The Exeter Cash Plan

Annual Report and Accounts 2018

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The Exeter

Protect tomorrow today.

Contents

Strategic Report

Principal Activities

The principal activities of The Exeter Cash Plan continued to be the underwriting of health insurance business. The Company is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority.

The strategic aim continues to be the consolidation and stabilisation of the business in order to support future growth.

Business review

The key performance indicators of The Exeter Cash Plan focus on the performance of the health insurance business and are reviewed on a monthly basis through the Group's committee structures. The key performance indicators comprise:

- Claims ratio, measured on an individual product basis as well as on the overall book. The claims ratio in 2018 was 82% (2017: 87%);
- Net earned premiums. During 2018, net earned premium remained consistent with 2017 at £3.7 million (2017: £3.7 million);
- Net assets as at 31 December were £3.2 million (2017: £3.0 million), and
- The number of customers, which totalled 27,231 at the year end (2017: 28,973).

Profit for the year ending 31 December 2018 was £209k (31 December 2017: Loss of £167k).

Movements on reserves and solvency

The Company's Solvency II solvency position is reported directly to the PRA. As allowed under International Financial Reporting Standards ("IFRS"), at present the 2018 statutory results shown in these financial statements are consistent with 2017 as the company has not adopted Solvency II as a basis for calculating the insurance contract liabilities within the financial statements.

Solvency II is the regime by which the Board runs the business' capital resources. The measure of capital used for management purposes is defined as "Solvency II own funds" and these resources are measured against the relevant capital levels as defined in the regulations:

- Minimum Capital Requirement ("MCR") which is the level calculated by prescribed standard formulae, below which a company must not fall to be compliant.
- Solvency Capital Requirement ("SCR") which is a requirement (also calculated by prescribed standard formulae) which creates a threshold for Regulatory intervention if it is breached.
- Companies are also required to assess their own capital requirement based on a forward looking assessment of future capital requirements know as an Own Risk and Solvency

Assessment ("ORSA"). The ORSA may introduce even higher capital requirements if the Board believe it is necessary.

The Company closely monitors the available capital resources compared to the levels of capital required under relevant regulators or, if higher, the Board's assessment of the appropriate levels of capital to be held as identified in the ORSA. Throughout the year the Company met the capital requirements.

Whilst the ORSA is prepared on a Group basis the review assesses each element of the business separately, as the Group manages its capital requirements for each line of business separately. Any intra-group or intra-fund transactions take place at market value with any resultant balances being settled regularly where necessary.

The cash plan operation is a 100% owned subsidiary which has its own regulatory registration and capital resources requirement. On the basis of Solvency II regulations total available capital resources of the subsidiary amount to £3.1 million (2017 £3.1 million).

The Solvency II results for the Company can be summarised as follows:

	2018	**2017**
	£000	**£000**
Available capital resources under Solvency II	3,080	3,071
Capital requirements:		
Minimum Capital Requirement ("MCR")	2,222	2,196
Solvency Capital Requirement ("SCR")	788	832
Available capital as a % of MCR	**139%**	**140%**
Available capital as a % of SCR	**391%**	**369%**

Other developments

There were no significant developments in 2018.

Proposed dividend

The Directors do not recommend the payment of a dividend for the year (2017: £nil).

Principal risks and uncertainties

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

The significant risks we are exposed to are as follows:

- General insurance risks resulting from writing health cash plan products. These risks are managed through regular monitoring of claim and persistency results against budget expectations;
- Market risk arising from changes in the value of assets or in the income from the assets. The key risk faced in this area is interest rate risk and the largest financial asset is a portfolio of Gilt investments. The Company manages market risk so that the returns

generated are in line with members' expectations and support the Company's future *strategic and operational objectives; and*
- Business strategy arising from incorrect strategy pursued by the Board.

