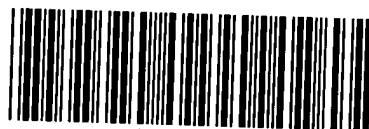


Registration number: 02644860

**Ecclesiastical Planning Services Limited**  
**2020 Annual Report and Financial Statements**

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# **Ecclesiastical Planning Services Limited**

## **Annual Report and Financial Statements 31 December 2020**

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# **Ecclesiastical Planning Services Limited**

## **Directors and company information**

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<b>Directors</b>	D. R. Moore C. A. H. Clark P. D. New C. Hanks S. O'Dwyer	<i>Chairman</i>
<b>Company Secretary</b>	Mrs R. J. Hall	
<b>Auditor</b>	PricewaterhouseCoopers LLP 2 Glass Wharf Bristol BS2 0FR United Kingdom	
<b>Bankers</b>	National Westminster Bank Plc	
<b>Registered Office</b>	Benefact House 2000 Pioneer Avenue Gloucester Business Park Brockworth Gloucester GL3 4AW United Kingdom	
<b>Company Registration Number</b>	02644860	

# **Ecclesiastical Planning Services Limited**

## **Strategic Report**

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The directors present their strategic report Ecclesiastical Planning Services Limited ("the Company") for the year ended 31 December 2020.

### **Objective and strategy**

The principal activity of the Company is the distribution and administration of prepaid funeral plans through independent funeral directing outlets.

The Company's business model remains focused on providing first class support to funeral directors that offer prepaid funeral plans to their customers. Other activities include supporting Royal London as the underlying funeral plan provider for the Royal London Funeral Plan, and providing outsourced administration services for other funeral plan providers.

Business activity was adversely impacted by Covid-19 throughout 2020. This was because there were periods when funeral directors could not focus on funeral plan sales while their resources were stretched by the implications of Covid-19. In addition, there were long periods when prospective funeral plan customers were unable to leave their homes to meet with a funeral director to arrange their funeral plan.

The Covid-19 restrictions highlighted the Company's reliance on the face to face funeral plan distribution model and, as a result, action was taken to hasten the delivery of buy online functionality. This development was launched during October 2020 and enabled customers to purchase funeral plans from participating funeral directors by accessing the funeral director's websites or the Company's website. The facility means that a customer can arrange their funeral plan without the need for a face to face meeting.

During the year the Company continued preparations for the implementation of funeral plan market regulation by the Financial Conduct Authority (FCA). This involved settling new colleagues into the business to ensure that The Company is well placed to support the transition to FCA regulation with funeral directing firms. Progress was also made on planning the implementation of the business growth initiatives that will arise from the expected consolidation of the funeral plan market during the lead up to FCA regulation.

### **Review of the Company's business**

The results for the year are shown on page 10 and the financial position at the year end is shown on page 12.

In the statement of profit and loss, gross written premiums represent 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.

The Company's funeral plan sales during 2020 were slightly lower than the previous year due to the impact of Covid-19 on trading conditions. Prudent expense management and reduced marketing activity due to the Covid-19 restrictions ensured that the costs incurred in running the business were lower than set out in the business plan for the year.

Whilst the Covid-19 situation represents the main reason for the Company's underperformance against the business plan, it should be noted that other key factors continued to impact the funeral plan market. Uncertainty around the impact of Brexit continued to influence consumer spending decisions, and the detail of the impending regulation of the funeral plan market by the FCA was unknown. Against this backdrop, the Company's share of funeral plan sales held up well.

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.

# **Ecclesiastical Planning Services Limited**

## **Strategic Report**

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### **Future prospects**

The Company continues to invest in the skills and competencies that will enable the business to thrive as the funeral plan market heads towards regulation by the FCA from July 2022. The expectation is that the Company's business model for holding pre-payment funds in whole of life assurance policies is well suited to FCA regulation and could help attract funeral directing firms and other business partners over the next few years.

As part of a larger financial services group, the Company is well placed to take advantage of the opportunities that it has identified to ensure that the business grows in a steady and sustainable way.

