PAYCARE

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2021

Company Registration Number: 00820791

PAYCARE

FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2021

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PAYCARE

STATUTORY INFORMATION

Patron	H M Lord Lieutenant for Staffordshire
President	D Whitmore
Vice President	E Reay P Stokes
Chairman	J L Knight (Non-executive director)
Directors – non-executive	S Carr (Independent) J C H Grace (Independent) M S Jaspal (Independent) H Hooper (Independent)
Directors - executive	K A Rogers ACMA, CGMA A I Burns
Chief Executive	K A Rogers ACMA, CGMA
Company Secretary	N Ashton MLIBF
Auditors	PKF Littlejohn LLP
Solicitors	FBC Manby Bowdler LLP
Actuarial Advisor	Steve Dixon Associates
Investment Managers	Royal London Asset Management (RLAM)
Pensions Advisers	Alexander House Financial Services Ltd
Company Number	00820791
Registered Office	Paycare House George Street Wolverhampton WV2 4DX Telephone: 01902 371000
Website	www.paycare.org
E-mail	enquiries@paycare.org

PAYCARE

STRATEGIC REPORT TO THE MEMBERS OF PAYCARE

The directors present their strategic report for the year ended 31 December 2021.

Principal activity and review of the business

Business review
Business in 2021 continued against the backdrop of the COVID-19 pandemic with all its challenges and uncertainties. The directors would like to place on record its thanks to all the staff for their hard work and dedication during the year. Despite the change to home working for most of our team, service levels to our policyholders were maintained. 95% of all valid claims were paid within 48 hours of receipt, compared to 92% in 2020.

The number of claims received in the year increased by 16% over the previous year as practitioners began to resume services, with the average value of claims increasing by 2%. We returned over £4.5 million to our Policyholders in benefit payments, an increase of over £600k on 2020.

As a not-for-profit organisation our purpose is to give the best possible value and service to our Policyholders. We are therefore delighted to see a return to more normal claiming trends. We expect this trend to continue in 2022 and have budgeted for higher than normal claim receipts as practitioners and policyholders catch up on some of the missed appointments during the pandemic.

The onset of the COVID-19 pandemic in early 2020 caused significant economic turbulence in all sectors and the Health Cash plan market was not exempt from this. Paycare saw a slight fall in our Policyholders during that period due to several factors; Practitioners being closed and therefore Policyholders temporarily gaining less value from their plans and businesses struggling financially were just a couple of reasons. I am pleased to report however that during 2021 we recovered many of those lost Policyholders. We saw a 30% growth in new business joiners and a decrease of 12% in policy lapses.

It is encouraging to see many organisations are now putting the health and wellbeing of their people as a priority for them. This offers significant opportunities for the whole sector and Paycare's vision is to further solidify a position as a trusted partner for organisations to work with.

We see investment in new technology not as a nice to have but very much a great opportunity to continue to improve the service to our Policyholders and to drive efficiencies though the business, with 70% of customers now claiming online . In 2021 we continued work on the development of a new CRM system, which will go live in 2022. Our market leading website continues to be developed to enhance the user experience. We had over 1.2 million views of our website during the year with page views increasing 20%.

As a dual regulation financial services firm, we are committed to the highest standards of compliance and governance. During the year the Directors and Senior management worked through a detailed programme to ensure we reached these standards. There are significant costs associated with achieving our objectives and we do not see these reducing soon, however we view this as a cost of doing business and will not compromise on them. We await with interest the review of the Solvency II directive to see what changes will be made and the effects upon the business.

STRATEGIC REPORT TO THE MEMBERS OF PAYCARE

Principal activity
The principal activity of the company is the provision of healthcare cash benefit insurance plans and Wellbeing solutions. The activities of each group company in which the company has investments are shown in note 11 to the financial statements.

Reserves
At the year ended 31 December 2021, the group reserves increased to £6,816,771 (2020 – increased to £6,747,803) representing 110.8% of premium income (2020 – 105.3%). The surplus on unrealised reserves at the year end amounted to £44,069 (2020 – deficit of £31,259).

Future developments
The group continues to develop and monitor its product range to take account of the changing needs of customers. The group will always ensure that it acts in the best interests of its policyholders and employees.

Our focus for 2022 will fall into 4 specific areas:

- The delivery of the next stage of the succession plan to ensure continuity of the senior management team is on track. Regular discussions with our regulator are positive and ongoing. Adherence to the plan will ensure stability within the firm.
- Improvements to our operating model to facilitate future growth and further improve customer outcomes.
- Launch of the new integrated CRM
- Significant regulatory changes.

We plan to take specific actions in five key areas:

1. **Healthy Paycare**
   A Healthy Paycare means that we continue to grow in a sustainable way whilst maintaining sufficient capital to guard us against challenges. It means that we can help more people and make a bigger difference to our customers, people and community; for many years to come.

   We shall look to continue the growth in corporate policyholders. We shall look to bring new products to market.

2. **Happy Customers**
   We love our customers, and we want them to be happy. We hope that, through dealing with Paycare, we can help them along their journey in a way that is easy for them to understand, offers the right mix of digital and personal touch and shows them how much they mean to us.
   We shall complete the work commenced in 2021 on our Vulnerable customers project and framework. We shall further develop our work on customer communications at key touchpoints.

3. **Better ways of working**

   The world is changing, and so must we. We must be forward thinking and open; embracing new technology, working practices and regulation to keep us strong and give us a more streamlined and agile business for the future.

   We shall launch the new CRM system during the year. We shall embrace the new FCA Consumer Duty regulation, and review and improve our FCA value for money measures.

4. **Building the best team**

   Our people are truly amazing. We aim to develop them to be the best that they can be, reward them for the right behaviours and inspire them to be engaged with our journey.

   We are fully committed to the training and development of our people and shall continue this work. We shall embrace the flexibility achieved during the pandemic and introduce flexible working patterns.

5. **Making a difference**

   We want to make the biggest impact on our community whilst making the smallest impact on our Earth. Our goal is to increase community support whilst reducing our footprint on the planet: making it a better place for the future.
   We shall continue with our work in the community to make a positive contribution and difference to it.
   Our aim is to reduce our carbon footprint on the world. We shall work internally to make improvements and work with our Investment managers to ensure our Investments are managed appropriately.

The group uses the Own Risk and Solvency Assessment (ORSA) process to ensure that it has enough capital resources to meet the needs of its future developments.

Principal risks and uncertainties

Within the Directors' Report, the Company has explained its compliance with the AFM Corporate Governance Code, one element if which relates to Opportunity and Risk (principle 4). Within this section of the annual report, the Company explain what it views as its principal risks and uncertainties. Please refer to page [12-14].

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STRATEGIC REPORT TO THE MEMBERS OF PAYCARE

COVID-19

The Company's overarching risk management and internal control system is actively responding to the challenges of the COVID-19 outbreak and remained intact on 31st December 2021. Work remained ongoing in capturing some aspects of change to the control environment to make allowances for the operational constraints. Any moderations are being closely monitored and subject to appropriate governance. Government travel restrictions and social distancing measures have required us to implement contingency plans and changes to some of our operational processes to ensure continued uninterrupted service to our customers, and to protect staff, while minimising the impact on the quality of service provided. These plans involved almost all our staff being able to work from home, including customer service staff. The changes to operational processes that have been implemented have been designed to ensure customer service, data protection and staff well-being risks are at a level accepted by The Board. Covid 19 remains an ongoing situation and Paycare's response will be reviewed in line with any changes. In April 2022 Paycare implemented a phased return to work for all the staff members.

