

PAYCARE

**ANNUAL REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS**

YEAR ENDED 31st DECEMBER 2025

Company Registration Number: 00820791



PAYCARE

FINANCIAL STATEMENTS YEAR ENDED 31st DECEMBER 2025

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PAYCARE**STATUTORY INFORMATION**

Patron	H M Lord Lieutenant for Staffordshire
President	D Whitmore
Vice President	E Reay P Stokes
Chairman	K A Rogers (Non-executive director, appointed 10 th January 2025)
Directors – non-executive	S Carr (Independent) J C H Grace (Independent) H E Hooper (Independent, resigned 31 st December 2025) K W Waitt (appointed 23rd June 2025)
Directors - executive	A I Burns N Mumford
Chief Executive	A I Burns
Company Secretary	N Ashton MLIBF
Auditors	PKF Littlejohn LLP
Solicitors	FBC Manby Bowdler LLP
Actuarial Advisor	Broadstone (formerly known as OAC PLC)
Investment Managers	Royal London Asset Management (RLAM)
Pensions Advisers	Alexander House Financial Services Ltd
Company Number	00820791
Registered Office	The Science Centre Wolverhampton Science Park Glaisher Drive Wolverhampton WV10 9RU Telephone: 01902 371000
Website	www.paycare.org
E-mail	enquiries@paycare.org

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2025

This year marked an important period of transition for Paycare as we embarked on the first phase of our long-term strategic cycle. The Board has remained closely engaged throughout, ensuring that the organisation is positioned to thrive in a changing health and wellbeing landscape while retaining the values that have defined Paycare for more than a century and a half.

The external environment has continued to test both households and businesses, with economic pressures and pressures on public health services shaping demand across our sector. Against this backdrop, the resilience and clarity of purpose demonstrated by the Executive Team has been especially important. The Board has been encouraged by the thoughtful and disciplined approach taken to strengthening the organisation's foundations, and we are confident that the actions implemented during the year have set Paycare on a stronger and more sustainable trajectory.

A significant development has been the relocation to the University of Wolverhampton Science Park. The Board supported this move not only as a practical investment in modern, flexible workspace, but as a strategic opportunity to deepen our connections within the region's growing health and innovation ecosystem. The early impact has been clear - greater collaboration across teams, renewed energy, and a working environment more aligned with the organisation's ambitions.

The Board has also overseen enhancements to Paycare's governance and organisational structure, including the expansion of capabilities in innovation, risk, and compliance. These changes ensure that as the organisation evolves, it does so with appropriate oversight, rigour, and a strong commitment to delivering value for policyholders. The transition to the new Solvency UK regulatory framework has further supported this by enabling a more proportionate, efficient approach to supervision.

Alongside operational progress, the Board has taken great pride in the continued social impact delivered through Paycare's charitable partnerships, volunteering initiatives, and community engagement. These activities remain central to who we are and reflect the compassion, integrity and civic responsibility that have always defined Paycare.

This year also marks a moment of change at Board level. We offer our sincere thanks to Helen Hooper, whose contribution over many years has helped shape the organisation through periods of both challenge and transformation. We were pleased to welcome Keith Waitt to the Board during the year, bringing valuable financial services insight and strategic perspective that will support Paycare's next phase of development.

Looking to the year ahead, the Board is encouraged by the momentum already building across the organisation. With a clearer strategic pathway, strengthened internal capability and a renewed focus on innovation, Paycare is well positioned to build on its proud heritage while exploring new ways to support the health and wellbeing of the communities we serve.

**CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31st DECEMBER 2025**

Conclusion:

On behalf of the Board, I extend my thanks to Anthony Burns and the entire Paycare team for their dedication and achievements throughout the year. I would also like to thank our policyholders, partners and supporters for their continued trust in Paycare. Their confidence is the foundation upon which our future success continues to be built.

A handwritten signature in black ink, appearing to read 'K A Rogers', with a stylized flourish at the end.

K A Rogers
Chairman
24th March 2026

PAYCARE**STRATEGIC REPORT TO THE MEMBERS OF PAYCARE**

The directors present their strategic report of Paycare ('the Company') for the year ended 31 December 2025.

Principal activity and review of the business

It is with great pride that I present this year's Business Review, marking the first year of our new strategic period, Building Foundations. This has been a year characterised by reflection, evaluation and forward planning - identifying opportunities, reshaping our priorities, and establishing the conditions required for long-term success. Despite wider economic pressures, we have remained focused on ensuring the organisation is positioned on a sustainable footing, and I am pleased to share that meaningful and important progress has been made.

It has also been a particularly rewarding year in many ways. Through a culture of empowerment and trust, our team has continued to grow in confidence, capability and ambition. I would like to express my sincere appreciation to every member of the Paycare team for their hard work, curiosity and positive commitment to change. Your contribution has been invaluable.

Performance and sustainability

Following our 2024 product value and profitability review, the actions implemented during the year have strengthened the balance between providing affordable, relevant healthcare and the sustainability of our products. At the same time continuing to deliver some of the best value across the sector for policyholders in terms of claims paid. As a percentage of premium income, claims reduced to 72.0% (2024: 76.6%), with the number of claimants reducing to 71,493 (2024: 75,266). The average cost of treatments however continued to increase by 1.6% to £67.59 (2024: £66.51), reflecting ongoing pressures within the wider healthcare sector.

Against a backdrop of ongoing cost of living pressures and sustained demand on NHS services, this approach ensures we remain well positioned to continue investing in meaningful product and service enhancements.

This has also been a year of strengthening the organisation from within. We have focused on ensuring that our operational cost base is both sustainable and aligned with the long-term needs of the business. Our relocation to the University of Wolverhampton Science Park represents a significant milestone in our strategic plan and has already begun to transform the way our teams collaborate, connect and work. The modern, flexible and wellbeing focused environment provides an excellent foundation for innovation, partnership and growth. Its position within a thriving ecosystem of health, research and technology organisations also enhances opportunities for collaboration with the University, the NHS and other partners committed to advancing preventative health and community wellbeing.

During the year we also refined our organisational structure, introducing new roles and teams including our Innovation Team and further strengthened our Governance, Risk and Compliance Team to deepen our insight and accelerate delivery. And to build on the substantial technology investment made in recent years, we have started to unlock greater value from our systems, laying

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STRATEGIC REPORT TO THE MEMBERS OF PAYCARE

the groundwork for enhanced customer experiences, new product development and improved acquisition capability.

