BHSF Group Limited

Annual report and financial statements

For the year ended 31 December 2022

Company number 04767689

bhsf

Company information

Directors	Caroline A Coates Gary T Cowdrill Sara Fowler (Chair) Alison McKinna Jasvinder Saggu Thomas C Ross Heidi Stewart
Company Number	04767689
Registered Office	13th Floor 54 Hagley Road Birmingham B16 8PE
Independent Auditor	BDO LLP 55 Baker Street London W1U 7EU

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Chair's statement

For the year ended 31 December 2022

In 2023, BHSF celebrates its 150-year anniversary. We're celebrating 150 years of change, 150 years of progress and 150 years of supporting our customers.

The enduring impact of BHSF began in 1873, before even the NHS, at a time of great industrial and technological change, when our company was sparked into life through an incredibly innovative concept, the 'Hospital Saturday'. On one Saturday of the year, overtime earnings would be donated to directly support those who needed to access healthcare. Those funds would then be distributed to the voluntary hospitals and medical charities of Birmingham.

150 years on, our products and services continue to have a positive impact on the people we reach. Whether it is as a provider of health insurances, occupational health services, mental health support services and employee benefits, we support and deliver better health and wellbeing outcomes nationwide. Our journey, very much like our future, has been built on innovation, and a desire to augment the positive impact we have on people's lives.

2022 was another year of progress and innovation for BHSF. The ways in which people interact with healthcare services are changing, and some of the need to deliver change rests on the shoulders of providers like BHSF. Our aim, to make it simple and easy for everyone to access the right support, at the right time, is echoed in our rich heritage, as BHSF has continually responded to the needs of its customers and communities over its 150 years.

Recognising the need to continue BHSF's advancement in the health and wellbeing industry, the Board's focus has moved towards expediting its digital first agenda providing a total person approach to health and wellbeing services, through the launch of our 'long-term ambitious goal'.

The need for positive change has been at the forefront of the Board's agenda for 2022. Much of the work over 2022 was focused on addressing some of the challenges that arose in the year, and developing robust plans to ensure sustainability and strength against the risks that are fast emerging in society and business. These risks include the potential impact of high inflation on insurance claims together with a challenging sales environment. The rapid emergence of artificial intelligence is also a timely reminder that technological disruption to established ways of living and working can occur with little warning.

In this environment, our focus has been across three main areas – operational systems/processes, connected online solutions and recognising the importance of data within a digital environment.

Operationally our core systems will go through the next evolution, helping to provide the infrastructure for growth into the future and the automation to streamline our back-office processes. Our online solutions and digital offerings will provide a fully connected service, one platform to access the benefits we offer (insurance services, employee benefits and occupational health) with connected services that are available at a time that suits the customer, on a platform of their choice.

Supporting all our plans is data and the increasing need to protect our customers' data, whilst being able to use innovation and automation for quicker resolution when it comes to our customers' health and wellbeing needs.

Accordingly, the Board continues to support investment in areas which will strengthen BHSF's long-term strategic success to achieve the long-term ambitious goal, provide the business with the agility it needs to adapt to the financial, technological and other challenges that emerge, and to innovate to further enhance customer experience.

At BHSF, we have always prided ourselves on putting our customers at the heart of everything we do. This came under renewed focus with the launch of the Consumer Duty project in 2022, responding to the FCA's 'Consumer Duty' regulation.

BHSF's culture is fully aligned to the requirements of the regulation and one of our core values is that we are committed to putting our customers and their needs first. Maintaining good outcomes for our customers drives our strategy, decisions, and motivations. As a Board and wider workforce, we truly care about our customers, and champion the principles of Consumer Duty.

Following a period of low claims at the height of the COVID-19 pandemic, the Board set out to enhance value to policyholders in 2022 by holding back price increases whilst increasing the benefits available. This included extended limits on some of our most popular benefits as well as some brand-new benefits in many policies. Our policyholders embraced these benefits as can be seen by the significant increase in claims in 2022. Inevitably, we can only sustain this for so long and given the current inflationary environment we are expecting that the benefits will return to more normal levels.