Capital management

The capital of the business is monitored on an ongoing basis and continues to maintain strong solvency levels and expects to continue to meet its Solvency Capital Requirements. Notwithstanding this, the COVID-19 pandemic and the associated volatility in financial markets will most likely have an adverse impact on the Company's own funds and solvency cover ratio in the short to medium term. The Company's balance sheet exposure and solvency position has been reviewed and actions are being taken to protect the solvency position and further reduce the sensitivity to economic shocks.

On behalf of the board

Kevin Rogers
CEO
12 August 2022

PAYCARE

DIRECTORS' REPORT TO THE MEMBERS OF PAYCARE

The directors have pleasure in submitting their fifty sixth annual report together with the audited financial statements for the year ended 31st December 2021.

The group operates healthcare cash benefit plans by means of a mutual contributory scheme. Paycare is an insurance company approved and authorised by the Prudential Regulatory Authority and regulated by the Prudential Regulatory Authority and the Financial Conduct Authority.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

K A Rogers
A I Burns
J L Knight
S Carr
M S Jaspal
J C H Grace
H Hooper

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless the directors are satisfied that they give a true and fair view of the state of affairs of the group and of the surplus or deficit of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group will continue in business.

DIRECTORS' REPORT TO THE MEMBERS OF PAYCARE

Statement of directors' responsibilities (continued)
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the strategic report and the directors' report and other information included in the annual report is prepared in accordance with Company Law in the United Kingdom.

Directors' and Officers' Liability
During the year, the group maintained insurance cover for the directors and officers against liability incurred whilst acting in their capacity as directors and officers of the group.

Constitution
The group is limited by guarantee and has no share capital. In the event of a winding up, each member undertakes to contribute to the assets of the group for the payment of liabilities such amount as may be required not exceeding £1.

Charitable and political donations
During the year, charitable donations of £39,525 (2020 - £17,411) were made by the group. Paycare is very much part of our local community. We look to support charitable causes within our community whenever we are able to.

We continue to extend our charitable giving to the Rachael Heyhoe-Flint Accessible lounge at Wolves. Our support of this fantastic facility through the Wolverhampton Wanderers Foundation will now extend to 25 years..

In 2017 we welcomed Sickle Cell Thalassemia charity to use spare office space we had in our building. This space is rent free and has helped the charity save significant funds in rent that they were able to redirect to their frontline services. We are delighted to report that this initiative has now been extended to three other organisations. The notional rent cost to the business is £30,000. We shall continue to promote this initiative to other charitable and third sector organisations. We would urge all businesses to consider this initiative as an alternative method of charitable giving.

The group makes no political donations.

Corporate Governance

The group will always endeavour to apply the highest standards of corporate governance and has a goal of continuous improvement in governance processes.

The role of the Board
The board is responsible for creating the framework within which the group operates and is collectively responsible to the group's stakeholders for the direction, promotion and oversight of the group to ensure its long-term success. It provides leadership for the group, devises strategy, ensures the necessary resources are available, and sets controls and standards. In doing so, the directors comply with their duties under section 172 of the Companies Act 2006.

Other core activities include obtaining assurance that material risks to the group are identified, defining the group's appetite for risk and ensuring that appropriate systems of risk management and internal control exist to mitigate such risks, as well as responsibility for ensuring the effectiveness of, and reporting on, the system of corporate governance. It also monitors performance and approves budgets and material initiatives and commitments. The board has a clearly articulated set of matters which are specifically reserved for its determination and has approved terms of reference for all board committees. The board is responsible for setting the levels of delegated authority, whilst retaining overall responsibility for the governance of the group. The board's schedule of matters reserved includes:

- Strategy
- Structure and capital
- Financial reporting and controls
- Internal controls and risk management
- Authorisation and approval levels
- Board membership
- Delegation of authority and policy development
- Corporate governance matters
- Major acquisitions, projects and contracts

For the year ended 31 December 2021 the company has applied the Association of Financial Mutuals (AFM) corporate governance code. The code sets an expectation that members apply all the six principles and explain how they have interpreted and approached them.

Principle One: Purpose and Leadership
An effective board promotes the purposes of an organisation and ensures that its values, strategy and culture align with its purpose.

Our purpose is to help the UK be happier and healthier through a range of products that are designed to meet our customers' needs. Helping businesses and individuals achieve more, whilst supporting the work of our community and the amazing NHS.

DIRECTORS' REPORT TO THE MEMBERS OF PAYCARE

Through the leadership of the board a clear vision for the Group's purpose and values is articulated, which will underpin and define the strategy and culture of the organisation. This is embedded at every level of management.

- **You're special to us**
  We strive to go above and beyond for our customers, showing integrity always.

- **We're stronger together**
  We believe a collaborative approach is always better and work closely with our customers to provide for their needs.

- **We embrace change**
  We're always looking for new, innovative solutions for our customers and more efficient ways of working.

- **We keep it simple**
  We believe in transparency and clarity in our work and communications

Policies and protocols are in place to support the execution of the group's purpose and values across the organisation, which drives overall engagement with our policyholders, our customers, our employees and our community across the operating businesses.

Group wide initiatives such as My Giving and My Journey are examples of how purpose is brought to life and benchmarked.

Principle two: Board composition
Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having enough capacity to make a valuable contribution. The size of a board will be guided by the scale and complexity of the organisation.

The group operates through clear board protocols and governance processes. These are set out in its terms of reference and standing items for the board and its committee. This allows for both independent challenge and transparency in decision making.

The board is supported through the executive and senior management team and its internal governance protocols. Accountability is driven through routine evaluations of the board and its composition is balanced between executive and independent non-executive directors.

Board attendance
The table below sets out details of all directors who have served during the year and their membership of board committees. This includes details of each member's attendance at the board meetings held in 2021. There are separate attendance statements in respect of the nomination, remuneration and audit and risk committees within the strategic report.

Director	Role (I = Independent)	Committee (C= current chair)	Attendance record
James Knight	Chair		8/8
Anthony Burns	Commercial director		8/8
Sajida Carr	Non-executive director (I)	Remuneration (C)	8/8
Jeremy Grace	Non-executive director (I)	Audit & Risk (C)	8/8
Milkinder Jaspal	Non-executive director (I)	Nominations (C)	4/8
Helen Hooper	Non-executive director(I)		1/1
Kevin Rogers	Chief Executive Officer		8/8

Principle three: Director responsibilities
The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision making and independent challenge.

Board appointments have been made with care and to ensure that its membership includes the right and appropriate levels of skills and experience to address the challenges that the business currently faces along with those of the future.

The Nominations committee is charged principally with:

- Conducting an annual review of the Board's composition and consideration of any proposed changes for proposal to the Board;
- The formation of a strategic succession and replacement plan for the Board; and
- Leading the process for identifying and making recommendations to the Board regarding candidates for appointment as directors.

The committee consists of a Chair (Milkinder Jaspal) and one non-executive director. The committee is supported by Executive directors and senior management when required. Due to the Board being reduced and Milkinder Jaspal on long term sick leave, the decision was made to have the full Board be members of all committees.

DIRECTORS' REPORT TO THE MEMBERS OF PAYCARE

The Company Secretary ensures that the board has been given enough infrastructure to allow them to undertake their work with due care, which is aligned to achieving the group's long-term success and vision.

The board continues to be focused on its operational governance to ensure that the group's corporate purpose and strategy remains at the centre of its decision-making protocols.

Principle four: Opportunity and risk
A board should promote the long-term sustainable success of the organisation by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.

Through clear definition of the group's corporate purpose and values, the board's decisions are focused on promoting and delivering long term value; at the heart of which are its policyholders, customers, employees and community. This is embedded across the group's key operating businesses and strategic decision-making areas.