### **Principal risks and uncertainties facing the Company**

Further information on the principal risks and uncertainties facing the Company, 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. In response to Covid-19 during 2020 the Company used its business continuity plans and whilst there remains an increased level of operational risk, the Company is continuing to operate effectively and services its customers

### **Section 172 Statement**

This section describes how the directors have had regard to the matters set out in section 172(1) (a) to (f) and forms the directors' voluntary statement required under section 414CZA of the Companies Act 2006 where relevant to the Company. The directors recognise that the long-term success of the Company is dependent on having regard to the interests of its stakeholders. Decisions and policies in relation to shareholders, employees, customers, community and environment are determined at a Group level and set out in the Annual Report and Accounts of Ecclesiastical Insurance Office plc.

Approved and Authorised for issue by the Board of Directors and signed on its behalf by



Mrs R. J. Hall  
*Company Secretary*  
20 May 2021

# **Ecclesiastical Planning Services Limited**

## **Directors' Report**

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The directors present their report for the year ended 31 December 2020.

### **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 2020, (2019: £Nil).

### **Board of directors**

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

Mr C. Hanks and Mr S. O'Dwyer were appointed to the Board on 6 February 2020.

The Company has qualifying third party indemnity provisions for the benefit of its directors and the directors of associated companies. 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.

### **Principal risks and uncertainties facing the Company**

The principal risks and uncertainties facing the Company are disclosed in Notes 3 and 4 to the financial statements.

### **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 prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for 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.

# **Ecclesiastical Planning Services Limited**

## **Directors' Report**

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### **Going concern**

The Company has adequate financial resources and no recourse to external borrowing. In light of the additional uncertainty regarding the impact of Covid-19, the Company has further considered its financial position and future performance. The Company has sufficient cash resources and has no concerns over the ability to meet its commitments. When appropriate, additional financial support is also provided by the Group. The well-established business continuity plans were invoked during 2020 and the Company was able to and continues to support its customers and perform other functions of the Company. The Company also expects to continue to be able to do so over the foreseeable future. Given the Company's operations, financial position and outlook, the directors have a reasonable expectation that the Company has adequate resources and is well placed to manage its risks successfully and continue in operational existence for at least 12 months from the date of this report. Accordingly, the directors continue to adopt the going concern basis in preparing the company's 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 and the Company's auditor, each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

### **Auditor appointment**

During 2019 the Ecclesiastical group completed a rigorous tender process for the appointment of the statutory auditor for the financial year 2020. The firm PricewaterhouseCoopers LLP (PwC) was appointed in June 2020. The audit committee of the parent undertaking oversaw the transition from Deloitte LLP to PwC and thanked Deloitte LLP for the audit service they provided to the Company and their mutual support working with PwC in the transition year.

Approved and Authorised for issue by the Board of Directors and signed on its behalf by



Mrs R. J. Hall  
Company Secretary  
20 May 2021

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

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## **Report on the audit of the financial statements**

### **Opinion**

In our opinion, Ecclesiastical Planning Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the 2020 Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2020; the Statement of Profit or Loss, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.



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

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## **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### **Strategic report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of directors for the financial statements**

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

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

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## **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 auditors' 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the Companies Act and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to journal entries to revenue or expenditure. Audit procedures performed by the engagement team included:

- Reviewing relevant meeting minutes including those of the Board and, the Ecclesiastical Insurance Office plc Group Audit Committee and Group Risk Committee;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations in revenue or expenditure; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## **Use of this report**

This report, including the opinions, has been prepared for and only for the 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.

