Assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Trade and other receivables held by the company meet the definition of loans and receivables and are accounted for at amortised cost. 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.

1 Accounting policies (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument or a financial liability and of allocating interest income or expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Trade and other payables and other liabilities held by the company meet the definition of other financial liabilities and are accounted for at amortised cost.

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.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Provisions and contingent liabilities

Provisions are recognised when the company has a present legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources, embodying economic benefits, will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The company recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation but either an outflow of resources is not probable or the amount cannot be reliably estimated.

1 Accounting policies (continued)

Taxation

Income tax comprises current and deferred tax.

Current tax is the expected tax payable/receivable on the taxable result 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 profits will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are not discounted.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The following are the critical judgements and estimates that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Basis of valuation of the company's liability where the funeral plan is backed by a with-profits life assurance policy, and corresponding reinsurance recovery

Judgement has been applied in the assessment that the surrender value of the with-profits life assurance policy is an appropriate basis for determining the IFRS 4 value of the company's liability in relation to the related funeral plan obligations.

This valuation basis is considered to be appropriate as the surrender value of the with-profits life assurance policy is the amount that would be payable, by the company, under the funeral plan at the year end based on the current value of the plans.

2 Critical accounting judgements and key sources of estimation uncertainty (continued)

Estimate of future benefits arising from long-term insurance contracts, where the company's liability under the funeral plan is linked to inflation, and corresponding reinsurance recoveries

The determination of the liabilities under long-term insurance business from the sale of funeral plans, along with the corresponding reinsurance recoveries, are dependent on estimates made by the company.

Estimates are made as to the expected number of deaths for each of the years in which the company is exposed to risk. The company bases these estimates on standard industry and national mortality tables, adjusted to reflect recent historical mortality experience of the company's portfolio, with allowance also being made for future mortality improvements where prudent. The estimated mortality rates are used to determine forecast funeral plan payments.

Estimates are also made as to the discount rate to be applied in the calculation of the IFRS 4 value of funeral plan obligations. The discount rate used is based on current markets conditions.

Estimate of the carrying value of Goodwill

Goodwill is tested annually for impairment as detailed in the Company's accounting policies. In order to calculate the value in use under this policy, the Company is required to make an estimation of the future cash flows expected to arise from the applicable business unit, an appropriate short-term and long-term growth rate to apply to the cash flows and a suitable discount rate to calculate the present value. Further details on these estimates and sensitivities of the carrying value of goodwill to these estimates are provided in note 14.

3 Insurance risk

The company has committed to pay the value it receives from the whole-of-life assurance policies to the funeral director, appointed under the funeral plan of the named insured life, in consideration of their provision of the services agreed under the funeral plan. The insurance contract liability the company recognises in respect of its obligations under the funeral plan are directly matched by the amount receivable under the whole-of-life assurance policy. The company therefore has no net exposure to interest rate, inflation, spread or mortality risk in respect of these plans. The principal risk of financial loss resulting from credit risk only.

4 Financial risk and capital 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.

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.

Interest rate risk

The company is exposed to cash flow interest rate risk in respect of its cash and cash equivalents, and in the current financial year, borrowings.

Credit risk

The company's principal financial assets are cash and cash equivalents, reinsurance assets and trade and other receivables. The carrying amount of these financial assets represents the company's maximum exposure to credit risk. The company has significant counterparty risk in respect of its reinsurance assets. The company mitigates this risk by placing the plan funds in whole of life insurance policies which are either RPI index linked or linked to the performance of a with profits life assurance plan, with insurance companies that are authorised by the PRA and regulated by the Financial Conduct Authority. There is a significant amount of regulation around insurance companies which is designed, among other things to ensure that they are able to meet their financial obligations. The company monitors the published credit rating of the reinsurers, where such ratings are available. The company has no other significant concentration of credit risk with any individual counterparty.

4 Financial risk and capital management (continued)

Liquidity risk

The company has robust processes in place to manage liquidity risk and has adequate available funds to pay obligations when due. The Ecclesiastical group monitors the liquidity of the company to ensure that adequate funds are available to pay obligations when due.

The table below summarises the estimated maturity dates for those assets and liabilities that are exposed to liquidity and interest rate risk.

	Within 1 year	Between 1 and 5 years	After 5 years	Total
	£000	£000	£000	£000
At 31 December 2018				
Reinsurers' share of insurance contract liabilities	**19,236**	**64,725**	**134,787**	**218,748**
Trade and other receivables	**120**	**-**	**-**	**120**
Cash and cash equivalents	**1,741**	**-**	**-**	**1,741**
	21,097	**64,725**	**134,787**	**220,609**
Trade and other payables	**1,075**	**-**	**-**	**1,075**
Insurance contract liabilities	**19,236**	**64,725**	**134,787**	**218,748**
	20,311	**64,725**	**134,787**	**219,823**

	Within 1 year	Between 1 and 5 years	After 5 years	Total
	£000	£000	£000	£000
At 31 December 2017				
Reinsurers' share of insurance contract liabilities	17,277	58,134	117,571	192,982
Trade and other receivables	121	-	-	121
Cash and cash equivalents	2,207	-	-	2,207
	19,605	58,134	117,571	195,310
Trade and other payables	976	-	-	976
Insurance contract liabilities	17,277	58,134	117,571	192,982
	18,253	58,134	117,571	193,958

5 Interest receivable

	2018	2017
	£000	£000
Bank interest	**3**	1

Interest receivable is all in respect of financial assets not at fair value through the statement of profit or loss.