Regulatory framework

At the end of 2024, we transitioned to Non-Directive Firm status under the new Solvency UK framework. This more proportionate regulatory approach reduces the administrative and compliance requirements associated with the former Solvency II regime. The resulting efficiencies allow us to focus a greater share of our resources on delivering value to our policyholders, while continuing to maintain robust financial safeguards that are appropriate to the scale, complexity and risk profile of our organisation.

Our people

Our team has been pivotal to the progress we have made this year. The transition to our new workplace in the second half of the year has had a clear positive impact, enhancing collaboration, flexibility and wellbeing across the business. Throughout the year, our teams have continued to demonstrate the commitment, adaptability and pride that were so evident during our 150th anniversary. These qualities remain fundamental to the transformation we are shaping together.

We continued to invest in leadership capability, skills development and the behaviours that promote openness, accountability and continuous improvement. As our organisational expectations evolve in line with our strategic ambition, we remain committed to ensuring our team feel supported, equipped and confident to contribute to our future direction.

Our MyGiving and volunteer initiatives continued to deliver meaningful impact in the communities we serve, supporting services like the Good Shephard, The Haven, Brighter Minds and a wide range of local causes. We strengthened valued relationships with partners including the Wolves Foundation, the Grand Theatre and the Dudley Canal and Tunnel Trust, and deepened our collaboration with the University of Wolverhampton to encourage innovation, research and community benefit.

We also took part in the Molineux Sleepout, continued our support for grassroots sport through Darlaston Town FC, and launched our Wellbeing Toolbox campaign in partnership with the Shropshire Chamber, promoting open and proactive conversations around health and wellbeing in workplaces across the region.

Our new working environment continues to encourage fresh thinking and a broader perspective on the potential of a long-established product. By shifting the focus from constraints to possibilities, we are better equipped to explore how our products can play an even greater role in preventative health and in supporting the wellbeing of the communities we serve.

It's an exciting time for the Paycare community.

PAYCARE**STRATEGIC REPORT TO THE MEMBERS OF PAYCARE**

As we look ahead, we extend our sincere thanks to our policyholders for their continued trust and support. Your confidence in us enables Paycare to build on more than 150 years of service - something we very much value and never take for granted.

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 2025, the group reserves increased to £5,519,925 (2024 – decreased to £5,385,667) representing 79.5% of premium income (2024 – 79.2%). The group surplus on unrealised reserves at the year-end amounted to £85,215 (2024 – deficit of £37,520).

Strategy and business planning

Paycare's principal activity is the provision Health Cash Plans in the United Kingdom (UK) and our strategy is aligned with Our Purpose, helping the UK be happier and healthier. Customers are at the heart of what we do, and as a not-for-profit company, we remain focused on delivering products and services that support the health and wellbeing of our community.

The Company provides and administers general insurance products and services to corporate businesses and individual customers. As part of its services, it also provides wellbeing solutions for Small and Medium sized enterprises (SME's).

All business is written in the UK.

Paycare exists to help people live healthier, happier lives. As a not-for-profit, we're here for people, not shareholders, and any value we create goes straight back into supporting our Policyholders and strengthening the communities we serve.

Our purpose is simple: to remove barriers to everyday healthcare and to support preventative, accessible wellbeing for as many people as possible. That belief has guided us for more than 150 years, and it continues to shape how we plan future activities.

Strategically, we're focused on growing our reach and continuing to strengthen our financial position so we can deliver on that purpose for the long term. By working with more businesses, understanding what matters most to our customers, and providing a reliable and authentic service, we aim to be the health cash plan partner organisations trust.

Our priorities remain clear: support our customers, operate responsibly, and make a meaningful difference to the health and wellbeing of our region - staying true to why Paycare exists.

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STRATEGIC REPORT TO THE MEMBERS OF PAYCARE

Our Strategy defines Paycare's goals and objectives across five key strategic areas:

1. Healthy Paycare

By working with more businesses and understanding what matters most to our customers, we aim to grow with purpose, supporting even more people to access the everyday healthcare they need.

Alongside this, we are focused on continuing to strengthen our financial position. A stronger foundation enables us to reinvest responsibly in key initiatives, enhance our long-term sustainability, and increase the positive impact we have within our communities.

In 2026, we'll keep reaching more people and making sure they feel supported with their everyday healthcare needs. We'll continue building genuine relationships, offering a caring service, and focusing on what matters most to the individuals and families who rely on us. Our aim is to grow in a steady, thoughtful way that stays true to our purpose and the values that guide us.

At the same time, we'll continue strengthening our financial position so we can look after our customers well into the future. That means making sensible choices and keeping our products fair and sustainable. By staying financially strong and customer-focused, we can keep reinvesting in the things that make a real difference for our Policyholders, our people, and our community.

2. Happy Customers

We're dedicated to offering products and support that improves our customers' lives. By truly listening to their needs and delivering reliable, caring, and innovative solutions, we aim to be a trusted partner in their health and wellbeing journey. Our focus on product design and customer experience means creating seamless, engaging interactions and building connections that last a lifetime.

During 2026 we will continue developing customer-focused improvements that make using Paycare simple, intuitive, and supportive. This includes refining how customers interact with us, strengthening feedback loops, and exploring enhancements that improve the overall experience while keeping support accessible and affordable.

3. Better ways of working

At Paycare, operational excellence means working in a way that helps us do the right things for our customers, every day. It's about staying curious, supporting each other to find better ways of working, and making improvements that make a difference. When our team feels confident and connected to our purpose, our service becomes stronger too.

By keeping this mindset at the heart of how we work, we can continue to grow and innovate while still offering the support our Policyholders expect from us.

PAYCARE**STRATEGIC REPORT TO THE MEMBERS OF PAYCARE**

In 2026, we'll continue finding meaningful ways to work smarter together. By simplifying processes to remove unnecessary steps and helping our teams feel confident with the tools they use, we can deliver an even better experience for customers. These improvements help us stay reliable, responsive and ready for the future.

4. Building the best team

At Paycare, we want our people to feel at home and excited to make a difference every day. Through initiatives that support wellbeing, growth, and belonging, we celebrate diversity of thinking and empower our team to bring their best. We're building an environment where everyone feels valued and motivated to contribute to a positive and impactful workplace.