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

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### **Other required reporting**

#### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Sue Morling (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol  
20 May 2021

# Ecclesiastical Planning Services Limited

## Statement of Profit or Loss

For the year ended 31 December 2020

	Notes	2020 £000	2019 £000
<b>Revenue</b>			
Gross written premium		29,596	31,875
Outward reinsurance premiums		(29,596)	(31,875)
Net earned premiums		-	-
Interest receivable	5	1	4
Fees and other income	6	3,946	3,980
<b>Total revenue</b>		<b>3,947</b>	<b>3,984</b>
<b>Expenses</b>			
Finance costs	7	(40)	(60)
Claims and change in insurance contract liabilities	8	(42,399)	(40,808)
Reinsurance recoveries and reinsurers share of change in insurance contract liabilities	8	42,399	40,808
Operating expenses	9	(5,912)	(5,632)
<b>Total operating expenses</b>		<b>(5,952)</b>	<b>(5,692)</b>
(Loss)/profit for the year before taxation		(2,005)	(1,708)
Tax expense	13	54	(50)
<b>Loss for the year attributable to equity holders and total comprehensive expense</b>		<b>(1,951)</b>	<b>(1,758)</b>

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 2020

	<b>Called up share capital £000</b>	<b>Retained earnings £000</b>	<b>Total shareholder's equity £000</b>
Balance at 1 January 2019	700	128	828
Total comprehensive income for the year	-	(1,758)	(1,758)
Balance at 31 December 2019	700	(1,630)	(930)
Balance at 1 January 2020	700	(1,630)	(930)
Total comprehensive income for the year	-	(1,951)	(1,951)
Ordinary share capital issued in the year	4,500	-	4,500
Balance at 31 December 2020	5,200	(3,581)	1,619

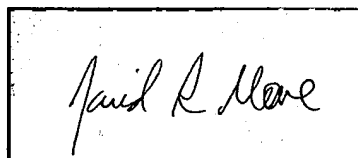
# Ecclesiastical Planning Services Limited

## Statement of Financial Position

At 31 December 2020

	Notes	2020 £000	2019 £000
<b>Assets</b>			
Goodwill and other intangible assets	14	1,339	3,059
Reinsurers' share of insurance contract liabilities	18	263,994	242,288
Current tax		54	-
Trade and other receivables	15	479	363
Cash and cash equivalents		3,572	1,370
<b>Total assets</b>		<b>269,438</b>	<b>247,080</b>
<b>Liabilities</b>			
Borrowings	7	-	4,000
Provisions for other liabilities and contingent consideration	16	514	567
Trade and other payables	17	3,311	1,155
Insurance contract liabilities	18	263,994	242,288
<b>Total liabilities</b>		<b>267,819</b>	<b>248,010</b>
<b>Equity</b>			
Called up share capital	19	5,200	700
Retained earnings	20	(3,581)	(1,630)
<b>Total shareholder's equity</b>		<b>1,619</b>	<b>(930)</b>
<b>Total shareholder's equity and liabilities</b>		<b>269,438</b>	<b>247,080</b>

The financial statements of Ecclesiastical Planning Services Limited, company registration number 02644860, on pages 10 to 25, were approved and authorised for issue by the board of directors on 20 May 2021 and signed on its behalf by:



D. R. Moore

Chairman

# Ecclesiastical Planning Services Limited

## Statement of Cash Flows

For the year ended 31 December 2020

	2020 £000	2019 £000
<b>Profit for the year before tax</b>	<b>(2,005)</b>	<b>(1,708)</b>
<i>Adjustments for:</i>		
Interest receivable	(1)	(4)
Amortisation of intangible assets	223	223
Impairment of goodwill	1,497	1,522
Change in provisions	(53)	(194)
Interest payable	40	59
<i>Changes in operating assets and liabilities:</i>		
Increase in reinsurers' share of insurance contract liabilities	(21,706)	(23,540)
Increase in trade and other receivables	(116)	13
Increase in insurance contract liabilities	21,706	23,540
Increase in trade and other payables	2,156	(176)
Tax received/(paid)	-	(50)
<b>Net cash used in operating activities</b>	<b>1,741</b>	<b>(315)</b>
<b>Investing activities</b>		
Interest received	1	4
<b>Net cash provided by investing activities</b>	<b>1</b>	<b>4</b>
<b>Financing activities</b>		
Group loan	500	-
Loan interest payable	(40)	(60)
<b>Net cash used in financing activities</b>	<b>460</b>	<b>(60)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>2,202</b>	<b>(371)</b>
Cash and cash equivalents at beginning of year	1,370	1,741
<b>Cash and cash equivalents at end of year</b>	<b>3,572</b>	<b>1,370</b>