Principal risks have been identified across the group and at the operating business level with robust reporting to the board on the plans to address and mitigate these. These are articulated further in this annual report and are set out in the organisation's Own Risk Solvency Assessment (ORSA).

The Audit and Risk Committee is charged principally with:

- Monitoring the integrity of the financial statements;
- Review of the financial statements and their recommendation to the Board for approval;
- Review of the Group's internal controls and risk management systems;
- Major capital expenditure reviews;
- Review of the internal and external audit plan;

The committee consists of a Chair (Jeremy Grace) and two non-executive directors. The committee is supported by Executive directors and senior management when required.

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DIRECTORS' REPORT TO THE MEMBERS OF PAYCARE

The table below sets out details of all directors who have served during the year. This includes details of each member's attendance at the committee meetings held in 2021.

Director	Role	Attendance record
Jeremy Grace	Non-executive director (C)	5/5
Milkinder Jaspal	Non-executive director	2/5
James Knight	Non-executive director	5/5

The audit and risk committee looks to meet a minimum of three times each year to assess and discuss risks.

In order to fulfil their responsibilities, the directors have implemented an ongoing process for identifying, evaluating and managing the significant risks faced by the group. As part of this process, the audit and risk committee and senior management meet together at least once each year to re-assess the areas of risk that are significant to the achievement of business objectives, as defined by the board in setting strategic direction. The senior management team are responsible for ensuring that the system of internal control manages these areas of risk appropriately and that its effectiveness is adequately monitored and include their findings in regular reports to the directors.

To ensure that the group is appropriately responding to the risk related to the Financial Statement an audit tender process was undertaken for the year-end Financial Statement. PKF Littlejohn LLP were appointed as the Paycare Group's auditors.

Principle four: Opportunity and risk *(continued)*

Market risk

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities. The objective of the group in managing its market risk is to ensure risk is managed in line with the group's risk appetite. Market risk to which the Group is exposed are discussed in note 16 to the financial instruments.

Insurance risk management

The group accepts insurance risk through its insurance contracts where it assumes the risk of loss from policyholders that are directly subject to the underlying loss. The group is exposed to the uncertainty surrounding the timing, frequency, and severity of claims under these contracts. Losses are however limited to a claim period after pecuniary loss to the policyholder of 13 weeks. The group manages its risk via its underwriting strategy within an overall risk management framework. Pricing is based on assumptions which have regard to trends and past experience.

Operational risk

Operational risk relates to the risk of loss resulting from inadequate or failing internal processes, people and systems or from external events such as a natural disaster or terrorist attack. Material operational risks that are assessed include:

- Cyber/data security – the risk of the inability to protect data from unauthorised use, disclosure, disruption, modification and /or destruction.
- Outsources and/or contractors.
- People – the risk of inadequate recruitment process, development, management or retention of employees and/or contractors

Data protection & cyber risk

The protection of personal data is fundamental to Paycare's reputation and performance. The company is, like most businesses at risk of potential data protection breaches that could lead to loss of customers and potential regulatory fines. We believe this to be an ever-increasing risk with attacks becoming ever more sophisticated.

The company takes its obligations to protect its data extremely seriously and mitigates this risk through the training of its staff, best practice recruitment referencing and robust physical and IT security controls over personal data, supplier selection and procurement practices.

To ensure minimum disruption in the event of a cyber-attack Paycare holds specific cyber insurance that includes access to technical experts.

Financial risks of Climate Change

Climate change, and society's response to it, presents many financial risks. Whilst the financial risk from climate change may crystallise in full over a longer time horizon, they are also becoming apparent now.

Financial risks from climate change arise from two primary channels, or 'risk factors': physical and transition risk.

- Physical climate risks, which includes both long-term changes in climate, as well as changes to the frequency and magnitude of extreme weather events, can cause direct damage to assets or property, changes to income and costs, and changes to the cost and availability of insurance;

- Transition climate risks, which include risks related to changes in domestic and international policy, technological innovation, social adaptation and market changes, which can result in changes to costs, income and profits, investment preferences and asset viability;

The Board has considered the financial risks and the associated materiality of both the physical risk and transitional risk associated with climate change on Paycare.

As the potential transition risk identified relates to the value of the underlying assets contained within the collective funds, we recognise as do our asset managers, Royal London Asset Management (RLAM), the potential impact on the financial outcomes if not managed appropriately.

We understand the importance of climate change and we work with our asset managers, Royal London Asset Management (RLAM), to ensure we take the necessary steps in ensuring our investments are invested responsibly. On our behalf, RLAM engage with the companies we invest in to help them improve their Environmental, Social and Governance credentials. Sharing a similar view as RLAM, we recognise the science of climate change and believe it can have an impact on the financial outcomes if not managed appropriately. The impacts of climate change create both risks and opportunities for the companies and issuers we invest in. Our strong preference is to address climate risks through engagement, advocacy and prudent investment risk management rather than by adopting strict company or sector exclusions.

The insurance policies underwritten by Paycare are not impacted directly by climate related weather events, although there is some potential impact of any changes to underlying health related issues as a result of global warming. Any requirements for Paycare's products to develop to mitigate these changes will be incorporated into the existing product development and pricing processes. We do not deem climate change to be material for Paycare nor a principal risk. We recognise the importance of this topic and would refer the reader to the greenhouse gas emission disclosure page 16.

Principle five: Remuneration

A board should promote executive remuneration structures aligned to the long-term sustainable success of an organisation, considering pay and conditions elsewhere in the organisation.

The group's remuneration policy is set out and monitored by its remuneration committee with clear objectives to incentivise management based on the long-term success of its strategic goals and business plans.

Succession planning and talent retention are key focus areas for the group and its operating business levels.

The Remuneration committee is charged principally with:

- Reviewing the ongoing appropriateness, relevance and efficiency of remuneration policy and practice;
- Reviewing the design of performance-related pay schemes; and
- Reviewing and approving the total annual payments made under such schemes

DIRECTORS' REPORT TO THE MEMBERS OF PAYCARE

The committee consists of a Chair (Sajida Carr) and the non-executive directors. The committee is supported by Executive directors and senior management when required.

The table below sets out details of all directors who have served during the year. This includes details of each member's attendance at the committee meetings held in 2021.

Director	Role	Attendance record
Sajida Carr	Chair (I)	2/2
James Knight	Non-executive director (I)	2/2
Jeremy Grace	Non-executive director (I)	2/2
Milkinder Jaspal	Non-executive director (I)	1/2
Helen Hooper	Non-executive director (I)	1/1

Principle six: Stakeholder relationships and engagement
Directors should foster effective stakeholder relationships aligned to the organisation's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

Through the group's defined purpose, underpinned by its values, stakeholder engagement is embedded at all levels of the organisation with clear direction and endorsement from the board and senior management across each of the operating businesses.

The group promotes an ongoing cycle of engagement with its stakeholders.

Regulation
Paycare is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority.

Regulation for healthcare cash benefit plans has continued to increase. In order to maintain compliance, during 2019 directors and managers took part in a range of training activities covering regulatory issues and have continued to review and enhance internal systems and procedures.

Paycare continue work to enhance processes and systems in conjunction with our actuaries, software providers and investment managers to ensure compliance under the Solvency II regime. The costs associated with compliance to the Solvency II regime continue to escalate. The directors are concerned that regulators have not yet demonstrated enough proportionality in the administration of the Solvency II regime to businesses of our nature and complexity.

The directors continue to be satisfied that the group is well-placed to meet all present and future regulatory requirements.