Other risks include:

- Credit Risk is the risk of loss due to default by debtors, customers and other counterparties to the Company in meeting its financial obligations. The Company takes on investment credit risk when it is considered beneficial to do so in support of the Company's strategic objectives;
- Liquidity risk is the risk that the Company, although solvent, is unable to meet its obligations as they fall due. In the event that further liquidity is required the Parent Company has agreed to support the Company as disclosed in the Director's report;
- Operational risk relating to processes and procedures; and
- Legal and regulatory risks.

Having monitored and reviewed the Company's risk management and internal control systems during the year, the Board is satisfied that these are operating effectively.

On behalf of the Board of Directors

W W Dobbin, BA, Barrister
Chairman
3 April 2019

Directors' Report

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

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

Directors and their interests

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

- A D S Chapman
- P Austin
- W W Dobbin
- D S Brand
- S J Payne
- H S McEwan
- W T Hamilton
- S Bryan

Parent company

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

Preparation of financial statements

The financial statements for the current year and the prior year comparatives have been prepared in accordance with IFRS as adopted by the European Union.

Employees

The Company did not directly employ any staff during 2018. All health insurance policy administration activities of the Company are outsourced to a third party, the Wessex Group, and the cost of this arrangement is charged directly to the Company. All other direct costs incurred are charged to the Company. All administrative activities, including Finance, Actuarial and Compliance services are provided by Exeter Friendly Society Limited.

Directors' and officers' liability insurance

Exeter Friendly Society Limited purchased and maintained throughout the year, on behalf of its subsidiaries, Directors' and Officers' liability insurance in respect of the Company and its Directors. It is available for inspection at the registered office of the Company, details of which are provided on page 34.

Risk Management

The Company sets its risk appetite based on the results of its assessment of risk. The overall risk appetite is expressed as a percentage of capital resources over and above the capital requirements with maximum and minimum levels set and pre-determined points for review and corrective action. As a minimum the Board would always aim to have available capital equal to at least 100% of solvency capital requirements.

The key risks faced by the Company are outlined in the Strategic Report.

Capital management

Capital resources result from either accumulated reserves or capital supplied by the Holding Company. There are no other capital tiers or capital instruments in issue; subordinated or unsubordinated. Therefore, all surplus capital is available to support the business.

Going concern

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

Statement of disclosure of information to auditors

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have 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 company's auditors are aware of that information.

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

W W Dobbin, BA, Barrister

Chairman

3 April 2019

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union 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 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.

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.

Independent auditors' report to the members of The Exeter Cash Plan

Report on the audit of the financial statements

Opinion

In our opinion, The Exeter Cash Plan's 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 and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2018 (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for 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, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We have provided no non-audit services to the company in the period from 1 January 2018 to 31 December 2018.

Our audit approach

Overview

Materiality	Overall materiality: £36,000 (2017: £36,000), based on 1% of net earned premiums.
Audit scope	We tailored the scope of our audit giving consideration to the accounting processes and controls and the industry in which The Exeter Cash Plan (the 'company') operates. In addition to the head office in Exeter, we visited one other location where premiums and claims are processed and recorded.
Key audit matters	Assumptions used in estimating the incurred but not reported ('IBNR') reserves included within insurance contract liabilities.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

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 regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, 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 preparation of the financial statements such as the Companies Act 2006 and UK tax legislation. 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 posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates and judgemental areas of the financial statements such as the valuation of the incurred but not reported ('IBNR') reserves included within insurance contract liabilities. Audit procedures performed by the engagement team included:

- Discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations that increases revenue or reduces expenditure; and
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to assumptions used in estimating the incurred but not reported ('IBNR') reserves included within insurance contract liabilities (see related key audit matter below).