We'll keep investing in our people by supporting wellbeing and development and helping everyone feel connected to the difference they make. In 2026, we want colleagues to feel proud of the part they play in Paycare's journey and supported in their growth both personally and professionally.

5. Making a difference

At Paycare, we're here to make a genuine difference in the Black Country and Shropshire. Through local projects, partnerships, and health initiatives, we're dedicated to helping our community grow stronger and healthier.

Our commitment to our region remains at the heart of who we are. In 2026, we'll continue working with local partners, supporting health and wellbeing initiatives, and encouraging our team to get involved in projects that make a positive difference. Helping our community thrive is, and always will be, a key part of our purpose.

Climate change – activity during the year and future developments

Climate change is one of the biggest challenges globally and at Paycare we believe that we have a responsibility to help and support the transition to net zero for the benefit of our stakeholders and community. During the year, we have taken steps to reduce our carbon footprint and engaged with our employees and communities to address climate change issues.

Paycare is on a journey in improving its understanding of its exposure as well as dependencies and associated risks. As part of our new strategy, we are exploring further initiatives that will have a meaningful impact, as well as identifying possible investment opportunities that support the long-term sustainability of the business and acts in the best interests of our customers.

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STRATEGIC REPORT TO THE MEMBERS OF PAYCARE

Regulatory developments

As Paycare automatically became a Non-Directive Firm effective 31 December 2024, the change in regulatory status was considered when defining the Company's future strategy for the period 2025 – 2028.

Principal risks and uncertainties

Within the Directors' Report, the Company has explained its compliance with the AFM Corporate Governance Code, one element of which relates to Opportunity and Risk (principle 4). Within this section of the annual report, the Company explains what it views as its principal risks and uncertainties. Please refer to pages 16-20.

Capital management

We are experiencing a period of financial turbulence in financial markets. We take a very proactive approach to this challenge. We regularly assess the impact of the turbulent market conditions and its impact on the business. Where necessary we adjust our strategies to ensure our regulatory solvency levels are adhered to.

PAYCARE**STRATEGIC REPORT TO THE MEMBERS OF PAYCARE****Section 172 statement**

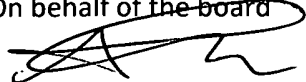
In accordance with Section 172 of the Companies Act 2006 (the Act), the directors continue to prioritise the interests of the Company's employees and other stakeholders, and act in good faith to promote the long-term success of the Company.

The Board believe the key stakeholders for Paycare are our employees, customers, suppliers, and regulators. During the year, the Directors have applied Section 172 of the Act consistent with Paycare's purpose, values and strategic objectives. All papers submitted to the Board take into consideration the potential impact on the areas highlighted in Section 172, to ensure decision making and proposals are aligned.

We have built and maintained relationships with each of these stakeholder groups throughout the year and in accordance with Section 172 (1), the following is a summary of how we have engaged with them:

Stakeholder	Engagement
Employees	Our people are key to the success of our business and delivery of our strategic plan. The wellbeing of our staff is at the forefront of our decision making and we continue to act as a responsible employee when reviewing performance, pay and benefits. We engage with employees throughout the year through regular staff briefings and continuously ask our staff for feedback. We pride ourselves on listening to our employees and recognise the importance of balancing home commitments with work.
Customers	Customers are at the heart of what we do and our purpose to make our customers happier and healthier is at the core of our business plan and decision making. We continually engage with our customers, providing support toward their everyday health and wellbeing. Consumer Duty continues to form the core basis for overall customer experience, to ensure that we prioritise the needs of our customers.
Suppliers	We value all our business relationships and work closely with our suppliers and outsourced arrangements to ensure the delivery of high-quality services. Through daily interaction and regular meetings, we have strong oversight of these relationships, to ensure that our operations activities and services provided are efficient and effective and are aligned to our strategic plan.
Regulators	Acting with integrity and doing the right thing is at the heart of our culture and our values are aligned with those of our regulators. We have strong Governance and Risk & Compliance frameworks in place that are aligned to FCA and PRA regulation, which remain proactive and reactive in an ever-changing regulatory landscape. Our decision making and strategic plan is directly aligned to these Frameworks to ensure compliance. We proactively engage with our regulators and are open and transparent in these interactions. We actively respond to consultation papers directly and through the Association of Financial Mutuals to ensure the right outcomes for our customers.

On behalf of the board



Anthony Burns
CEO

PAYCARE

DIRECTORS' REPORT TO THE MEMBERS OF PAYCARE

The directors have pleasure in submitting their fifty-ninth annual report, together with the audited financial statements for the year ended 31st December 2025.

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. The Strategic Report outlines Paycare's future strategy and developments.

Directors

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

N Mumford
K Rogers (appointed January 2025)
A I Burns
K W Waite (appointed June 2025)
S Carr
J C H Grace
H E Hooper (resigned December 2025)

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report, the strategic report, and the financial statements in accordance with applicable law and regulations and in accordance with United Kingdom Generally Accepted Accounting Practice.

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 accounting 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.

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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 the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom, governing the preparation and dissemination of financial statements, may differ from legislation in other jurisdictions.

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 Company 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 £14,850 (2024 - £16,015) were paid 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 28 years.

In 2017 we welcomed Sickle Cell Thalassaemia 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. 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.

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DIRECTORS' REPORT TO THE MEMBERS OF PAYCARE

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 2025 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.

PAYCARE

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 committees. 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 2025. There are separate attendance statements in respect of the nomination, remuneration and audit and risk committees within the directors' report.

PAYCARE**DIRECTORS' REPORT TO THE MEMBERS OF PAYCARE**

Director	Role (I = Independent)	Committee (C= current chair)	Attendance record
Kevin Rogers	Non-executive Director Chair	Remuneration & Nominations	5/5
Anthony Burns	Chief Executive Officer		5/5
Sajida Carr	Non-executive director (I)	Remuneration & Nominations (C)	5/5
Jeremy Grace	Non-executive director (I)	Audit & Risk (C) Remuneration & Nominations	5/5
Helen Hooper	Non-executive director (I)	Audit & Risk	5/5
Nicola Mumford	Director of Operations		5/5
Keith Waitt	Non-executive director	Audit & Risk	2/2

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 level of skills and experience to address the challenges that the business currently faces along with those of the future.

The Remuneration and Nominations Committee is charged principally with:

- The responsibility for setting the remuneration policy for all executive directors and the company's chairman
- Recommend and monitor the level and structure of remuneration for senior management
- Conducting an annual review of the Board's Composition and Succession Planning ensuring it maintains a proper balance of skills and independence on the Board
- Leading the process for identifying and making recommendations to the Board regarding candidates for appointment as directors.