6 Fees and other income
Fees and other income arise from the arrangement of pre-paid funeral plans.

	2018 £000	2017 £000
Plan registration and management fees	**3,929**	3,502
Management fee rebate from insurer	**140**	76
	4,069	3,578

7 Borrowings
Borrowing consists of a loan from Ecclesiastical Insurance Group plc, the parent company.

The loan of £4,000,000 (2017: £4,000,000) is unsecured and has no specific repayment date. Interest is payable on the loan at the London inter-bank offered rate (Libor) plus 0.5% and amounted to £47,000 (2017: £35,000).

8 Claims and change in insurance contract liabilities and reinsurers share of change in insurance contract liabilities

	2018 £000	2017 £000
Gross claims paid	**15,615**	12,782
Gross change in long term business provision	**25,766**	34,566
Claims and change in insurance contract liabilities	**41,381**	47,348
Reinsurers' share of claims paid	**(15,615)**	(12,782)
Reinsurers' share of change in insurance contract liabilities	**(25,766)**	(34,566)
Reinsurance recoveries	**(41,381)**	(47,348)
Claims and change in insurance liabilities, net of reinsurance	**-**	-

9 Operating expenses
Included within operating expenses is £208,000 (2017: £46,000) in respect of the movement in the provision for management expenses to administer the run off of the funeral plans in the event that the company ceases to write new business (see note 16). All the assets backing the funeral plans are held by insurance companies but EPSL is responsible for administering the payment of all claims over an extended period of time.

10 Employee information
The company has no employees (2017: nil).

11 Directors' emoluments

The directors of the company were employed by Ecclesiastical Insurance Office plc, the company's fellow subsidiary 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 Campbell and Mr Moore were members of the group's defined contribution pension scheme during part of the current year and prior year. Mr Clark and Mr New were members of the group's defined benefit pension scheme during the current and prior year. Mrs Price was a member of the group's defined benefit pension scheme during part of the current year and throughout the prior year.

12 Auditor's remuneration

	2018	2017
	£000	£000
Fees payable to the company's auditor for the audit of the company's financial statements	24	27

The amounts disclosed are net of taxes, where applicable.

13 Tax expense

The charge for taxation in the company's statement of profit and loss is in respect of income tax.

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:

	2018	2017
	£000	£000
Profit before tax	460	376
Tax calculated at the UK standard rate of tax of 19% (2017: 19.25%)	87	73
Factors affecting the charge for the year		
Expenses not deductible for tax purposes	(37)	-
Adjustments in respect of prior periods	6	-
Total tax expense	56	73

A change in the UK standard rate of corporation tax from 20% to 19% became effective from 1 April 2017. Where appropriate, current tax has been provided at 19% for the current year and a blended rate of 19.25% for the prior year. A further reduction in the corporation tax rate to 17% will become effective from April 2020.

14 Goodwill and other intangible assets

	Goodwill	Other intangible assets	Total
	£000	£000	£000
Cost			
At 1 January 2018	3,018	2,232	5,250
Additions	-	-	-
At 31 December 2018	3,018	2,232	5,250

14 Goodwill and other intangible assets (continued)

Amortisation and Impairment			
At 1 January 2018	-	223	223
Amortisation charge for the year	-	223	223
At 31 December 2018	-	**446**	**446**
Net book value at 31 December 2017	**3,018**	**2,009**	**5,027**
Net book value at 31 December 2018	**3,018**	**1,786**	**4,804**

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. The calculations for all recoverable amounts use cash flow projections based on management approved business plans, covering a three year period, with forecast annual cash flows at the end of the planning period continuing thereafter in perpetuity at the UK long-term average growth rate, usually sourced from the Office for Budget Responsibility (OBR). The Company selected a rate of 1.7% as being appropriate, being the twenty year gilt risk free rate at 31 December 2018. The pre-tax discount rate of 10.8% reflects the way that the market would assess the specific risks associated with the estimated cash flows.

Assumptions used are consistent with historical experience within the business acquired and external sources of information.

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

15 Trade and other receivables

	2018	2017
	£000	£000
Commissions due from reinsurer	**41**	25
Prepayments	**24**	15
Due from related parties	**4**	6
Claims balances due from reinsurers	**51**	75
	120	121

Trade and other receivables are all current and, due to their short-term nature, the above carrying amounts are a reasonable approximation of 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.