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. 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.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Assumptions used in estimating the incurred but not reported ('IBNR') reserves included within insurance contract liabilities Refer to note 1.3 (significant accounting judgements, estimates and assumptions) and note 15 (insurance contract liabilities) to the financial statements. The financial statements include liabilities for the estimated cost of settling claims associated with the general insurance products written by The Exeter Cash Plan. The insurance contract liabilities as at the year-end of £1.3m (2017: £1.4m) includes an estimation of the outstanding cost of settling all claims that have been incurred before the year-end date. This balance includes an estimate for claims that have been reported by 31 December 2018 as well as those claims that have been incurred but not reported ('IBNR'). The valuation of the IBNR liability of £0.3m (2017: £0.3m) is judgemental as it is dependent on a number of assumptions, the most significant of which are claims loss ratios and claims development speed. The directors have based their estimate of the provision at the year-end using standard actuarial techniques. This involves using historical data of how claims have settled and their experience of the industry to apply judgement to adjust the results for any elements that may not be fully reflected in the modelling. We focused our audit procedures on the most significant assumptions, being claims loss ratio and claims development speed, because small changes in these can result in a material change to the valuation.	The audit procedures we have performed to address this key audit matter are as follows: • We performed testing over the completeness and accuracy of the data sets used to model the reserves. • We used actuarial specialists to assess the appropriateness of the key assumptions used being claims loss ratios and claims development speed. • We compared the amounts paid out to settle claims to the reserves recognised. This helped us to assess the accuracy of previous judgements made by the directors. Through the procedures detailed above, we have found the assumptions used to value the IBNR liability were supported by the evidence we obtained.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

We have obtained our audit evidence primarily from substantive tests. However, as part of our risk assessment, we understood and assessed the internal controls in place to the extent relevant to our audit. All policy administration activities of the company are outsourced to a third party, the Wessex Group. Therefore in addition to the head office in Exeter, we visited the Wessex Group in performing our assessment of the internal controls which primarily focused on the recording and processing of premiums and claims.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£36,000 (2017: £36,000).
How we determined it	1% of net earned premiums.
Rationale for benchmark applied	Net earned premiums is a key metric used by the directors to assess the performance of the entity and is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £10,000 (2017: £1,800) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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 any 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 the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2018 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 the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 8, 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.

Auditors' 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.

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. 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.

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 received 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.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 30 October 2015 to audit the financial statements for the year ended 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 31 December 2015 to 31 December 2018.

Sue Morling (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
3 April 2019

Statement of Comprehensive Income

for the year ended 31 December 2018

	Note	2018	2017
		£000	£000
Net earned premiums	4	**3,663**	3,690
Investment income	5	**12**	7
Net (losses) / gains on investments	6	**(8)**	(11)
Total Income		**3,667**	3,686
Net benefits and claims		**(3,013)**	(3,191)
Net change in insurance contract liabilities	7	**120**	(18)
Net operating expenses (excluding commission to brokers)	8	**(378)**	(379)
Commission and introductory fees to Brokers	8	**(187)**	(265)
Total Benefit, Claims and Expenses		**(3,458)**	(3,853)
Profit / (Loss) before tax		**209**	(167)
Income Tax Expense	11	**0**	0
Profit / (Loss) for the year		**209**	(167)

All income and expenditure relates to continuing operations. There is no other comprehensive income and hence no other comprehensive income statement has been prepared.

The notes on pages 19 to 35 form part of these financial statements.

Statement of Financial Position

as at 31 December 2018

	Note	2018 £000	2017 £000
Assets			
Deferred acquisition costs			
- General business	12	**119**	111
Loans and other receivables:			
- Insurance receivables	14	**1,565**	1,517
- Prepayments and accrued income		**1**	2
Financial assets, fair value through profit and loss	13	**2,000**	2,008
Cash and cash equivalents		**1,566**	1,467
Total Assets		**5,251**	5,105
Equity			
Share capital	20	**5,000**	5,000
Capital Contribution	21	**800**	800
Accumulated losses		**(2,599)**	(2,808)
Total Equity		**3,201**	2,992
Liabilities			
Insurance contract liabilities	15	**1,271**	1,368
Trade and other payables			
- Insurance payables	16	**589**	565
- Amounts due to group undertakings		**39**	23
- Other payables including tax and social security	17	**107**	95
- Accruals and deferred income		**44**	62
Total Liabilities		**2,050**	2,113
Total Equity and Liabilities		**5,251**	5,105