In 2022, we welcomed to the Board two new non-executive directors. Alison McKinna joined the Board in March 2022, and Jaz Saggu joined the Board in June 2022. Both Alison and Jaz bring a wealth of experience, capability and knowledge across a range of industry sectors, to augment the existing board at this exciting time as we implement our strategy.

Both appointments were made with the involvement of a staff panel of five colleagues from around the business alongside the Remuneration & Nomination Committee panel, signifying the importance the Board places on the employee voice.

The Board's relationship with BHSF's Staff Forum continues to be key to ongoing staff engagement and is the embodiment of staff empowerment, one of our core values. Our Staff Forum was busy in 2022 with various initiatives.

One of the most impactful was the launch of a new staff awards scheme aiming to enhance reward and recognition for staff who go above and beyond in demonstrating our company values. 178 nominations were received in eight award categories including Empowerment, Pride of BHSF and Colleague of the Year. An awards ceremony and Christmas meal to celebrate the achievements of colleagues was arranged and hosted by the Staff Forum.

The Staff Forum also undertook external training which enabled them to enhance their effectiveness. As a result, key initiatives to ensure the employee voice is heard in 2022 included focus groups held to inform a review of BHSF's benefits offering and implementing monthly Open Forum sessions.

As the impact of the COVID-19 pandemic receded over the course of 2022, we were pleased to see increasing numbers of staff returning to our head office at 54 Hagley Road in Edgbaston. Whilst still enjoying hybrid working options, most of our head office-based staff now attend work at least once per week in a shared, modern environment, which has proven beneficial for many.

The last few years have brought new ways of working, many of which have improved inclusivity across our nationwide business. BHSF's company conferences continued to be held virtually in 2022. One of the conferences heard from the non-executive directors who provided an insight into how the Board operates, their individual roles and what being at BHSF means to them. This was warmly appreciated by staff and the feedback was overwhelmingly positive.

Our Board is grateful to be supported by an incredibly enthusiastic, adaptable, and hardworking workforce at BHSF. They work together to find solutions to challenges that arise and celebrate each other's accomplishments. I would like to thank the whole team at BHSF for their efforts in enabling the Group's operations to run smoothly and effectively, and for the collaboration involved in driving the business forward to achieve its long-term goals.

In 2022 we said farewell to two non-executive directors, Chris Wiggin, who joined the Board in 2017, and Jill Bonehill, who joined in 2014, and an executive director, Geoff Guerin, Chief Operating Officer, who started his career at BHSF in 2006. We thank them for the contribution they made to BHSF.

Although 2022 presented challenges, the team remains committed to finding ways to enhance our processes and systems to ensure we are providing good quality, good value products and services for our customers.

Leading the Board through 2022 and into 2023, BHSF's 150th anniversary year, truly has been a privilege. As a Board, we are inspired by our people, whose role in accomplishing our goals is greatly appreciated. We are gratified by the positive impact BHSF has had on the health and wellbeing of our customers every day, not just in 2022, but for the last 150 years. And finally, we are motivated by our vision, as we make progress in fulfilling our goal that, as a pioneer of health and wellbeing needs, everyone will know someone BHSF has reached.

Sara Fowler

Sara Fowler
Chair
21 September 2023

Group Chief Executive’s business review

For the year ended 31 December 2022

Introduction

2022 was my first full year as Chief Executive. During the year, our focus was on expediting our Digital First agenda so that we can achieve our ambition of ‘everyone knowing someone BHSF has reached’. The year focussed on positive change that builds the foundations to ensure sustainability in an ever-evolving health and wellbeing market.

Sustainability

As a ‘profit for good’ business our focus has been on ensuring we provide value to our policyholders. Following the low claims during the pandemic the Board took the decision to delay any increase in prices and enhance the benefits we offer to our policyholders. This has resulted in a significant increase in claims during 2022 and a deficit of £4.3m on the technical account. This formed part of our commitment to give back some of the surplus received during the pandemic. Our challenge going forward will be to continue to deliver customer value but ensure we also protect the long-term sustainability of our business in a difficult economic environment.