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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 remain 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 the 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 2025.

Director	Role	Attendance record
Jeremy Grace	Non-executive director (C)	3/3
Helen Hooper	Non-executive director (I)	3/3
Keith Waitt	Non-executive director	2/3

PAYCARE**DIRECTORS' REPORT TO THE MEMBERS OF PAYCARE**

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.

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 risks 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.

PAYCARE**DIRECTORS' REPORT TO THE MEMBERS OF PAYCARE**

Operational risk

Operational risk relates to the risk of loss resulting from inadequate or failing internal processes, people, and systems, loss, or failure of key suppliers or from external events such as a cyber-incidents, natural disasters or terrorist attacks.

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.

The Company mitigates this risk through regular staff Cyber training, multiple backups of all our data and software taken both onsite and offsite at multiple locations based in the UK, penetration tests on our public facing website, VPN to protect Paycare online privacy, and robust physical and IT security controls over personal data. The Company also holds specific Cyber Security insurance that includes access to technical experts in the event of a cyber incident.

- Outsourcing – the risk of failure, non-performance, and/or ineffective management oversight of key suppliers/outsourcers.

The Company mitigates this risk through effective supplier selection and procurement practices. We carry out credit checks on significant suppliers. Capital ratios and other financial information are monitored regularly. We conduct regular monitoring as part of our oversight of material, critical and important outsource providers, which includes quarterly oversight meetings where performance is monitored. We have appropriate Risk Management systems and controls to manage risk associated with each third-party relationship.

- People – the risk of inadequate recruitment process, development, management, or retention of employees and/or contractors

The Company's performance depends on its staff. There can be key person dependency in areas where experience and/or knowledge is very difficult to replace in short term. The risk is mitigated by a strong staff development program, succession planning and training and competency framework for the business.

PAYCARE

DIRECTORS' REPORT TO THE MEMBERS OF PAYCARE

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 risks 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 RLAM, to ensure we take the necessary steps in ensuring our investments are invested responsibly. On our behalf, RLAM engages 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 22.

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 and Nominations 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

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.

PAYCARE

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 2025.

Director	Role	Attendance record
Sajida Carr	Chair (I)	3/3
Kevin Rogers	Non-executive director	3/3
Jeremy Grace	Non-executive director (I)	3/3

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 in line with its responsibilities under Section 172 of the Act.

Regulation

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

In order to maintain compliance, during 2025 the 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.

The regulators have demonstrated proportionality in the administration of the Solvency II regime for businesses of our nature and complexity by making changes to the thresholds under Solvency UK. Following the conclusion of the Solvency II review, Paycare transitioned to becoming a Non-Directive Firm effective 31 December 2024.

Paycare operated processes and systems in conjunction with our actuaries, software providers and investment managers which ensured compliance under the Non-Solvency UK firm regime throughout 2025.

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

PAYCARE

DIRECTORS' REPORT TO THE MEMBERS OF PAYCARE

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 classified as 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	2025	2024	2023	2022	2021
Total for Scope 2	t CO2e	45.0	46.5	42.1	47.8	58.5
Total for Scope 3	t CO2e	2.2	2.6	3.0	2.1	0.7
Total	t CO2e	47.2	49.1	45.1	49.9	59.2
Intensity metrics	t CO2e/sq ft	0.00401	0.00418	0.00384	0.00425	0.00504

Progress against our climate change commitments

Risk management

We considered climate change within our risk management and business planning and have developed a climate risk appetite statement with associated metrics and where possible, identified opportunities to reduce the risks.

Operating efficiently

Climate change is also considered within our business operations. We continued to deliver against our operational climate pledges and are ahead of target in the decarbonisation of our direct operations. Our focus has been extended to all our operational emissions, which will enable us to establish our pathway to net zero in our indirect operational emissions too.

With risks, there are potential opportunities, and the Company has concentrated efforts in defining a paperless claims journey for our customers, (79% average/year of claims received are online). We are also developing our processes for supplier onboarding and management to understand how they are responding to climate change and what they are doing to mitigate its risk. We are focussing our efforts towards reduction, reuse, and even recycling of the products used within the firm.

PAYCARE

DIRECTORS' REPORT TO THE MEMBERS OF PAYCARE

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 2025 we continued our work on a variety of health and wellbeing initiatives, these were 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



K A Rogers

Chairman

24th March 2026

PAYCARE**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PAYCARE****Independent Auditors' Report to the Members of Paycare****Opinion**

We have audited the financial statements of Paycare (the 'parent company') and its subsidiary (the 'group') for the year ended 31 December 2025 which comprise the Consolidated Statements of Comprehensive Income - Technical and Non-Technical Accounts, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated Balance Sheet, the Company Balance Sheet, 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 financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the 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 2025 and of the group's surplus for the year then ended;
- the 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 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, which includes a detailed budget for 2026 and forecasts for 2027 and 2028 as management prepare their plan on a rolling 3-year basis.
- assessing the accuracy and reasonableness of the key assumptions and inputs used in management's going concern assessment, 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 reporting to the Prudential Regulation Authority as required by a Non-Directive Firm;
- reading minutes of meetings of the Board and other Committees; and

PAYCARE**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PAYCARE**

-
- 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.

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 overall materiality for the group to be £165,000 (2024: £165,000) which is 3% of Reserves (2024: 3% of Reserves). We set the parent company's overall materiality at £165,000 (2024: £165,000) which is the same level as the group overall materiality recognising that the company's one subsidiary is immaterial to the results of the group. We have selected Reserves as a benchmark for the purposes of the materiality calculations as it is the key metric used by the Directors. The Directors seek to ensure that the group and parent company meet the solvency requirements as set out by the regulator, which is driven by the Reserves held. Based on our review of historical results, Reserves is also the least volatile benchmark.

Based on our risk assessments of the group and parent company, together with our assessment of the group's and parent company's overall control environment, our judgement was that performance materiality be set at 80% (2024: 80%) of our overall materiality. The performance materiality is £132,000 (2024: £132,000) for the group and the same threshold for the company.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of 5% of overall materiality for the group and the same threshold for the company, which is £8,200 (2024: £8,200). Differences below this threshold were also reported which, in our view, 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. We take into consideration the account size, risk profile and the organisational structure of the group and parent company, including control environment 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 of internal controls, information systems 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 estimation uncertainty and involve the use of expert judgement. 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. The most important area is detailed within the Key Audit Matters section of our report

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.