The financial statements beginning on page 15 were approved by the Board of Directors on 3 April 2019 and were signed on its behalf by:

Wallace Dobbin, BA, Barrister
Chairman

A D S Chapman, ACII, APFS
Chief Executive

Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital	Capital Contribution	Accumulated Losses	Total
	2018			
	£000	**£000**	**£000**	**£000**
At 1 January	**5,000**	**800**	**(2,808)**	**2,992**
Capital Contribution	**0**	**0**	**0**	**0**
Profit for the year	**0**	**0**	**209**	**209**
Balance at 31 December	**5,000**	**800**	**(2,599)**	**3,201**

	Share capital	Capital Contribution	Accumulated Losses	Total
	2017			
	£000	£000	£000	£000
At 1 January	5,000	500	(2,641)	2,859
Capital Contribution	0	300	0	300
Loss for the year	0	0	(167)	(167)
Balance at 31 December	5,000	800	(2,808)	2,992

The notes on pages 19 to 35 form part of these financial statements.

Statement of Cash Flows

for the year ended December 2018

	Note	2018	2017
		£000	£000
Cash and cash equivalents at the beginning of the year		**1,467**	1,393
Cash flows from operating activities			
Cash generated / (used in) from operating activities	18	**87**	(233)
Interest income received		**12**	7
Net cash generated / (used in) from Operating Activities		**99**	(226)
Cash flows from financing activities			
Proceeds from issue of share capital		**0**	300
Net cash (used in)/generated from financing Activities		**0**	300
Net (decrease)/increase in cash and cash equivalents		**99**	74
Cash and cash equivalents at the end of the year		**1,566**	1,467

The notes on pages 19 to 35 to form part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2018

1 Accounting Policies

1.1 General Information

The Exeter Cash Plan is a private company domiciled and incorporated in England, the United Kingdom.

1.2 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and the International Financial Reporting Standards Interpretations Committee (IFRS IC) and also with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company accounting policies. The accounting policies have been applied consistently and the financial statements have been prepared on a going concern basis.

1.3 Significant accounting judgements, estimates and assumptions

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

i. Valuation of insurance contract liabilities

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

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

1.4 Principal accounting policies

i. Contract classification

All policies issued by the Company are insurance contracts under IFRS 4.

ii. Premiums

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

iii. Claims

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

iv. Reinsurance

Insurance contracts written are not reinsured.

v. Operating costs including commission and introductory fees to brokers

Operating expenses including commission and introductory fees to brokers are accounted for as incurred.

vi. Acquisition costs

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

vii. Employee benefit expense

Salaries, accrued bonuses, social security and pension costs are recognised over the period in which the employee provides the services to which the payments relate.

viii. Investment income

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

ix. Taxation

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

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

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

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

Premiums where applicable are recorded net of insurance premium taxes.

x. Financial assets

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

Financial assets at fair value through income

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

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

xi. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, and short term deposits with a maturity of less than 3 months.

xii. Other payables

Other payables are recognised as they fall due. They are measured initially at fair value and subsequently at amortised cost.

xiii. Insurance receivables and payables

Insurance receivables and payables include amounts due to and from agents, brokers and insurance contract holders. They are initially held held at fair value and subsequently amortised cost. Where there is objective evidence that the carrying value is impaired then the impairment loss will be recognised in the Statement of Comprehensive Income.

xiv. Unexpired risks

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

2 Capital managment

Capital resources result from accumulated capital with no capital tiers or capital instruments in issue; subordinated or unsubordinated. Therefore, all surplus capital is available to support the business. The Society owns shares within the subsidiary companies which are fully paid up with no other forms of financing available.

Solvency II assesses capital on a number of basis:

- Minimum Capital Requirement ("MCR") which is the level calculated by prescribed standard formulae below which a company must not fall to be compliant.
- Solvency Capital Requirement ("SCR") which is a requirement (also calculated by prescribed standard formulae) which creates a threshold for Regulatory intervention if is breached.
- Companies are also required to assess their own capital requirement based on a forward looking assessment of future capital requirements know as an Own Risk and Solvency Assessment ("ORSA"). The ORSA may introduce even higher capital requirements if the Board believe it is necessary to do so.