We are exceptionally proud of the 4.8 Trust Pilot score for our Health Cash Plans, the highest of any provider in the market.

We embraced the new Consumer Duty regulations announced in 2022. As a business that has always put our customers at the heart of everything we do, we are in a good position to respond to the requirements of the regulation and have invested in a dedicated project team, supported by training and development of all our colleagues in advance of the 2023 implementation date. Beyond some one-off costs for implementation project work, we do not expect the financial statements to be impacted in future years in any significant way as a result of the new regulations.

Our occupational health division has successfully secured new contracts to support employers. BHSF Occupational Health’s revenue grew year-on-year by 1.4%. Our bids and tenders team have continued to secure OH wins across contract terms ranging from 1 to 5 years. However, costs of delivering services increased significantly due to increased demand for face-to-face provision and resource challenges in clinical fields. This resulted in a year-end operating deficit of £1,018k.

Our employee benefits business continues to improve and ended the year with a deficit of £226k compared to the previous year’s deficit of £716k. Demand for our mental health support services, provided by our joint venture The Employee Resilience Company (TERC), continues to grow. As well as the core counselling services which have been used more and more in the aftermath of the pandemic, our team also provides incredible support in response to critical incidents as well as education in the workplace. This APPTS-accredited[1] service delivers comprehensive support to millions of UK employees through our BHSF Rise product, delivered by an extensive team of counsellors, psychotherapists, psychologists, psychiatrists and mental health educators, plus experts on trauma, stress, mediation and resilience.

Business Change and Transformation

In May 2022 we appointed a new Chief Operation Officer, Stuart Hayhurst, to the Executive Team. Stuart brings a wealth of experience as a senior leader with an outstanding track-record working within multi-discipline roles across e-commerce and business operations for FTSE 100 UK and global organisations. He has worked in and clearly understands the market BHSF operates in and is a valued addition to the team.

We appointed a Business Change team during 2022 to drive forward the key strategic projects that will lay the foundations for our future growth. The team successfully supported the selection and implementation of Salesforce CRM. This CRM system enables the business to have a complete 360 customer view. Benefits include consistent pricing, cross-sell and upsell opportunities, and simplification of our products and processes, all further enhancing our customer experience.

The team undertook a full mapping of all the processes within our insurance business, building the ‘as is’ picture that enables us to identify efficiencies and better ways of working. Part of their work included a full system review of the current insurance administration system and processes and a market review of systems commenced in early 2023.

They carried out a similar exercise within the occupational health division, ensuring that all our processes and systems were fit for purpose and delivering best value for our business and our customers. A market review of occupational health management systems commenced in early 2023.

[1] Accreditation Programme for Psychological Therapies Services, provided by the Royal College of Psychiatrists.

We made significant progress in 2022 on understanding and mapping our business as it operates today to enable us to transform at speed in 2023.

Investment Portfolio

Investment markets continued to be volatile throughout 2022 as a result of the Russian invasion of Ukraine in the early part of the year and a rapid increase in inflation and interest rates in the latter part. Investment income, being the interest and dividends earned on the investment portfolio was down 65% and realised losses of £83k were incurred (2021: £71k gains). Unrealised losses of £1.9m were incurred compared to gains of £0.9m a year earlier. Investment expenses remained comparable at £0.1m (2021: £0.1m).

Our People and Culture

I am continually in awe of the commitment, resilience and dedication of our colleagues across BHSF. As a leading provider of health and wellbeing services the support we provide to our colleagues should always be sector leading. During 2022 our newly formed People Success Team (PST) launched several new benefits for colleagues including the Peppy App, enhanced maternity and paternity leave and new long-service awards and trained over 30 Mental Health First Aiders across the business to support colleagues. Working with our Staff Forum they launched new Employee Awards that culminated in an awards ceremony in December with 23 colleagues receiving recognition for their continued commitment and incredible work that makes BHSF such a great place to work.