Emissions and energy consumption

We believe that we are all responsible for evaluating and reducing our impact on our planet.

Paycare has always tried to consider the impact of its operations on the world, but we identify our need to understand more about how we can make a difference in this area, and our short-term aims will be to increase our knowledge and develop our future strategy to make a bigger impact.

Our total annual carbon footprint has been calculated at tonnes of carbon dioxide equivalents and based on emissions made scope 2 (Indirect emissions - electricity, heating, cooling) and Scope 3 (Indirect emissions - supply chain, employee waste, water, business travel, commuting) within the UK only:

	Unit	**2021**	**2020**
Total for Scope 2	t CO_2e	58.5	61.5
Total for Scope 3	t CO_2e	0.7	0.9
Total	t CO_2e	59.2	62.4
Intensity metrics	t CO_2e/sq ft	0.00504	0.00531

With risks, there are potential opportunities, and the company has concentrated efforts in defining a paperless claims journey for our customers, (70% of claim received are online), lights changed in 2018 with an annual Carbon Emission saved (CO_2 (kg)) of 6,024, payroll payslip and P60 online from 2020, expenses uploaded online through internal platform from 2020. Emissions are further saved by working from home one day per week (lbs. CO_2 / year - 21,270).
We are focussing our efforts towards reduction, reuse, and even recycling of the products used with the firm.

Property
In accordance with FRS 102, the portion of the property occupied by Paycare is classified as freehold land and buildings and carried at revaluation less depreciation. That which is leased to third parties is classified as investment property and carried at the directors' assessment of fair value.

Investments
The market value of the company's investments is shown in the notes to the financial statements. The investments are currently registered in the name of Royal London Asset Management. The board meets with our fund managers at least once a year to discuss the performance of the fund and our requirements going forward. Senior management have regular correspondence with our fund managers and actuaries.

Employees
The company is committed to developing employees to help improve performance and achieve business objectives. Employees at all levels are aware of the aims and objectives of the organisation, and each individual is provided with full information on any matter that concerns them. The

communication process is facilitated by a programme of regular departmental and company meetings, as well as individual review interviews.

People really are at the heart of everything we do as a business. We are committed to continue to invest in our people. In 2021 we continued our work on a variety of health and wellbeing initiatives, these are well received and clearly demonstrate that we take this seriously.

Statement of disclosure to auditors

So far as the directors' are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

J L Knight
Chairman
12 August 2022

Independent Auditors' Report to the Members of Paycare

Opinion

We have audited the financial statements of Paycare (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income and Retained Earnings – Technical and Non-Technical Accounts, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement and Notes to the Consolidated Financial Statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group and parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ('United Kingdom Generally Accepted Accounting Practice').

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's surplus for the year then ended;
- the group and parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the group and parent company 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. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining and reviewing the directors' going concern assessment process, which covers a detailed budget for 2022 and forecasts for 2023 and 2024 as management prepare their plan on a rolling 3-year basis;
- for the inputs used in management's going concern assessment, we assessed their accuracy with reference to supporting documentation;
- evaluating the liquidity and solvency position of the group and parent company by reviewing base case liquidity and solvency projections, as well as reviewing the Solvency and Financial Condition Report submitted to the Prudential Regulation Authority ("PRA") in April 2022;
- reading minutes of meetings of the Board and its committees, and making enquiries as to the continued impact of Covid-19 on the business; and
- assessing the appropriateness of the going concern disclosures by comparing the disclosures with management's going concern assessment and for compliance with the relevant reporting requirements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PAYCARE

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 group's or parent 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.

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

Our application of materiality

We determined the materiality for the group and parent company to be £139,430 which is 2% of the closing Net Assets (Reserves). We have selected Net Assets (Reserves) as a measure for the benchmark for the purposes of the materiality calculation as it is one of the key metrics used by the regulator as well as management. The regulator and management seek to ensure that the group and parent company meets the solvency requirements as set out by the regulator, which is driven by the reserves held. Based on our review of historical results, Net Assets is also the least volatile benchmark.

Based on our risk assessments of the group and parent company, together with our assessment of the group and parent company's overall control environment, our judgement was that performance materiality be set at 65% of our overall materiality, which is £90,630. As this was our first year as auditor of the group, we used our judgement to use a slightly lower percentage for performance materiality than we might otherwise have set for a group of this complexity and the nature of its business. We agreed with the Audit and Risk Committee that we would report to them any corrected or uncorrected identified misstatements exceeding £6,930, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our approach to the audit

The assessment of audit risk, evaluation of materiality and allocation of performance materiality determine the audit scope. This enables us to form an opinion on the group and parent company financial statements. We take into account the size, risk profile and the organisation of the group and parent company and the effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. Following our work to ensure we had a sufficient understanding of the group and parent company's operations, including its systems and controls and the risks within the business, we designed our audit approach. This approach was designed so as to place appropriate focus on the most material areas and particularly those which are subject to the greatest amount of estimation uncertainty and involve the use of expert judgement. The most important area is detailed within the Key audit matters section of this report. We ensured that our team consisted of individuals with appropriate skills and experience, to be able to challenge the data, assumptions, models and results in these areas.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our 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) we identified, 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 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.

Key Audit Matter	How our scope addressed this matter
Valuation of provision for claims outstanding **Refer to Note 2, "Accounting estimates and judgements" and Note 17 "Risk arising from insurance contracts"**	
Due to the significant level of estimation and judgement involved, the reserving for outstanding claims liabilities, which amounted to £177,844 in 2021, is subject to the risk of bias. This is further exacerbated by the inclusion of an additional claims provision due the impact of Covid-19 on policyholders' ability to claim in a timely manner. We hence view this area as a significant risk. **The group calculates the provision for claims outstanding by applying a 2.5% provision to the total claims paid for the financial year. The claims run-off for the previous financial period are also assessed against the calculated provision for the current financial year to ensure that the provision held is sufficient. There is a risk that inappropriate reserve projections are made, whether from use of inaccurate underlying data, or the use of inappropriate assumptions.**	To address, this risk, we performed the following procedures: • Assessed and tested the relevant controls over the calculation of the provision, including management's review of any key assumptions used in the calculation and any manual adjustments made by management to the calculation; • Tested the underlying data used in the provision calculation by agreeing a sample back to the policy administration system and bank statements; • Obtained management's calculation and recalculated it to assess the mathematical accuracy against stated methodology; • Challenged any key assumptions used (e.g. average cost per claim) to understand if these were reasonable given any specific events in the year or emerging trends; • Performed sensitivity analysis around the key assumptions used within the model; • Analysed the run-off of the 31 December 2020 provision for claims outstanding reserve to the actual development in 2021; and • Assessed whether post-year end the 31 December 2021 provision is running off as would be expected, comparing to the typical run-off curve observed in previous periods. ***Key observations:*** Based on the procedures performed above, we are satisfied that the valuation of the provision for outstanding claims is not materially misstated.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PAYCARE

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent company financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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:

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, review of board minutes and performing walkthroughs of group and parent company controls.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from the PRA, the Financial Conduct Authority ("FCA") and the Companies Act 2006.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
  - Enquiries of management
  - Review of minutes and legal and regulatory correspondence; and
  - Reviewing financial statement disclosures for consistency with regulatory requirements
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that the property revaluation undertaken during 2021 was conducted consistently with the relevant accounting standards and RICS guidance and regulations.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Other matters which we are required to address

We were appointed by the Audit and Risk Committee on 5 April 2022 to audit the financial statements for the period ending 31 December 2021 and subsequent financial periods. Our total uninterrupted period of engagement is 1 year, covering the period ended 31 December 2021.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PAYCARE

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit and Risk Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

M. R. Watson

Martin Watson (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

3rd Floor
One Park Row
Leeds LS1 5HN

12 August 2022

PAYCARE

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME TECHNICAL ACCOUNT YEAR ENDED 31ST DECEMBER 2021

	Note	2021 £	2020 £
Technical Account – General Business			
Earned premiums			
Gross premiums written	3	6,097,103	6,396,736
Allocated investment gain/(loss) transferred from the non-technical account		121,039	16,592
Claims incurred			
Claims paid gross		(4,507,653)	(3,898,802)
Change in the provision for claims		0	52,000
		1,710,489	2,566,526
Net operating expenses	4	(2,011,152)	(1,774,452)
Balance on technical account for general business		(300,663)	792,074

All of the activities of the group derive from continuing operations.