The Company closely monitors the available capital resources compared to the levels of capital required under relevant regulators or, if higher, the Board's assessment of the appropriate levels of capital to the held as identified in the ORSA.

Set out below are the details of how the available capital resources have been calculated for the company, the restrictions in place over the available capital resources, the basis of calculating the regulatory capital requirements and an explanation of the change in available capital. The available capital is been determined in accordance with the Prudential Regulation Authority's (PRA) regulations. The available capital resources of the company are available to meet regulatory and solvency requirements of the company. Adjustments have been made to restate the assets and liabilities in line with PRA regulations.

	Note	2018	2017
Available Capital Resources		**£000**	£000
Share capital		**5,000**	5,000
Opening accumulated losses		**(2,808)**	(2,641)
Capital Contribution		**800**	800
Profit / (Loss) for the year		**209**	(167)
Total available Capital Resources		**3,201**	2,992
Reconciliation to Solvency II own funds			
Closing capital resources		**3,201**	2,992
Adjustments required for Solvency II		**(121)**	83
Own funds under Solvency II		**3,080**	3,075

On the basis of Solvency II regulations total available capital resources of the Company amount to £3.1 million (2017: £3.1 million).

3 Risk management

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

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

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

3.1 Insurance risk

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

3.2 Financial risk

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

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

i. Market risk

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

The investments of The Exeter Cash Plan are managed as part of the investment portfolio of the group as a whole, which is overseen by the Investment Committee of the Society. This Committee oversees the investment policy and strategy, which the Company implements through the use of investment mandates. Each mandate aims to manage the market risk using some or all of the following mechanisms:

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

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

ii. Credit risk

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

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

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

Maximum exposure to credit risk:

	2018	2017
	£000	£000
Debt securities at fair value through income:		
Listed securities	**2,000**	2,008
Insurance Receivables	**1,565**	1,517
Cash and cash equivalents	**1,566**	1,467
Total assets bearing credit risk	**5,131**	4,992

iii. Liquidity risk

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

Liquidity risk is managed as follows:

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

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

Maturity profile of financial liabilities 2018	**Within 1 year**	**1-5 years**	**Over 5 years**	**No term**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Insurance contract liabilities	**1,271**	**0**	**0**	**0**	**1,271**
Trade and other payables					
- Insurance payables	**589**	**0**	**0**	**0**	**589**
- Amounts due from group undertakings	**39**	**0**	**0**	**0**	**39**
- Other payables including tax and social security	**107**	**0**	**0**	**0**	**107**
- Accruals and deferred income	**44**	**0**	**0**	**0**	**44**
Total financial liabilities	**2,050**	**0**	**0**	**0**	**2,050**

Maturity profile of financial liabilities 2017	Within 1 year	1-5 years	Over 5 years	No term	Total
	£m	£m	£m	£m	£m
Insurance contract liabilities	1,368	0	0	0	1,368
Trade and other payables					
- Insurance payables	565	0	0	0	565
- Amounts due from group undertakings	23	0	0	0	23
- Other payables including tax and social security	95	0	0	0	95
- Accruals and deferred income	62	0	0	0	62
	2,113	0	0	0	2,113

iv. Fair value estimation

The principal financial assets held at 31 December 2018, analysed by their fair value hierarchies were:

2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:	**£000**	**£000**	**£000**	**£000**
Financial assets at fair value through income:				
- Equity securities	**0**	**0**	**0**	**0**
- Debt securities	**2,000**	**0**	**0**	**2,000**
Total assets	**2,000**	**0**	**0**	**2,000**

2017	Level 1	Level 2	Level 3	Total
Assets:	£000	£000	£000	£000
Financial assets at fair value through income:				
- Equity securities	0	0	0	0
- Debt securities	2,008	0	0	2,008
Total assets	2,008	0	0	2,008