PAYCARE

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PAYCARE

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 17b "Risk arising from insurance contracts" The provision for claims outstanding within technical provisions represents amounts due to policyholders for reported claims, as well as claims incurred but not reported (IBNR). The group calculates the IBNR for its cash plan business by applying a 2.5% provision to the total claims paid for the financial year. The claims run-off for the previous financial period is also assessed against the calculated provision for the prior financial year to gain assurance that the provisioning approach remains appropriate. There is a risk that technical provisions held are insufficient, whether from the use of inaccurate underlying data, or the use of inappropriate assumptions. Due to the significant level of estimation and judgement involved, the reserving for technical provisions is subject to the risk of bias. Therefore, this area is regarded as a significant risk and a key audit matter. Total technical provisions amounted to £208,577 as at 31 December 2025 (2024: £198,151).	How our scope addressed this matter Our audit work in this area included: • Assessing the design and implementation of the relevant controls over the calculation of the provision, including management's review of any key assumptions and inputs used in the calculation and any manual adjustments made by management to the calculation; • Testing the underlying data used in the provision calculation by agreeing a sample back to the policy administration system and bank statements; • Obtaining management's technical provisions calculations and recalculating them to assess the mathematical accuracy against the stated methodology; • Challenging key assumptions and inputs used (e.g. average cost per claim) to understand if these were reasonable given any specific events in the year or emerging trends; • Performing sensitivity of the key assumptions and inputs used within the model; • Analysing the run-off of the 31 December 2024 claims outstanding reserve to the actual development in 2025; and • Assessing whether the 31 December 2025 provision is running off as expected post-year end, by comparing to the typical run-off curve observed in previous periods. <u>Key observations:</u> Based on the procedures performed above, we are satisfied that the valuation of the provision for outstanding claims is not materially misstated.

PAYCARE**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 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 (per the directors' report), 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.

PAYCARE**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PAYCARE**

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 Prudential Regulation Authority Rulebook, the Financial Conduct Authority Handbook 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:
 - Making enquiries of management;
 - Reviewing board meeting 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. Our sole fraud risk was the non-rebuttable presumption of a risk of fraud arising from management override of controls.
- 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. instances of non-compliance. The risk is also greater regarding irregularities occurring dA 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.

PAYCARE

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PAYCARE

Other matters which we are required to address

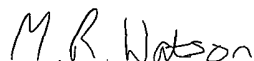
We were appointed by Audit & Risk Committee on 5 April 2022 to audit the financial statements for the period ending 31 December 2021 and subsequent financial periods. Our total uninterrupted period of engagement is 5 years, covering the periods ending 31 December 2021 to 31 December 2025.

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 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.



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

12 King Street
Leeds
LS1 2HL

25th March 2026

PAYCARE**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME TECHNICAL ACCOUNT
YEAR ENDED 31ST DECEMBER 2025**

	<u>Note</u>	2025 £	2024 £
Technical Account – General Business			
Earned premiums			
Gross premiums written	3	6,945,054	6,800,972
Allocated investment gain/(loss) transferred from the non-technical account		156,178	148,096
Claims incurred			
Claims paid gross		(4,989,790)	(5,257,322)
Change in the provision for claims		(10,426)	49,126
		2,101,016	1,740,872
Net operating expenses	4	(2,181,326)	(2,175,286)
Balance on technical account for general business		(80,310)	(434,414)

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

PAYCARE

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME NON-TECHNICAL
ACCOUNT
YEAR ENDED 31ST DECEMBER 2025**

	<u>Note</u>	2025 £	2024 £
Non-Technical Account			
Balance on technical account for general business		(80,310)	(434,414)
Investment income	8	257,759	254,515
Unrealised gains/(losses) on investments		125,735	92,591
Investment expenses and charges		-	-
Allocated investment (gain)/loss transferred to the general business technical account		(156,178)	(148,096)
Other income		20,273	22,118
Other charges	9	(16,505)	(17,917)
Revaluation of investment property		-	(21,450)
Surplus/(deficit) on ordinary activities before tax		150,774	(252,653)
Tax credit/(charge) on ordinary activities	10	(16,516)	(1,053)
Surplus/(deficit) for the year on ordinary activities		134,258	(253,706)
Other Comprehensive Income			
Revaluation of land & buildings		-	(33,550)
Deferred taxation arising from revaluation of land and buildings	10	-	3,000
Surplus/(deficit) for the year transferred to/(from) reserves		134,258	(284,256)

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

PAYCARE**STATEMENTS OF CHANGES IN EQUITY
YEAR ENDED 31ST DECEMBER 2025**

Group	Realised £	Unrealised £	Total £
Balance at 1st January 2024	5,770,810	(100,887)	5,669,923
Surplus/(deficit) for the year	(341,356)	87,650	(253,706)
Profit/(loss) on realisation of investment	6,733	(6,733)	-
Deferred tax movement	(13,000)	13,000	-
Revaluation reserve	-	(30,550)	(30,550)
Balance at 31st December 2024 and 1st January 2025	5,423,187	(37,520)	5,385,667
Surplus/(deficit) for the year	8,523	125,735	134,258
Profit/(Loss) on realisation of investment	-	-	-
Deferred tax movement	3,000	(3,000)	-
Balance at 31st December 2025	5,434,710	85,215	5,519,925
Company	Realised £	Unrealised £	Total £
Balance at 1st January 2024	5,957,655	(100,887)	5,856,768
Surplus/(deficit) for the year	(354,985)	87,650	(267,335)
Profit/(loss) on realisation of investment	6,733	(6,733)	-
Deferred tax movement	(13,000)	13,000	-
Revaluation reserve	-	(30,550)	(30,550)
Balance at 31st December 2024 and 1st January 2025	5,596,403	(37,520)	5,558,883
Surplus/(deficit) for the year	(2,709)	125,735	123,026
Profit/(loss) on realisation of investment	-	-	-
Deferred tax movement	3,000	(3,000)	-
Balance at 31st December 2025	5,596,694	85,215	5,681,909