PAYCARE

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - CONTINUED
YEAR ENDED 31ST DECEMBER 2021

	Note	2021 £	2020 £
Non-Technical Account			
Balance on technical account for general business		(300,663)	792,074
Investment income	8	185,912	189,382
Unrealised gains/(losses) on investments		171,328	(136,071)
Investment expenses and charges		(11,353)	(11,341)
Allocated investment (gain)/loss transferred to the general business technical account		(121,039)	(16,592)
Other income		55,314	12,705
Other charges	9	(39,525)	(17,411)
Revaluation Investment Property		52,321	0
Surplus/(deficit) on ordinary activities before tax		(7,705)	812,746
Tax on surplus/(deficit) on ordinary activities	10	(53,000)	24,000
Surplus/(Deficit) for the year on Ordinary Activities		(60,705)	836,746
Other Comprehensive Income			
Revaluation Land & Building		172,673	-
Deferred taxation arising from revaluation of land and building	10	(43,000)	-
Surplus/(Deficit) for the year transferred to revenue reserve		68,968	836,746

All of the activities of the group derive from continuing operations.

PAYCARE

STATEMENTS OF CHANGES IN EQUITY
YEAR ENDED 31ST DECEMBER 2021

Group

	Realised	Unrealised	Total
	£	£	£
Balance at 1st January 2021	6,779,062	(31,259)	6,747,803
Surplus/(deficit) for the year	(232,033)	171,328	(60,705)
Revaluation reserve		129,673	129,673
Deferred tax movement	96,000	(96,000)	-
Balance at 31st December 2021	6,643,029	173,742	6,816,771

Company

	Realised	Unrealised	Total
	£	£	£
Balance at 1st January 2021	6,871,505	(31,259)	6,840,246
Surplus/(deficit) for the year	(169,567)	171,328	1,761
Revaluation Reserve		129,673	129,673
Deferred tax movement	96,000	(96,000)	-
Balance at 31st December 2021	6,927,611	44,069	6,971,680

PAYCARE

CONSOLIDATED BALANCE SHEET
AT 31ST DECEMBER 2021

	Note	2021 £	2021 £	2020 £	2020 £
ASSETS					
Investments					
Investments in equity instruments	11		5,391,008		4,519,680
Investment property	11		318,741		266,420
			5,709,749		4,786,100
Debtors					
Debtors arising out of direct insurance operations – policyholders		227,628		251,005	
Deferred tax	14			7,000	
			227,628		258,005
Other Assets					
Tangible fixed assets	12	1,059,851		815,616	
Bank and cash		557,753		1,462,335	
			1,617,604		2,277,951
Prepayments, accrued income and other debtors			126,874		85,870
			7,681,855		7,407,926

PAYCARE

CONSOLIDATED BALANCE SHEET
AT 31ST DECEMBER 2021

	Note	2021 £	2021 £	2020 £	2020 £
LIABILITIES					
Reserves		6,816,771			6,747,803
Technical provisions					
Provisions for claims outstanding		177,844		177,844	
Provisions for liabilities					
FSCS Levy	13	61,635		65,087	
Deferred taxation	14	89,000		-	
Creditors	15	322,794		212,884	
Accruals and deferred income		213,811		204,308	
			865,084		660,123
			7,681,855		7,407,926

Approved and authorised for issue by the Board of Directors on 12 August 2022

J L Knight – Chairman

K A Rogers – Chief Executive

Company Registration No: 00820791

PAYCARE

COMPANY BALANCE SHEET
AT 31ST DECEMBER 2021

	Note	2021 £	2021 £	2020 £	2020 £
ASSETS					
Investments					
Investments in equity instruments	11		5,391,008		4,519,680
Investment property	11		318,741		266,420
Investment in subsidiary	11		100		100
			5,709,849		4,786,200
Debtors					
Debtors arising out of direct insurance operations – policyholders		227,628		251,005	
Deferred tax asset				7,000	
			227,628		258,005
Other Assets					
Tangible fixed assets	12	1,059,851		815,616	
Bank and cash		528,484		1,459,684	
		1,588,335			2,275,300
Prepayments, accrued income and other debtors			304,798		173,744
			7,830,610		7,493,249

PAYCARE

COMPANY BALANCE SHEET
AT 31ST DECEMBER 2021

	Note	2021 £	2021 £	2020 £	2020 £
LIABILITIES					
Reserves		6,971,680			6,840,246
Technical provisions					
Provisions for claims outstanding		177,844		177,844	
Provisions for liabilities					
FSCS Levy	13	61,635		65,087	
Deferred taxation	14	89,000		-	
Creditors	15	322,542		212,884	
Accruals and deferred income		207,909		197,188	
			858,930		653,003
			7,830,610		7,493,249

Approved and authorised for issue by the Board of Directors on 12 August 2022

J L Knight – Chairman

K A Rogers – Chief Executive

Company Registration No: 00820791

PAYCARE

CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31ST DECEMBER 2021

	Note	2021 £	2020 £
Net cash inflow from operating activities	21	(64,665)	1,006,677
Taxation			
Taxation paid		(2,630)	(2,029)
Net cash (used in)/generated from operating activities		(67,295)	1,004,648
Cash flow from investing activities			
Purchase of tangible fixed assets		(137,738)	(78,169)
Receipts from the sale of investments			-
Purchases of investments		(700,000)	-
Net cash (used in)/generated by investing activities		(837,738)	(78,169)
Net increase/(decrease) in cash at bank and in hand		(905,033)	926,479
Cash and cash equivalents at the beginning of the year		1,451,850	525,371
Cash and cash equivalents at the end of the year		546,817	1,451,850
Cash and cash equivalents consist of:			
Bank and cash		557,753	1,462,335
Claims bank account		(10,936)	(10,485)
Cash and cash equivalents		546,817	1,451,850

PAYCARE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2021

1. Accounting Policies

Company information

Paycare is a private company limited by guarantee and is an insurance company domiciled and incorporated in England and Wales. The registered office is Paycare House, George Street, Wolverhampton, WV2 4DX.

(a) Basis of preparation

Except as noted below, the financial statements have been prepared under the historical cost convention as modified by the revaluation of investments and in accordance with FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), FRS103 "Insurance Contracts" ("FRS 103") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the group and the company. Monetary amounts in these financial statements are rounded to the nearest £.

The group financial statements consolidate the financial statements of Paycare and all its subsidiary undertakings for the year ended 31 December 2021 using the acquisition method of accounting. The results of the subsidiary undertakings are included from the date of acquisition.

The company has taken advantage of section 408 of the Companies Act 2006 and has not included its own statement of income and retained earnings in these financial statements. The company's result for the year was £131,434 surplus (2020 - £916,290 surplus).

In accordance with FRS 103, the company has applied existing accounting policies for insurance contracts.