3.3 Operational risk

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

4 Net earned premium

	2018	2017
	£000	£000
Gross written premiums	**3,686**	3,808
Change in gross provision for unearned premiums	**(23)**	(118)
Gross earned premiums	**3,663**	3,690
Net earned premiums	**3,663**	3,690

5 Investment income

	2018	2017
	£000	£000
Income from investments at fair value through income:		
Interest income	**12**	7
Total investment income	**12**	7

6 Net (losses)/gains on investments

	2018	2017
	£000	£000
Investments at fair value through income - unrealised (losses) / gains:		
- Debt securities	**(8)**	(11)
Net (losses) /gains on investments	**(8)**	(11)

7 Net change in insurance contract liabilities

	2018	2017
	£000	£000
(Decrease)/Increase in Gross insurance contract liabilities	**(97)**	137
Less change in provison for unearned premium	**(23)**	(119)
Gross change in insurance contract liabilities	**(120)**	18
Net change in insurance contract liabilities	**(120)**	18

Further analysis regarding the movement in insurance contract liabilities can be found in note 15.

8 Net operating expenses

	2018	2017
	£000	£000
Acquisition costs (excluding commissions)	**126**	145
Increase in deferred acquisition costs (excluding commissions)	**20**	(21)
Administrative expenses	**232**	255
Net operating expenses (excluding commission to brokers)	**378**	379
Commission and introductory fees	**215**	211
Increase in deferred acquisition costs (commission)	**(28)**	54
Commission to brokers	**187**	265
Net operating expenses (including commission to brokers)	**565**	644
Net operating expenses include:		
Auditors remuneration:		
- Fees payable to the Society's auditors for the audit of current year financial statements	**14**	11
- Fees payable to the Society's auditors for other services pursuant to legislation	**0**	5

9 Employee information

The Company did not directly employ any staff during 2018 (as at December 2017: 0).

	2018 Number	2017 Number
The average number of persons (full-time equivalents) including Executive Directors employed by the Company in the year was:		
Administration	**0**	0
Business Development	**0**	1
Average full-time equivalents in the year	**0**	1
The closing full-time equivalent at 31 December was:	**0**	0
Staff costs for the above persons were:	**£000**	£000
Wages and salaries	**0**	55
Social security costs	**0**	8
Other pension costs	**0**	3
Termination benefits	**0**	31
Total staff costs	**0**	97

All health insurance policy administration activities of the Company are outsourced to a third party, the Wessex Group, and the cost of this arrangement is charged directly to the Company.

All other administrative activities, including Finance, Actuarial and Compliance services are provided by Exeter Friendly Society Limited. All direct costs incurred are charged to the Company.

10 Directors' emoluments

The emoluments of the Directors are paid by the ultimate parent company, Exeter Friendly Society Limited, which makes no recharge to the company. Each of the Directors are also directors of the company's immediate parent company, Exeter Cash Plan Holdings Limited and the company's ultimate parent company, Exeter Friendly Society Limited. It is not possible to make an accurate apportionment of their emoluments in respect of each the company and its immediate parent company, Exeter Cash Plan Holdings Limited. Accordingly, no emoluments have been included within this disclosure. Their total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of Exeter Friendly Society Limited.

11 Income tax Expense

11.1 Amounts recognised in profit or loss

	2018 £000	2017 £000
Tax Expense		
Current tax expense	**0**	0
Adjustment for prior years	**0**	0
Deferred Tax	**0**	0
Total tax expense	**0**	0

The current rate of Corporation Tax in the UK is 19%.

11.2 Reconciliation of current tax expense

	2018 £000	2017 £000
Profit / (Loss) before tax from continuing operations	**209**	(167)
Current tax at standard corporation tax rate	**40**	(32)
Decrease / (Increase) in tax losses carried forwards	**(40)**	32
Current tax on income for the year	**0**	0

Total accumulated tax losses as at the reporting date is £13,147,094 (2017: 13,375,395).

A deferred tax asset has not been recognised due to the uncertainty of future taxable profits arising.