PAYCARE**CONSOLIDATED BALANCE SHEET
AT 31ST DECEMBER 2025**

			2025		2024
	<u>Note</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
ASSETS					
Investments					
Investments in equity instruments	11		3,932,547		3,806,812
Investment property	11		495,000		321,750
			4,427,547		4,128,562
Debtors					
Debtors arising out of direct insurance operations – policyholders		243,320		239,014	
			243,320		239,014
Other assets					
Tangible fixed assets	12	987,779		1,194,306	
Bank and cash		551,142		474,629	
			1,538,921		1,668,935
Prepayments, accrued income and other debtors					
			48,430		53,919
			6,258,218		6,090,430

PAYCARE**CONSOLIDATED BALANCE SHEET
AT 31ST DECEMBER 2025**

	<u>Note</u>	2025 £	2024 £
LIABILITIES			
Reserves		5,519,925	5,385,667
Technical provisions			
Claims outstanding	17	208,577	198,151
Provisions for liabilities			
FSCS Levy	13	69,486	68,235
Deferred taxation	14	12,000	9,000
Creditors	15	252,858	255,579
Accruals and deferred income		195,372	173,798
		<u>738,293</u>	<u>704,763</u>
		<u>6,258,218</u>	<u>6,090,430</u>

Approved and authorised for issue by the Board of Directors on 24th March 2026



K A Rogers – Chairman



A I Burns – Chief Executive

Company Registration No: 00820791

PAYCARE**COMPANY BALANCE SHEET
AT 31ST DECEMBER 2025**

		2025	2024
	<u>Note</u>	<u>£</u>	<u>£</u>
ASSETS			
Investments			
Investments in equity instruments	11	3,932,547	3,806,812
Investment property	11	495,000	321,750
Investment in subsidiary	11	100	100
		4,427,647	4,128,662
Debtors			
Debtors arising out of direct insurance operations – policyholders		243,320	239,014
		243,320	239,014
Other assets			
Tangible fixed assets	12	987,779	1,194,306
Bank and cash		538,069	462,390
		1,525,848	1,656,696
Prepayments, accrued income and other debtors			
		219,781	237,774
		6,416,596	6,262,146

PAYCARE**COMPANY BALANCE SHEET
AT 31ST DECEMBER 2025**

	<u>Note</u>	2025 £	2024 £
LIABILITIES			
Reserves		5,681,909	5,558,883
Technical provisions			
Claims outstanding	17	208,577	198,151
Provisions for liabilities			
FSCS Levy	13	69,486	68,235
Deferred taxation	14	12,000	9,000
Creditors	15	251,358	255,579
Accruals and deferred income		193,266	172,298
		<u>734,687</u>	<u>703,263</u>
		<u>6,416,596</u>	<u>6,262,146</u>

Approved and authorised for issue by the Board of Directors on 24th March 2026



K A Rogers – Chairman



A I Burns – Chief Executive

Company Registration No: 00820791

PAYCARE**CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31ST DECEMBER 2025**

	<u>Note</u>	2025 £	2024 £
Net cash inflow/(outflow) from operating activities	21	125,921	(231,655)
Taxation			
Taxation paid		(9,441)	(11,053)
Net cash (used in)/generated from operating activities		116,480	(242,708)
Cash flow from investing activities			
Purchase of tangible fixed assets		(38,673)	(1,588)
Receipts from the sale of investments		-	400,000
Receipts from sale of fixed assets		200	-
Net cash (used in)/generated by investing activities		(38,473)	398,412
Net increase/(decrease) in cash at bank and in hand		78,007	155,704
Cash and cash equivalents at the beginning of the year		459,011	303,307
Cash and cash equivalents at the end of the year		537,018	459,011
Cash and cash equivalents consist of:			
Bank and cash		551,142	474,629
Claims bank account		(14,124)	(15,618)
Cash and cash equivalents		537,018	459,011

PAYCARE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2025**

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 The Science Centre Wolverhampton Science Park, Glaisher Drive, Wolverhampton, WV10 9RU.

(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 2025 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 a £123,026 surplus (2024 - £267,335 deficit).

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 12 month period from the date of signing year end accounts, and the capital requirements and coverage ratios, including stress testing. 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.

PAYCARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2025

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. The provision for outstanding claims represents the estimated cost of claims which have been reported, as well as those which have been incurred but not reported.

(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	3-15 years
Furniture & Fittings	4 years
Short Life Assets included in Freehold Property	10 years
Freehold Property	100 years

PAYCARE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2025**

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 a separate 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 recognised in the statement of comprehensive income – non-technical account and hence 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 comprehensive income. 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.

PAYCARE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2025**

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 2025**

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 2025**

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.

PAYCARE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2025**

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**

Provisions are 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.

Property valuation

A full valuation of the Paycare House freehold was obtained on 28 January 2026 from an independent valuer holding relevant professional qualifications. The fair value was assessed at £825,000, unchanged from the short form valuation obtained on 9 January 2025 and lower than the previous full valuation on 7 July 2021 (£880,000).

PAYCARE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2025****3. Gross premiums written**

	2025 £	2024 £
Premiums received	7,779,946	7,620,854
Less insurance premium tax	(834,892)	(819,882)
	<u>6,945,054</u>	<u>6,800,972</u>

4. Net operating expenses

	2025 £	2024 £
Staff costs (Note 6)	1,410,579	1,333,677
Sales and marketing	78,609	111,445
Administration costs	692,138	730,164
	<u>2,181,326</u>	<u>2,175,286</u>

5. Net operating expenses include

	2025 £	2024 £
Depreciation of owned assets (Note 12)	71,550	96,421
Fees payable to the Company's auditor for the audit of the Company's financial statements	54,000	52,000
Fees payable to the Company's auditor for the audit of PRA return (Non-audit service)	3,500	2,950
Operating lease rentals	2,546	-
Commissions paid	64,878	60,872
	<u>196,474</u>	<u>212,243</u>

PAYCARE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2025****6. Staff costs**

	2025 £	2024 £
Wages and salaries	1,111,292	1,064,906
Social security costs	164,109	137,548
Pension costs	135,178	131,223
	<u>1,410,579</u>	<u>1,333,677</u>

Average number of persons employed:

	2025 No.	2024 No.
Management and administration	26	26
Sales and marketing	5	6
	<u>31</u>	<u>32</u>
Full-time equivalent	27	28
Non-executive directors	5	5

PAYCARE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2025****7. Directors' remuneration**

	2025 £	2024 £
Emoluments including benefits in kind	265,425	240,537
Company contributions to defined contribution pension scheme	27,810	27,746
	<u>293,235</u>	<u>268,283</u>

At 31st December 2025 there are two directors to whom retirement benefits are accruing (2024: two).