The business activities, together with the factors likely to affect future development, performance and position are set out in the strategic report. The directors' report also describes financial position, cash flows, objectives and risk management policies.

(b) Going concern

The directors have reviewed the Group's profit and loss forecasts over a 3 year period from 2022 to 2024, and the Solvency II capital requirements and coverage ratios, including stress testing on the Solvency II coverage tolerance levels. Based on this detailed analysis, which has been approved by the Board, the directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least 12 months from the date of these accounts. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

1. Accounting Policies (continued)

(c) Insurance classification

The company's contracts are classified at inception, for accounting purposes, as insurance contracts. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Insurance contracts are those contracts that transfer significant insurance risk, if and only if, an insured event could cause an insurer to make significant additional benefits in any scenario, excluding scenarios that lack commercial substance. Such contracts may also transfer financial risk.

(d) Premiums

Premiums represent the proportion of premiums received, net of Insurance Premium Tax in the year relating to cover provided for the year.

(e) Claims

Claims payable are recognised in the accounting period in which the insured event occurs. Provision is made for the estimated cost of claims incurred but not paid at the balance sheet date.

(f) Taxation

The company is a mutual insurance company and is therefore not liable to Corporation Tax on dealings with policyholders. The taxation shown in the financial statements represents the liability on rents received, capital gains and investment income.

(g) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation has been provided to write off the cost of tangible fixed assets over their expected useful lives on a straight-line basis and, in addition, where there is evidence of impairment, tangible fixed assets will be written down to their recoverable amounts. The following expected useful lives have been used:

Computer Equipment	3-10 years
Furniture & Fittings	4 years
Short Life Assets included in Freehold Property	10 years
Freehold Property	100 years

1. Accounting policies (continued)

(g) Tangible fixed assets and depreciation (continued)

Property whose fair value can be measured reliably are held under the revaluation model and are carried at a revalued amount, being fair value at the date of valuation. The fair value of the land and building is considered to be their market value.

Revaluation gains and losses are recognised in other comprehensive income and accumulated in the other component of equity (Revaluation surplus).

Tangible fixed assets are reviewed for any indication that the asset may be impaired at each balance sheet date. If such indication exists, the recoverable amount of the asset, or the asset's cash generating unit, is estimated and compared to the carrying amount.

(h) Investment properties

The fair value of investment properties is assessed every financial year with any surplus or deficit being transferred to realised reserves. No depreciation is provided on investment properties.

(i) Investment in subsidiary

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss. A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

(j) Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

(k) Pension costs

The company operates a defined contribution pension scheme for all employees. The pension cost charge represents contributions payable by the company to the scheme in respect of the year.

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1. Accounting policies (continued)

(l) Investments

Listed investments are included in the balance sheet at market value.

Investment income includes dividends, interest, rents and gains and losses on the realisation of investments and is initially dealt with in the non-technical account. Dividends are recorded when received. Interest and rents are accounted for when received.

A transfer of the net investment return, including unrealised gains and losses, is made from the non-technical account to the technical account in order to reflect the return on the assets directly attributable to the insurance business.

Realised gains and losses are calculated as the difference between net sales proceeds and purchase price. If the investment has been held since the previous year end, the realised gain or loss will be calculated as the difference between net sales proceeds and book value. The difference between book value and purchase price is transferred from unrealised reserves to realised reserves.

Unrealised gains are initially taken to the non-technical account.

(m) Other financial assets

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial assets are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets, which include trade and other receivables, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Other financial assets classified as fair value through profit or loss are measured at fair value.

PAYCARE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2021

1. Accounting policies (continued)

(m) Other financial assets

Debtors and other receivables
Trade debtors and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'debtors' and are measured at amortised cost less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Cash and cash equivalents
Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks and bank overdrafts.

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

De-recognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

PAYCARE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2021

1. **Accounting policies (continued)**

(n) Financial liabilities

Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Other financial liabilities classified as fair value through profit or loss are measured at fair value.

Other financial liabilities
Other financial liabilities 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.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

De-recognition of financial liabilities
Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

(o) Deferred taxation

Deferred tax is recognised in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the non-technical account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax relating to property, plant and equipment is measured using the revaluation model. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

2. Accounting estimates and judgements

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Key sources of estimation uncertainty in applying the Company's accounting policies

Provisions for claims outstanding

Provision is made for liabilities arising from outstanding claims and settlement expenses incurred at the balance sheet date including an estimate for the cost of claims incurred but not reported at that date. Management estimates the provision based on their judgement and levels of claims in previous years and typically a claim can take up to 13 weeks to be processed. Adjustments to the amounts of claim provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. No claim provision movement between 2020 -2021 due to the irregularity of claims received due to Covid.

Property valuation

The fair value ,£880,000 of Paycare House has been based on valuation carried out on 7th July 2021 undertaken by an independent valuer who holds a recognised and relevant professional qualification and has experience in the location and class of the investment property being valued. Paycare House consists of 4 floors, of which a portion of the First floor and the entire Third floor is occupied by tenants. The remainder of Paycare House is owner-occupied. The fair value of £880,000 is therefore split between Investment Property of £318,741 (Note 11) and Freehold Property of £561,259 (Note 12). The split between Investment Property and Freehold Property is calculated based on the square footage occupied by tenants and the square footage occupied by Paycare respectively.

3. Gross premiums written

	2021	2020
	£	£
Premiums received	6,843,828	7,187,948
Less personal accident insurance premium	(6,000)	(6,000)
Less insurance premium tax	(740,725)	(785,212)
	6,097,103	6,396,736

4. Net operating expenses

	2021	2020
	£	£
Staff costs (note 6)	1,273,802	1,142,304
Sales and marketing	251,404	164,202
Administration costs	485,946	467,946
	2,011,152	1,774,452

5. Net operating expenses include

		2021	2020
		£	£
Depreciation of owned assets	12	(69,486)	93,376
Fees payable to the company's auditor for the audit of the company's financial statements		45,000	17,265
Fees payable to the company's auditor for the audit of the subsidiary's financial statements		-	6,000
Operating lease rentals		1,147	3,484

Fees payable to the company's auditor for the audit of the company's financial statement in 2021 is payable to PKF Littlejohn LLP, 2020 audit fees were payable to Edwards Chartered Accountants

6. Staff costs

	2021 £	2020 £
Wages and salaries	1,008,903	905,840
Social security costs	127,923	121,315
Pension costs	136,976	115,149
	1,273,802	1,142,304

6. Staff costs (continued)

Average number of persons employed:

	2021 No.	2020 No.
Management and administration	27	26
Sales and marketing	7	7
	34	33
Full-time equivalent	30	29
Non-executive directors	5	4

7. Directors' remuneration

	2021	2020
	£	£
Emoluments including benefits in kind	213,819	186,575
Company contributions to defined contribution pension scheme	33,613	20,287
	247,432	206,862

At 31st December 2021 there are two directors to whom retirement benefits are accruing (2020: two).
Key management personnel is deemed to solely comprise the directors of the Group

8. Investment income

	2021	2020
	£	£
Income from freehold land and buildings		
Rent received	20,667	25,600
Property management fees	(2,100)	-
Other financial investments		
Dividends received	164,578	161,133
Interest on cash deposits	2,767	2,649
Loss on the realisation of investments		-
	185,912	189,382

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9. Other charges

	2021	2020
	£	£
Charitable donations	39,525	17,411
	39,525	17,411

10. Tax on surplus/(deficit) on ordinary activities

	2021	2020
	£	£
Corporation tax due at 19% (2019 – 19%)		
UK corporation tax on gains and investment income	-	-
Total current tax		-
Deferred tax		
Deferred tax charge/(credit)	89,000	(24,000)
Tax on surplus/(deficit) on ordinary activities	89,000	(24,000)