12 Deferred acquisition costs

		2018 £000	2017 £000
Cost:			
At 1 January 2018		**111**	145
Total acquisition costs deferred			
	Commission and introductory fees	**111**	83
	Other Acquisition costs	**8**	28
Total acquisition costs amortised			
	Commission and introductory fees	**(83)**	(137)
	Other Acquisition costs	**(28)**	(8)
At 31 December 2018		**119**	111

13 Financial assets, fair value through profit and loss

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

Reconciliation of movements per classification in the year

	2018 £000	2017 £000
At 1 January	**2,008**	2,018
Additions	**0**	0
Disposals at cost	**0**	0
Changes in Market value	**(8)**	(11)
At 31 December	**2,000**	2,008

Fair value through income

	2018		2017	
	Market value	**Cost**	Market value	Cost
Debt securities:	**£000**	**£000**	£000	£000
UK listed	**2,000**	**1,996**	2,008	2,000
	2,000	**1,996**	2,008	2,000

14 Insurance receivables

2018	Contract Holders	Agents / Brokers / Intermediaries	Total
	£000	£000	£000
Due as at 31 December 2018 - Less than 30 days in arrears	5	319	324
Due as at 31 December 2018 - More than 30 days in arrears	76	350	426
Not yet due as at 31 December 2018	871	0	871
Provision for impairment as at 31 December 2018	(56)	0	(56)
Total insurance receivables	**895**	**669**	**1,565**

2017	Contract Holders	Agents / Brokers / Intermediaries	Total
	£000	£000	£000
Due as at 31 December 2017 - Less than 30 days in arrears	16	325	341
Due as at 31 December 2017 - More than 30 days in arrears	82	331	413
Not yet due as at 31 December 2017	829	0	829
Provision for impairment as at 31 December 2017	(66)	0	(66)
Total insurance receivables	861	656	1,517

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

15 Insurance contract liabilities

15.1 Analysis of insurance contract liabilities

	2018	**2017**
	£000	**£000**
Unearned premiums	**953**	930
Claims incurred but not reported (IBNR)	**291**	285
Claims liabilities	**14**	25
Unexpired risk provision	**13**	128
Total	**1,271**	**1,368**

15.2 Movement in unearned premiums

	2018	2017
	£000	£000
Balance at 1 January	**930**	811
Premiums written in the year	**3,686**	3,809
Premiums earned during the year	**(3,663)**	(3,690)
Balance at 31 December	**953**	930

15.3 Movement in other insurance contract liabilities

	Claims incurred but not reported	Claims liabilities	Unexpired risk provision	Total
	£000	£000	£000	£000
At 1 January 2018	285	25	128	438
Utilised in the year	(259)	(25)	(115)	(399)
Provided in the year	265	14	0	279
Balance at 31 December 2018	**291**	**14**	**13**	**318**

	Claims incurred but not reported	Claims liabilities	Unexpired risk provision	Total
	£000	£000	£000	£000
At 1 January 2017	270	18	132	420
Utilised in the year	(312)	0	(4)	(316)
Provided in the year	327	7	0	334
Balance at 31 December 2017	285	25	128	438

16 Insurance payables

	2018	2017
	£000	£000
Due to contract holders	**173**	161
Due to agents/brokers/intermediaries	**415**	404
Total insurance payables	**589**	565

17 Other payables including tax and social security

	2018	2017
	£000	£000
Tax and social security	**107**	95
Total other payables including tax and social security	**107**	95

18 Cash used in operating activities

	2018	2017
	£000	£000
Profit (loss) for the year	**209**	(167)
- Interest received	**(12)**	(7)
- Net gains on investments	**8**	11
- Purchase of investments at fair value through income	**0**	0
- Sales of investments at fair value through income	**0**	0
Non-cash items		
- Expenses deferred during the year	**(8)**	34
Changes in working capital		
Net decrease in insurance receivables	**(47)**	(439)
Net (increase)/decrease in other prepayments and accrued income	**0**	(1)
Net (decrease) / increase in insurance liabilities	**(97)**	136
Net increase in insurance payables	**23**	222
Net increase/(decrease) in amounts due from subsidiary undertakings	**16**	(7)
Net increase in trade and other payables	**12**	8
Net decrease in accruals and deferred income	**(18)**	(23)
Cash generated from/(used in) operations	**87**	(233)