16 Provision for other liabilities and contingent consideration

	2018	2017
	£000	£000
At 1 January	**1,920**	824
Additions	**-**	1,096
Reductions	**(1,158)**	-
At 31 December	**762**	1,920

The provision is comprised of the discounted amount it is estimated the company needs to hold to cover the future administration costs to administer the claims on the pre-paid funeral plans were the company to cease to write new business of £662,000 (2017: £870,000), and the contingent consideration due in respect of the purchase of certain assets of Funeral Planning Services Limited, £100,000 (2017:£1,050,000).

17 Trade and other payables	**2018**	2017
	£000	£000
Other creditors	**772**	759
Due to related parties	**150**	45
Accruals	**153**	172
	1,075	976

The directors consider that the carrying value of trade and other payables is a reasonable approximation of fair value.

18 Insurance contract liabilities and reinsurers share of insurance contract liabilities

Where the company's liability under the funeral plan is linked to performance of a with-profits life assurance policy provided by an independent, third party, life insurance company, liabilities are based on the company's estimate of the surrender value of the with-profits life assurance policy, at the balance sheet date.

Where the company's liability under the funeral plan is linked to inflation, the most significant assumptions in determining long-term business claims reserves and associated reinsurance asset are as follows:

Mortality

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

Discount rate

The discount rate used to determine the long-term business claims reserves is based on market conditions at the valuation date.

In the current year the movement in the discount rate has resulted in a decrease of the long-term business reserve of £89,000 (2017:£73,000 increase) with an equal and opposite effect on the values of the associated reinsurance asset. In the prior year, the significant reduction in bond yields, following the Brexit vote, resulted in an increase in the valuation of long-term business claims reserves of £14,939,000 due to the change in the discount rate with an equal and opposite effect on the value of the associated reinsurance asset.

Tax

It has been assumed that tax legislation and rates applicable at 1 January 2019 will continue to apply. All in-force business is classed as protection business and is expected to be taxed on a profits basis.

Movements in insurance liabilities and reinsurance assets:

	Gross	**Reinsurance**	**Net**
	£000	**£000**	**£000**
At 1 January 2018	**192,982**	**(192,982)**	**-**
Effect of new business in the year	**37,001**	**(37,001)**	**-**
Effect of claims during the year	**(17,442)**	**17,442**	**-**
Changes in actuarial assumptions and other movements	**6,037**	**(6,037)**	**-**
Change in discount rate	**(89)**	**89**	**-**
Change in other assumptions	**259**	**(259)**	**-**
At 31 December 2018	**218,748**	**(218,748)**	**-**
At 1 January 2017	158,416	(158,416)	-
Effect of new business in the year	43,213	(43,213)	-
Effect of claims during the year	(14,594)	14,594	-
Changes in actuarial assumptions and other movements	5,766	(5,766)	-
Change in discount rate	73	(73)	-
Change in other assumptions	108	(108)	-
At 31 December 2017	192,982	(192,982)	-

19 Called up share capital

	2018 £	2017 £
Allotted, issued and fully paid ordinary shares of £1 each:		
At 1 January	**700,100**	700,100
At 31 December	**700,100**	700,100

The company has one class of ordinary shares which carry no right to fixed income.

Shareholders have the right to attend and vote at general meetings. All shares rank pari passu and every shareholder has, on a show of hands, one vote for every share held at the relevant time on a written resolution or poll.

20 Retained earnings

	2018 £000	2017 £000
Retained earnings brought forward	**(276)**	(579)
Total comprehensive income for the year	**404**	303
Retained earnings carried forward	**128**	(276)

21 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 Group plc. Its ultimate parent company and controlling party is Allchurches Trust Limited. The parent company of the smallest and largest group for which group financial statements are drawn up is Allchurches Trust Limited, which is incorporated in and operates in Great Britain. Copies of their financial statements for Allchurches Trust Limited are available from the registered office of the company as shown on page 1.

22 Related party transactions

The parent related party transactions below relate to Ecclesiastical Insurance Group plc. Other related parties comprise of fellow subsidiary undertakings.

	Parent £000	Other related parties £000
2018		
Trading, investment and other expenditure, including recharges	**-**	**415**
Amounts owed to related parties (see Notes 7 and 17)	**4,122**	**28**
Amounts owed by related parties (see Note 15)	**-**	**4**
2017		
Trading, investment and other expenditure, including recharges	-	334
Amounts owed to related parties (see Note 18)	4,000	45
Amounts owed by related parties (see Note 15)	-	6

Included within insurance liabilities and reinsurance assets (note 18) is £61,272,000 (2017: £64,917,000) in respect of whole of life insurance policies issued by Ecclesiastical Life Limited.

Transactions and services between related parties are made on commercial terms. Amounts are unsecured, are not subject to guarantees, and will be settled in cash. No provisions have been made in respect of these balances.