# Ecclesiastical Planning Services Limited

## Notes to the Financial Statements

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### 1 Accounting policies

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

#### Basis of preparation

The Company's financial statements have been prepared on the historical cost basis and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

#### Going concern

The Company has adequate financial resources and no recourse to borrowing externally to the group in which the Company belongs. When appropriate, additional financial support is provided by the Ecclesiastical group which has considerable financial resources. Also, as stated in the Directors' Report, after making enquiries, including detailed consideration of the impact of Covid-19, the directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

#### New and revised standards

The following standards were in issue but not yet effective and have not been applied in these financial statements. The standards adopted in the year had no impact on the Company.

Accounting Standard	Key requirements	Expected impact on financial statements	Effective date
IFRS 17, <i>Insurance Contracts</i>	Requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.	IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. The standard was issued in May 2017 as replacement for 'IFRS 4 Insurance Contracts' and the impact of the standard on the financial statements is still being assessed. Amendments to IFRS 17 that have been proposed by the IASB in January 2019, have been issued in June 2020.	Annual periods beginning on or after 1 January 2023

The other standards in issue but not yet effective are not expected to materially impact the Company.



# **Ecclesiastical Planning Services Limited**

## **Notes to the Financial Statements**

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### **1 Accounting policies (continued)**

#### **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 currently 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.

#### **Fees and other income**

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.

# **Ecclesiastical Planning Services Limited**

## **Notes to the Financial Statements**

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### **1 Accounting policies (continued)**

#### **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.

#### **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.

# **Ecclesiastical Planning Services Limited**

## **Notes to the Financial Statements**

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### **1 Accounting policies (continued)**

#### **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.

#### **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.

# **Ecclesiastical Planning Services Limited**

## **Notes to the Financial Statements**

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### **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.

#### **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.

# **Ecclesiastical Planning Services Limited**

## **Notes to the Financial Statements**

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

#### **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 results 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 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 assurance 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 performance of the with-profits life assurance fund. The Company has no other significant concentration of credit risk with any individual counterparty.

##### **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.

# Ecclesiastical Planning Services Limited

## Notes to the Financial Statements

### 4 Financial risk and capital management (continued)

#### Liquidity risk (continued)

	Within 1 year £000	Between 1 and 5 years £000	After 5 years £000	Total £000
<b>At 31 December 2020</b>				
Reinsurers' share of insurance contract liabilities	22,701	76,385	164,908	263,994
Trade and other receivables	479	-	-	479
Cash and cash equivalents	3,572	-	-	3,572
	<b>26,752</b>	<b>76,385</b>	<b>164,908</b>	<b>268,045</b>
Trade and other payables	3,311	-	-	3,311
Insurance contract liabilities	22,701	76,385	164,908	263,994
	<b>26,012</b>	<b>76,385</b>	<b>164,908</b>	<b>267,305</b>

	Within 1 year £000	Between 1 and 5 years £000	After 5 years £000	Total £000
<b>At 31 December 2019</b>				
Reinsurers' share of insurance contract liabilities	21,050	70,831	150,407	242,288
Trade and other receivables	363	-	-	363
Cash and cash equivalents	1,370	-	-	1,370
	<b>22,783</b>	<b>70,831</b>	<b>150,407</b>	<b>244,021</b>
Trade and other payables	1,155	-	-	1,155
Insurance contract liabilities	21,050	70,831	150,407	242,288
	<b>22,205</b>	<b>70,831</b>	<b>150,407</b>	<b>243,443</b>

### 5 Interest receivable

	2020 £000	2019 £000
Bank interest	1	4

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.

	2020 £000	2019 £000
Plan registration and management fees	3,732	3,804
Management fee rebate from insurer	214	176
	<b>3,946</b>	<b>3,980</b>

# Ecclesiastical Planning Services Limited

## Notes to the Financial Statements

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### 7 Borrowings

Borrowing consisted of a loan from Ecclesiastical Insurance Group plc, the parent company.