19 Related party transactions

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

Transactions in the year

	2018	2017
	£000	£000
Capital contribution from Holding Company - treated as a capital contribution	**0**	300
Amounts recharged from the ultimate parent company	**(846)**	(859)
Amounts settled during the year with the ultimate parent company	**830**	866

The amounts due to group undertakings as at the year end was £39k (2017: £23k) .

20 Share capital

	2018	2017
	£000	£000
Issued and fully paid ordinary shares of £1 each	**5,000,001**	5,000,001

21 Capital Contribution

	2018	2017
	£000	£000
Capital Contribution as at 01 January 2018	**800**	500
Capital Contribution in the year	**0**	300
Capital Contribution as at 31 December 2018	**800**	800

22 Ultimate parent company

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

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

The largest and smallest group whose financial statements this company is consolidated into is Exeter Friendly Society Limited.

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

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

23 IFRS developments

Standards, amendments and interpretations effective for 2018, which are considered to have no significant impact on the Company's results, are set out below.

23.1 New standards which are now effective

IFRS 15 'Revenue from Contracts with Customers'

Effective for annual reporting periods beginning on or after 1 January 2008. The Company does not earn any revenue subject to IFRS 15.

23.2 Amendments to standards

Amendment to IFRS 4 'Insurance Contracts': Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'

IFRS 9 'Financial Instruments' (effective for accounting periods beginning on or after 1 January 2018). Management have taken the decision to apply the temporary exemption for IFRS 9 until the earlier of the effective date of IFRS 17: Insurance Contracts or 1 January 2022. This is consistent with other insurers who issue insurance contracts under the scope of IFRS 4.

Under the temporary exemption, insurers are permitted to continue to apply IAS 39, instead of adopting IFRS 9, if their activities are 'predominantly connected with insurance'. The assessment of whether activities are predominantly connected with insurance is initially performed as at the annual reporting date immediately preceding 1 April 2016.

To assess whether activities are 'predominantly connected with insurance', two tests have to be performed. Only if both tests are passed are an insurer's activities considered to be predominantly connected with insurance. First, an insurer assesses whether the carrying amount of its liabilities arising from contracts within IFRS 4's scope is significant, compared to the total carrying amount of all of its liabilities. Secondly, the insurer compares the total carrying amount of its liabilities connected with insurance with the *total carrying amount of all of its liabilities. The second test is passed if the resulting* percentage is either: greater than 90%; or, if it is less than or equal to 90% but greater than 80%, the insurer is not engaged in a significant activity unconnected with insurance.

The Exeter Cash Plan meets the criteria to apply the temporary exemption from IFRS 9. The carrying value of liabilities within IFRS 4's scope at 31 December 2015 was significant compared to the total carrying amount of all of its liabilities and in excess of the 90% threshold for liabilities connected with insurance. Reassessments of eligibility for the temporary exemption at subsequent annual reporting dates are only made where there is a significant change in the entity's activities. As there has been no significant change in the Company's activities, no such reassessment has been performed.

Separate disclosure is required of financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and not categorised as Fair Value through Profit and Loss (FVTPL) due to either being managed on a fair value basis or held for trading. Within the Company's operations there are no such financial assets that require separate disclosure.

23.3 New standards not yet effective

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

IFRS 17 'Insurance Contracts'

Effective for accounting periods beginning on or after 1 January 2022 and replaces IFRS 4 'Insurance Contracts'. Management are currently assessing the impact of this standard, and will invest significant effort in transitioning its accounting to this new standard.

IFRS 16 'Leases'

Effective for accounting periods on or after 1 January 2019. The Company does not currently hold any leases within the scope of IFRS 16.

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