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10. Tax on surplus/(deficit) on ordinary activities (continued)

	2021 £	2020 £
Factors affecting the tax charge/(credit) for the year		
Surplus/(deficit) on ordinary activities before taxation	(7,705)	812,746
Surplus/(deficit) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2020 – 19%)	(1,464)	154,422
Mutual trading profits not tax deductible	57,745	(164,869)
	56,281	(10,447)
Effects of:		
Dividends received not taxable	(28,771)	(26,475)
Movement in market value of equities	(32,552)	25,853
Revaluation of Investment property	(9,941)	-
Donations not utilised	3,115	-
Remeasurement of deferred tax for change in tax rates	7,832	-
Deferred tax on national chargeable gains	75,320	(24,000)
Movement in deferred tax not recognised	24,717	11,069
Deferred tax (charged)/credited directly to OCI	(43,000)	-
Other comprehensive income		
Origination and reversal of timing differences	43,000	-
Tax charge/(credit) for the year	96,000	(24,000)

11. Investments

Investment property – Group and company

	£
Fair value and net book value	
At 1st January 2021	266,420
Revaluation surplus	52,321
31st December 2021	318,741

There has been a recent valuation undertaken by an independent valuer who holds a recognised and relevant professional qualification and has experience in the location and class of the investment property being valued.

11. Investments (continued)

Investments in equity instruments – Group and company

	Market Value		Cost	
	2021	2020	2021	2020
	£	£	£	£
Equity instruments	5,391,008	4,519,680	5,257,787	4,557,787
	5,391,008	4,519,680	5,257,787	4,557,787

Investment in subsidiary – Company

	2021	2020
	£	£
Cost and net book value	100	100

The company holds a 100% interest in the ordinary share capital of Paycare Wellbeing Ltd, a company incorporated and registered in the United Kingdom. Paycare Wellbeing Ltd's principal activity is the provision of health and wellbeing services and its registered office is the same as Paycare. Paycare Wellbeing Ltd (company number 10604559) is exempt from audit by virtue of a parental guarantee under s479A of the Companies Act 2006.

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12. Tangible fixed assets – Group and company

	Freehold Property	Furniture & Fittings	Computer Equipment	Total
	£	£	£	£
Cost				
At 1st January 2021	524,248	168,734	905,978	1,598,960
Additions		7,418	130,320	137,738
Revaluation	37,011			37,011
Disposals			600	600
At 31st December 2021	561,259	176,152	1,036,898	1,774,309
Depreciation				
At 1st January 2021	128,928	152,152	502,264	783,344
Charge for the year	(125,147)	8,995	46,666	(69,486)
Disposals			600	600
At 31st December 2021	3,781	161,147	549,530	714,458
Net book value				
At 31st December 2021	557,478	15,005	487,368	1,059,851
At 31st December 2020	395,320	16,582	403,714	815,616

The freehold building was revalued on 7th July 2021 by an independent valuer who holds a recognised and relevant professional qualification and has experience in the location and class of the property. Following the revaluation, the accumulated depreciation has been written back into the technical account.

13. Provisions for liabilities – FSCS Levy – Group and company

	2021	2020
	£	£
At 1st January	65,087	66,938
Profit and loss account charge	(3,452)	(1,851)
At 31st December	61,635	65,087

The FSCS levy is required by the FCA to cover unforeseen circumstances which would result in a position whereby the company would be unable to make payments to its claimants. The levy is calculated at 1% of turnover and can be requested for up to 1 year after transactions have taken place.

14. Provisions for liabilities – Deferred taxation – Group and company

	2021	2020
	£	£
At 1st January	(7,000)	17,000
Deferred tax charge/(credit)	96,000	(24,000)
At 31st December	89,000	(7,000)

15. Creditors

Group and company

	2021 £	2020 £
Claims bank account	10,936	10,485
Corporation tax	(9,262)	(6,632)
Taxation and social security	186,937	191,423
Other creditors	133,931	17,608
	322,542	212,884

All amounts included within creditors fall due for payment within one year.

16. Financial instruments

Financial assets are held at fair value or amortised cost. Fair value is determined using the valuation from the market price on the date of the financial statements. Changes in fair value are recognised through the surplus/deficit on ordinary activities.
FRS 102 Fair value measurement establishes a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value . A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (ie for which market data is unavailable) for the asset or liability

Listed investments totalling £5,391,008 are stated at bid market price and all based on level1 inputs.

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Group

	2021	2020
	£	£
Financial assets		
Measured at fair value		
Investments in equity instruments	5,391,008	4,519,680
	5,391,008	4,519,680
Measured at amortised cost		
Debtors arising out of direct insurance operations	227,628	251,005
Prepayments, accrued income and other debtors	126,874	85,870
	354,502	336,875
Measured at cost		
Cash and cash equivalents	557,753	1,462,335

16. Financial instruments (continued)

	2021	2020
	£	£
Financial liabilities		
Measured at cost		
Claims bank account	10,936	10,485
Measured at amortised cost		
Other creditors	134,183	17,608
Taxation and social security	186,937	191,423
	321,120	209,031

All the group's financial liabilities fall due for payment within one year.

Company

	2021	2020
	£	£
Financial assets		
Measured at fair value		
Investments in equity instruments	5,391,008	4,519,680
	5,391,008	4,519,680
Measured at amortised cost		
Debtors arising out of direct insurance operations	227,628	251,005
Prepayments, accrued income and other debtors	304,798	173,744
	532,426	424,749
Measured at cost		
Cash and cash equivalents	528,484	1,459,684

Other debtors include amounts due from group undertakings of £184,251 (2020 - £89,248).

16. Financial instruments (continued)

	2021	2020
	£	£
Financial liabilities		
Measured at cost		
Claims bank account	10,936	10,485
Measured at amortised cost		
Other creditors	133,931	17,608
Taxation and social security	186,937	191,423
	320,868	209,031

All the company's financial liabilities fall due for payment within one year.

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Financial risk management

The principal financial risks arising from the normal activities are credit risk, liquidity risk, and market risk, which is comprised primarily of interest rate risk, equity risk, currency risk. Below, the Group's exposure to and management of each risk is covered in more detail.

Credit risk
Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the group. The key areas of exposure to credit risk for the group are in relation to its investment portfolio, reinsurance programme and to a lesser extent amounts due from policyholders and intermediaries. The objective of the group in managing its credit risk is to ensure risk is managed in line with the group's risk appetite. The group has established policies and procedures in order to manage credit risk and methods to measure it. There were no changes in the group's credit risk exposure in the financial year nor to the objectives, policies and processes for managing credit risk.

Liquidity risk

Liquidity risk is the risk that the group cannot meet its obligations associated with financial liabilities as they fall due. The group has adopted an appropriate liquidity risk management framework for the management of the group's liquidity requirements. The group manages liquidity risk by maintaining banking facilities and investments by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The group is exposed to liquidity risk arising from policyholders on its insurance contracts. Liquidity management ensures that the group has sufficient access to funds necessary to cover insurance claims. In practice, most of the group's assets are marketable securities which could be converted into cash when required. There were no changes in the group's liquidity risk exposure in the financial year nor to the objectives, policies, and processes for managing liquidity risk.
In order to fulfil their responsibilities, the directors have implemented an ongoing process for identifying, evaluating and managing the significant risks faced by the group. As part of this process, the audit and risk committee and senior management meet together at least once each year to re-assess the areas of risk that are significant to the achievement of business objectives, as defined by the board in setting strategic direction. The senior management team are responsible for ensuring that the system of internal control manages these areas of risk appropriately and that its effectiveness is adequately monitored and include their findings in regular reports to the directors. The group holds considerable cash to meet its obligation to pay claims and has significant investments (see note 11) which could be sold immediately if required.