The loan of £4,500,000 (2019: £4,000,000) was unsecured and had no specific repayment date. Interest was payable on the loan at the London inter-bank offered rate (Libor) plus 0.5%, up to 17 September 2019, and at Bank of England base rate plus a margin of 0.75% thereafter, and amounted to £40,000 (2019: £60,000).

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

	2020 £000	2019 £000
Gross claims paid	20,693	17,268
Gross change in long term business provision	21,706	23,540
Claims and change in insurance contract liabilities	42,399	40,808
Reinsurers' share of claims paid	(20,693)	(17,268)
Reinsurers' share of change in insurance contract liabilities	(21,706)	(23,540)
Reinsurance recoveries	(42,399)	(40,808)
Claims and change in insurance liabilities, net of reinsurance	-	-

### 9 Operating expenses

Included within operating expenses is a credit of £53,000 (2019: £95,000 charge) 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 the Company is responsible for administering the payment of all claims over an extended period of time.

### 10 Employee information

The Company has no employees (2019: nil).

### 11 Directors' emoluments

Directors of the Company receive emoluments from and are employed by Ecclesiastical Insurance Office plc, the Company's fellow subsidiary company. It is not practicable to attribute the remuneration of some directors between companies of which they were also directors and remunerated by Ecclesiastical Insurance Office plc. Director emoluments, including benefits in kind attributable to the Company were £124,000 (2019: £121,000). Director pension contributions attributable to the Company were £12,000 (2019: £13,000). Mr Clark and Mr New were members of the Ecclesiastical Insurance Office plc defined benefit pension scheme during the prior year.

# Ecclesiastical Planning Services Limited

## Notes to the Financial Statements

<b>12 Auditor's remuneration</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Fees payable to the Company's auditor for the audit of the company's financial statements	<b>25</b>	<b>30</b>

The amounts disclosed are net of taxes, where applicable.

Deloitte LLP stepped down as auditor to the Company and were succeeded by PricewaterhouseCoopers LLP who were appointed in June 2020. The figure for 2019 relates exclusively to fees paid to Deloitte LLP

### 13 Tax expense

The charge for taxation in the Company's statement of profit and loss is in respect of current 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:

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
(Loss)/profit before tax	<b>(2,005)</b>	<b>(1,708)</b>
Tax calculated at the UK standard rate of tax of 19% (2019: 19%)	<b>(381)</b>	<b>(325)</b>
<i>Factors affecting the charge for the year</i>		
Expenses not deductible for tax purposes	<b>327</b>	<b>332</b>
Adjustments in respect of prior periods	<b>-</b>	<b>43</b>
<b>Total tax (credit)/expense</b>	<b>(54)</b>	<b>50</b>

### 14 Goodwill and other intangible assets

	<b>Goodwill</b>	<b>Other intangible assets</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>			
At 1 January 2020	<b>3,018</b>	<b>2,232</b>	<b>5,250</b>
At 31 December 2020	<b>3,018</b>	<b>2,232</b>	<b>5,250</b>
<b>Amortisation and Impairment</b>			
At 1 January 2020	<b>1,522</b>	<b>669</b>	<b>2,191</b>
Amortisation charge for the year	<b>-</b>	<b>224</b>	<b>224</b>
Impairment loss	<b>1,496</b>	<b>-</b>	<b>1,496</b>
At 31 December 2020	<b>3,018</b>	<b>893</b>	<b>3,911</b>
Net book value at 31 December 2019	<b>1,496</b>	<b>1,563</b>	<b>3,059</b>
Net book value at 31 December 2020	<b>-</b>	<b>1,339</b>	<b>1,339</b>
<b>Cost</b>			
At 1 January 2019	<b>3,018</b>	<b>2,232</b>	<b>5,250</b>
At 31 December 2019	<b>3,018</b>	<b>2,232</b>	<b>5,250</b>



# Ecclesiastical Planning Services Limited

## Notes to the Financial Statements

### 14 Goodwill and other intangible assets (continued)

#### Amortisation and Impairment

At 1 January 2019	-	446	446
Amortisation charge for the year	-	223	223
Impairment loss	1,522	-	1,522
At 31 December 2019	1,522	669	2,191
Net book value at 31 December 2018	3,018	1,786	4,804
Net book value at 31 December 2019	1,496	1,563	3,059

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 recoverable amount, determined on a value in use basis, indicated that the remaining goodwill was fully impaired, as forecast cash flows fell below the level required to maintain the valuation.