Remuneration disclosed above include the following paid to the highest paid director:

	2025 £	2024 £
Emoluments including benefits in kind	144,326	126,891
Company contributions to defined contribution pension scheme	17,280	15,296
	<u>161,606</u>	<u>142,187</u>

Included in the directors' remuneration figure, the Company's non-executive directors received remuneration for their services as key management as follows:

	2025 £	2024 £
Non-executive directors' remuneration	<u>32,500</u>	<u>35,500</u>

Key management personnel is deemed to solely comprise the directors of the Group.

PAYCARE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2025****8. Investment income**

	2025	2024
	£	£
Income from freehold land and buildings		
Rent received	46,211	31,545
Property management fees	(3,174)	(1,800)
Other financial investments		
Dividends received	213,974	218,519
Interest on cash deposits	748	11,192
Gain/(loss) on the realisation of investments	-	(4,941)
	<u>257,759</u>	<u>254,515</u>

9. Other charges

	2025	2024
	£	£
Charitable donations	14,850	16,015
Cost of sales	1,655	1,902
	<u>16,505</u>	<u>17,917</u>

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

	2025	2024
	£	£
Corporation tax due at 25% (2024 – 25%)		
UK corporation tax on gains and investment income	13,516	11,053
Total current tax	<u>13,516</u>	<u>11,053</u>
Deferred tax		
Deferred tax charge/(credit)	3,000	(13,000)
Total tax charge/(credit)	<u>16,516</u>	<u>(1,947)</u>

PAYCARE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2025****10. Tax on surplus/(deficit) on ordinary activities (continued)**

	2025 £	2024 £
Factors affecting the tax charge/(credit) for the year		
Surplus/(deficit) on ordinary activities before taxation	150,774	(252,653)
	<u> </u>	<u> </u>
Surplus/(deficit) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 25% (2024 – 25%)	37,693	(63,163)
Mutual trading profits not tax deductible	57,276	143,981
	<u> </u>	<u> </u>
	94,969	80,818
Effects of:		
Dividends received not taxable	(41,692)	(40,814)
Movement in market value of equities	(31,434)	(23,148)
Revaluation of Investment property	-	5,363
Other permanent differences (donations/realised gain on investments)	-	92
Remeasurement of deferred tax for change in tax rates	-	14,485
Deferred tax on notional chargeable gains	31,434	5,863
Movement in deferred tax not recognised	(35,757)	(44,606)
Deferred tax (charged)/credited directly to OCI	-	3,000
Marginal relief	(1,004)	-
Origination and reversal of timing differences	-	(3,000)
	<u> </u>	<u> </u>
Tax charge/(credit) for the year	16,516	(1,947)

PAYCARE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2025****11. Investments****Investment property – Group and Company**

Paycare House consists of four floors and is regarded as a mixed-use property as presented in note 11. At the year end 2025 one floor is owner occupied and other three floors are leased out to third parties.

The fair value at the year end 2025 was £825,000 (2024: £825,000), with the net book value being £781,497 (2024: £787,899). As the split between Investment and Freehold Property is calculated based on square footage occupied by the tenants and that occupied by the Group, the Investment Property value at the year-end is £495,000 and the Freehold Property value excluding accumulated depreciation is £330,000 (note 12).

	£
Fair value and net book value	
At 1st January 2025	321,750
Reclassification of asset	173,250
31st December 2025	<u>495,000</u>

Investments in equity instruments – Group and Company

	Market Value		Cost	
	2025	2024	2025	2024
	£	£	£	£
Equity instruments	3,932,547	3,806,812	3,944,619	3,944,619
	<u>3,932,547</u>	<u>3,806,812</u>	<u>3,944,619</u>	<u>3,944,619</u>

Investment in subsidiary – Company

	2025	2024
	£	£
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.

PAYCARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2025
12. Tangible fixed assets – Group and Company

	Freehold Property £	Furniture & Fittings £	Computer Equipment £	Total £
Cost				
At 1st January 2025	503,250	173,102	1,449,862	2,126,214
Additions	-	19,816	18,857	38,673
Disposals	-	(6,582)	-	(6,582)
Reclassification of assets	(173,250)	-	-	(173,250)
At 31st December 2025	330,000	186,336	1,468,719	1,985,055
Depreciation				
At 1st January 2025	37,101	169,514	725,293	931,908
Charge for the year	6,402	2,705	62,443	71,550
Disposals	-	(6,182)	-	(6,182)
At 31st December 2025	43,503	166,037	787,736	997,276
Net book value				
At 31st December 2025	286,497	20,299	680,983	987,779
At 31st December 2024	466,149	3,588	724,569	1,194,306

PAYCARE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2025****13. Provisions for liabilities – FSCS Levy – Group and Company**

	2025	2024
	£	£
At 1st January	68,235	66,399
Profit and loss account charge	1,251	1,836
At 31st December	69,486	68,235

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

	2025	2024
	£	£
At 1st January	9,000	22,000
Deferred tax charge/(credit)	3,000	(13,000)
At 31st December	12,000	9,000

PAYCARE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2025****15. Creditors****Group and Company**

	2025	2024
	£	£
Claims bank account	14,124	15,618
Corporation tax	(17,530)	(21,605)
Taxation and social security	205,309	204,635
Other creditors	50,955	56,931
	252,858	255,579

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 (i.e. for which market data is unavailable) for the asset or liability

Listed investments totalling £3,932,547 (2024-£3,806,812) are stated at bid market price and all based on level 1 inputs.