Market Risk:
Market risk is the risk arising from changes in the market values or other features correlated with market values such as interest and inflation rates. It includes the consequences of asset value changes on liability values and asset-liability mismatching.
The company is exposed to market risk (which includes interest rate risk, currency risk and equity price risk) in respect of its financial assets carried at fair value. The company also holds deposits, cash and trade receivables which are exposed to both credit and liquidity risk. The equity instruments held are valued at £5,391K (2020: £4,520K) and are traded on regulated financial markets, both in the UK and abroad.
These assets are managed by independent third-party fund managers on a discretionary basis, subject to certain mandated conditions determined by the company. Movements in the regulated markets can drive volatility within the valuation of these assets. The company uses the investment stresses defined under Solvency II to assess the impact on solvency of interest rate risk, equity risk, property risk, currency risk, spread risk, and concentration risk. The combined impact of market risk stresses using the Solvency II stresses is £1,494K (2020: £1,278K) and the Board are of the opinion we hold sufficient capital reserves.

i) Interest Rate Risk:
Interest rate risk arises from changes in interest rates, which could include impact on customer behaviour as well as the financial impact.
Interest rate risk occurs principally from fixed interest assets, such as government and corporate bonds. The internal sensitivity analysis for interest rate risk utilises the approach of the Solvency II insurance regulatory regime. This applies a shock to the yield of each bond asset of between 70% and -75% based on the duration of each bond. The increase in the term structure of interest rates would lead to a capital requirement charge of £203K (2020: £176K) and the decrease in the term structure of interest rates would originate a capital requirement credit of £89K (2020: £11K).

ii) Currency Risk:
Currency risks is the risk of an adverse variation in return or cost resulting from changes in foreign exchange rates.
Paycare's operations are conducted entirely in the UK. The company's exposure to currency risk is restricted to foreign currency assets that are part of collective investment funds, mainly Euro and US dollars. The foreign currency assets held within the Collective investment funds are valued at £1,067K (2020: £1,003K).
The impact on the company's assets of a 25% increase or decrease in the value of pound sterling relative to all foreign currencies would result in a loss or gain in the capital resources of £293K (2020: £258K).

iii) Equity Price Risk:
Equity risk is the risk that the value of investments will change as a result of equity value fluctuations. The company is exposed to equity price risk because of its holding in equity investments, which are valued at fair value. The portfolio of equity investments is managed on a discretionary basis by an external investment manager, Royal London, which has the authority to make the day-to-day

investment decisions whilst operating within the approved investment guidelines as set by Paycare's Board.
If the equity market prices were to increase or decrease by 30%, with all other variables held constant, the regulatory capital resources would increase or decrease by 25% (2020: 21%).

Capital Management risk

Paycare is subject to insurance solvency regulations which specify the minimum amount of capital that it must hold in addition to its insurance liabilities. Paycare manages it capital in accordance for Solvency II regulations and its internal capital management policy. Paycare has an internal target capital ratio operating zone of 2.5 to 3.0 times SCR cover.

- 2020 SCR Cover 3.1 (unaudited)
- 2021 SCR Cover 2.9 (unaudited)

Paycare's capital consists solely of retained earnings. Paycare maintains capital at a level well in excess of these minimum requirements and has complied with all externally regulated capital requirements throughout the year.

17. Risk arising from insurance contracts

Insurance risk is the likelihood that an insured event will occur, and a claim paid. The risk lies in movements that impact the profit and loss account. Risks relating to catastrophic events, which may cause a short-term increase in claims, are included within this risk.

As a healthcare cash plan within the general insurance sector, Paycare's business and insurance risk are within the UK only and the Board consider the primary risks relating to insurance contracts to be:

- Abnormally high claims rates
- Sudden loss of major customers and policyholders

Risks arising from insurance contracts are also identified separately in detail within our ORSA (Own Risk and Solvency Assessment).

The impact of a catastrophic event has been reviewed by the Board but is not considered material due to our product's terms and conditions regarding hospitalisation and treatments.

Abnormally high claims rates

We have set our risk tolerance level to be a rolling 6-month increase of 10% in claims rates. Premiums and claims levels are monitored monthly and weekly to identify trends.

Product pricing is an important factor and we regularly review and design our products for profitability and viability within the risk tolerance thresholds.

Our business is such that claims are high in volume but low in value and as our contracts are monthly renewable, amendments to pricing and or benefits can quickly be implemented.

Based on the 2021 claims rate, for every percentage point increase in the claims rate, the group's result before tax for 2021 and balance sheet reserves at 31 December 2021 would reduce by £60,971 (2020- £63,967).

Sudden loss of major customers and policyholders
We have set our risk tolerance level to our policyholder numbers being not less than 10% of current levels.

We pride ourselves in our high standard of customer service to minimise the loss of existing policyholders. Leavers are monitored as part of our customer retention processes.

We establish and maintain personal relationships with key decision makers at major customers.

Local, regional and national economic conditions are monitored, and our sales and marketing strategy is adjusted as necessary.

We establish controls over both the size of groups that we currently deal with and those groups that we look to acquire as new business in the future.

Based on policyholder numbers at 31 December 2021 and using the claims rate for 2021 as above, for every percentage point decrease in policyholder numbers the group's result before tax for 2021 and balance sheet reserves at 31 December 2021 would reduce by £17,654 (2020 - £28,297).

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18. Operating lease commitments

Lessee

At the reporting date, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021	2020
	£	£
Within one year	-	1,129
Expiring in one year	-	-
	-	1,129

19. Pension costs

The group operates a defined contribution pension scheme for all employees.

The pension cost charge represents contributions payable for the year by the group to the scheme and amounted to £136,976 (2020 – 115,149). At 31st December 2021, there were £Nil contributions outstanding (2020 - £Nil).

20. Related party transactions

The company has taken advantage of the exemption in FRS 102 not to disclose details of transactions with Paycare Wellbeing Ltd, the company's wholly owned subsidiary.

J L Knight, non-executive director, is also a member of FBC Manby Bowdler LLP.

During the year the company was charged £Nil (2020 - £Nil) by FBC Manby Bowdler LLP and the company charged rent of £11,667 (2020 - £17,500) to FBC Manby Bowdler LLP. At 31 December 2021 the company was owed £Nill (2020 - £Nil) from, and owed £Nil (2020 - £Nil) to, FBC Manby Bowdler LLP. All transactions were undertaken on normal commercial terms and on an arm's length basis.

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21. Reconciliation of consolidated surplus/(deficit) on ordinary activities before tax to net cash inflow from operating activities

	2021	2020
	£	£
Surplus/(deficit) on ordinary activities before tax	(7,705)	812,746
Depreciation	(69,486)	93,376
Reversal Depreciation(Revaluation Building)	135,662	-
Revaluation Investment Property	(52,321)	-
Unrealised (gains)/losses on investments	(171,328)	136,071
Decrease/(increase) in insurance debtors	23,377	59,576
Decrease/(increase) in other debtors and prepayments	(41,004)	15,197
Increase/(decrease) in creditors and accruals	121,592	(160,438)
Increase in FSCS levy	(3,452)	(1,851)
(Decrease)/increase in provisions for claims	-	52,000
Net cash inflow from operating activities	(64,665)	1,006,677