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

### 15 Trade and other receivables

	2020 £000	2019 £000
Commissions due from reinsurer	56	46
Prepayments	27	21
Sundry debtors	8	-
Due from related parties	3	-
Claims balances due from reinsurers	385	296
	479	363

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.

\*Balances due from reinsurers in the prior year have been grossed up to reflect balances due from insurers and balances due to related parties (see note 17).

### 16 Provision for other liabilities and contingent consideration

	2020 £000	2019 £000
At 1 January	567	762
Reductions	(53)	(195)
At 31 December	514	567

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 £514,000 (2019: £567,000).

# Ecclesiastical Planning Services Limited

## Notes to the Financial Statements

### 17 Trade and other payables

	2020 £000	2019 £000
Other creditors	2,811	622
Due to related parties	377	326
Accruals	123	207
	<b>3,311</b>	<b>1,155</b>

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 an increase of the long-term business reserve of £7,577,000 (2019:£3,761,000 increase) with an equal and opposite effect on the values of the associated reinsurance asset.

#### Tax

It has been assumed that tax legislation and rates applicable at 1 January 2021 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 £000	Reinsurance £000	Net £000
At 1 January 2020	242,288	(242,288)	-
Effect of new business in the year	29,577	(29,577)	-
Effect of claims during the year	(22,815)	22,815	-
Changes in actuarial assumptions and other movements	(363)	363	-
Change in discount rate	7,577	(7,577)	-
Change in other assumptions	7,730	(7,730)	-
At 31 December 2020	<b>263,994</b>	<b>(263,994)</b>	-
At 1 January 2019	218,748	(218,748)	-
Effect of new business in the year	31,862	(31,862)	-
Effect of claims during the year	(18,950)	18,950	-
Changes in actuarial assumptions and other movements	(54)	54	-
Change in discount rate	3,761	(3,761)	-
Change in other assumptions	6,921	(6,921)	-
At 31 December 201	<b>242,288</b>	<b>(242,288)</b>	-

# Ecclesiastical Planning Services Limited

## Notes to the Financial Statements

<b>19 Called up share capital</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Allotted, issued and fully paid ordinary shares of £1 each:		
At 1 January	<b>700,100</b>	700,100
Issued in the year	<b>4,500,000</b>	-
At 31 December	<b>5,200,100</b>	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

<b>20 Retained earnings</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Retained earnings brought forward	<b>(1,630)</b>	128
Total comprehensive income for the year	<b>(1,951)</b>	(1,758)
Retained earnings carried forward	<b>(3,581)</b>	(1,630)

### 21 Ultimate parent company and controlling party

The Company is a private limited company, limited by shares, 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 England. 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.

	<b>Parent</b>	<b>Other related parties</b>
	<b>£000</b>	<b>£000</b>
<b>2020</b>		
Trading, investment and other expenditure, including recharges	<b>40</b>	<b>492</b>
Trading, investment and other income, including recharges	-	<b>21</b>
Amounts owed to related parties (see Note 17)	<b>8</b>	<b>369</b>
Amounts owed by related parties (see Note 18)	-	<b>57,427</b>
<b>2019</b>		
Trading, investment and other expenditure, including recharges	67	508
Trading, investment and other income, including recharges	-	25
Amounts owed to related parties (see Notes 7 and 17)	4,049	276
Amounts owed by related parties (see Note 18)	-	58,999

Amounts owed by related parties includes insurance liabilities (note 18) 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.