PAYCARE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2025
Group**16. Financial instruments (continued)**

	2025	2024
	£	£
Financial assets		
<i>Measured at fair value</i>		
Investments in equity instruments	3,932,547	3,806,812
	<u>3,932,547</u>	<u>3,806,812</u>
<i>Measured at amortised cost</i>		
Debtors arising out of direct insurance operations	243,320	239,014
Prepayments, accrued income and other debtors	48,430	53,919
	<u>291,750</u>	<u>292,933</u>
<i>Measured at cost</i>		
Cash and cash equivalents	551,142	474,629
	<u>551,142</u>	<u>474,629</u>
	2025	2024
	£	£
Financial liabilities		
<i>Measured at cost</i>		
Claims bank account	14,124	15,618
	<u>14,124</u>	<u>15,618</u>
<i>Measured at amortised cost</i>		
Other creditors	50,955	56,931
Taxation and social security	205,309	204,635
	<u>256,264</u>	<u>261,566</u>

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

PAYCARE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2025
Company**16. Financial instruments (continued)**

	2025	2024
	£	£
Financial assets		
<i>Measured at fair value</i>		
Investments in equity instruments	3,932,547	3,806,812
	<u> </u>	<u> </u>
	3,932,547	3,806,812
	<u> </u>	<u> </u>
<i>Measured at amortised cost</i>		
Debtors arising out of direct insurance operations	243,320	239,014
Prepayments, accrued income and other debtors	219,781	237,774
	<u> </u>	<u> </u>
	463,101	476,788
	<u> </u>	<u> </u>
<i>Measured at cost</i>		
Cash and cash equivalents	538,069	462,390
	<u> </u>	<u> </u>

Other debtors include amounts due from group undertakings of £177,167 (2024 - £189,262).

	2025	2024
	£	£
Financial liabilities		
<i>Measured at cost</i>		
Claims bank account	14,124	15,618
	<u> </u>	<u> </u>
<i>Measured at amortised cost</i>		
Other creditors	49,455	56,931
Taxation and social security	205,309	204,635
	<u> </u>	<u> </u>
	254,764	261,566
	<u> </u>	<u> </u>

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

PAYCARE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2025**

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 price 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.

PAYCARE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2025****iii) Equity price risk:**

Equity risk is the risk that the value of investments will change as a result of prescribed equity value fluctuations. The equity risk capital requirement is calculated using prescribed factors based on the market level at the valuation date and a classification between equities quoted in major liquid markets ("type 1") and equities quoted in other markets ("type 2"). Type 1 equities are assumed to have lower volatility than type 2.

The prescribed stresses applied are 39% for type 1 and 49% for type 2 plus the symmetric adjustment, which was 7.81% at December 2025 (2024: -2.9%).

Other tangible assets on the balance sheet are treated as assets not quoted in major liquid markets. The impact on the capital resources of the prescribed movement in asset prices is £716K (2024: £596K).

Capital management

Paycare is regulated as Non-Directive firm and hence is subject to the prudential regime for Non-Directive firms as outlined in the Non-Solvency II firms sector of the PRA Rulebook. This Rulebook specifies the minimum amount of capital that a company must hold. Paycare manages its capital in accordance with the PRA's Rulebook and its internal capital management policy. Paycare has an internal target capital ratio operating zone of 1.75 to 2.00 times the regulatory capital requirement calculated using the rules applicable to a Non-Solvency II firm. At 31st December 2025, the solvency ratio calculated in line with the Non Solvency II rules was 333% of the Capital resources requirement, which was equal to the Base Capital resources requirement of £1.5m.

- 2025: Capital resources requirement cover 3.33 (audited) as a Non-Directive firm
- 2024: Capital resources requirement cover 2.46 (audited) as a Non-Directive firm

Paycare does not have shareholders and therefore its capital originates from 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. Technical provisions

	2025 £	2024 £
Claims outstanding		
- Incurred but not reported (IBNR)	153,958	160,234
- Reported	<u>54,619</u>	<u>37,917</u>
Total claims outstanding	208,577	198,151

PAYCARE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2024**

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 instruments held in Collective Investment funds are valued at £3,933K (2024: £3,807K).

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 manage financial risk and 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 £1,296K (2024: £1,193K) and the Board are of the opinion we hold sufficient capital reserves.

i) Interest rate risk:

Interest rate risk occurs principally from fixed interest assets, such as government and corporate bonds. To manage financial risks, the internal sensitivity analysis for interest rate risk utilises the approach of the Solvency II insurance regulatory regime. The impact of the shock is assessed by recalculating the value of the investments assuming that the interest rate of each bond increases and decreases by a prescribed shock based on the duration of each bond.

The increase in the term structure of interest rates would lead to an overall reduction of 7.1% of the value of the fixed interest assets and a capital requirement charge of £242K (2024: £252K). The decrease in the term structure of interest rates would lead to an overall increase of 6.3% of the value of the fixed interest assets and a capital requirement credit of £214K (2024: £227K).

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 £892K (2024: £862K).

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 £223K (2024: £230K).

PAYCARE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2025****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 £135,178 (2024 – 131,233). At 31st December 2025, there were £Nil contributions outstanding (2024 - £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.

There were no related party transactions during the year.

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

	2025 £	2024 £
Surplus/(deficit) on ordinary activities before tax	150,774	(252,653)
Depreciation	71,550	96,421
(Profit)/loss on disposal of fixed assets	200	-
Reversal Depreciation(Revaluation Building)	-	-
Revaluation Investment Property	-	21,450
Realised (gains)/losses on investments	-	4,941
Unrealised (gains)/losses on investments	(125,735)	(92,591)
Decrease/(increase) in insurance debtors	(4,306)	21,551
Decrease/(increase) in other debtors and prepayments	5,489	12,535
Increase/(decrease) in creditors and accruals	16,272	3,981
Increase in FSCS levy	1,251	1,836
(Decrease)/increase in provisions for claims	10,426	(49,126)
Net cash inflow from operating activities	125,921	(231,655)

22. Subsequent events

There are no subsequent events since the balance sheet date.

PAYCARE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2025**

Based on the 2025 claims rate, for every percentage point increase in the claims rate, the group's result before tax for 2025 and balance sheet reserves at 31 December 2025 would reduce by £69,451 (2024- £68,010).

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 2025 and using the claims rate for 2025 as above, for every percentage point decrease in policyholder numbers the group's result before tax for 2025 and balance sheet reserves at 31 December 2025 would reduce by £21,178 (2024 - £18,312).

18. Operating lease commitments

Operating lease payments represent rentals payable by the group for office space. The commitments disclosed above relate to a new office lease that commenced on 1st December 2025; as this lease was not in place in the prior financial year, no comparative information is presented for 2024. At the reporting date, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2025	2024
	£	£
Within one year	30,550	-
Between two and five years	122,201	-
More than five years	145,114	-
	297,865	-

PAYCARE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2025****17a) Claims outstanding**

	2025 £	2024 £
At 1st January	198,151	247,277
Movement in provision	(6,276)	(25,696)
Movement in claims reported	16,702	(23,430)
At 31st December	208,577	198,151

17b) 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.