One of the largest projects that PST carried out during 2022 was a full job evaluation of every role within the business. This included reviewing and evaluating over 250 people’s job descriptions and implementing a fair and transparent banding system that ensured our colleagues were paid in line with the wider market and had the opportunity to see how they can progress within their pay bands.

I am incredibly proud of the awards we won in 2022, including the ENEI Bronze Award in recognition of our approach to Diversity and Inclusion, accreditation as a Disability Confident Employer and nominations for two Cover awards.

The Future

In 2023, we celebrate an incredible 150-year anniversary, something we are incredibly proud of 150 years of providing health and wellbeing benefits to working people. It amazes me to think that during this period there has been two world wars, the establishment of the NHS, 34 prime ministers in office including the first ever female appointed, incredible enhancements in science and medical practice including the discovery of DNA, and the first moon landing.

Throughout this time BHSF has continually evolved and adapted to meet the different needs of the population. I am excited and privileged to lead the next evolution of our incredible organisation to ensure we continue to have a positive impact on our people, our customers, and our communities.

As we celebrate our anniversary year, I am excited about the changes we are making to progress our strategy and achieve our ambitions but I am also mindful of the continued challenges we face. However, none of this would be possible without my executive team, our colleagues across the business and of course the support of our Board and Chair.

H. Stewart.

Heidi Stewart
Group Chief Executive
21 September 2023

Strategic report

For the year ended 31 December 2022

The Directors present their Strategic Report on the Group for the year ended 31 December 2022.

Principal business

BHSF Group Limited is a non-trading holding company and is constituted and operates on a not-for profit basis. Through its subsidiaries BHSF provides health cash plans, other insurances, a range of mental health support services and other employee benefits, together with a respected occupational health service to over 5,000 client businesses and 250,000 policyholders and their families without losing sight of its philanthropic roots.

The Group principally comprises BHSF Group Limited and the following trading companies:

Company	Service provision
BHSF Limited	General insurance underwriter
BHSF Employee Benefits Limited	Insurance brokerage, provision of mental health support services and other employee benefits
BHSF Occupational Health Limited	Occupational health services
BHSF Management Services Limited	Administration for other Group companies

Performance and future planning

Insurance Division (BHSF Limited)

The performance of the Group's business is set out in the financial statements and the Board considers 2022's performance to have been satisfactory given its aim to enhance policyholder value following low claims during the COVID-19 pandemic. An underwriting technical account deficit of £4.3m was recognised, driven by an overall claims ratio of 80.4%.

Having delivered on the objective of enhancing value to policyholders and with claims increasing as inflation places strain our policyholders' finances, a full review and repricing exercise to return the book to sustainability will begin in 2023. Price increases, where they are necessary, will be calibrated to ensure that policyholders continue to receive good value and outcomes from their products.

Aligned to this, 2023 has already seen significant work being undertaken across the business to implement the new Consumer Duty regulations.

In addition, to ensure that policyholder experiences continuously improve and leverage rapidly changing technologies appropriately, 2023 will see a review of core administration systems to identify potential enhancements.

Occupational Health Division (BHSF Occupational Health Limited)

The occupational health division saw 1.4% growth in revenue to £7.1m as business continued to grow organically. However, with significant challenges in sourcing quality clinical resources and increasing demand for face-to-face services, the costs of delivering services increased significantly. The gross margin was 27% in 2022 compared to 35% in 2021.

This resulted in an operating loss of £1,018k for the year. Though the directors are disappointed with this result, we remain confident that the occupational health division can become self-sustaining. To support this, a review of the core administrative systems supporting the division is set to be undertaken in 2023.

Alongside this, having held prices for several years, the demands on the business and the inflationary environment have resulted in the need to review pricing across the division in 2023.

Employee Benefits Division (BHSF Employee Benefits Limited)

The employee benefits division recorded lower revenue in 2022 than in 2021 (£2.8m vs £3m). However, it recorded a significantly lower operating loss than in the previous year.

The directors are pleased with this improvement, but are determined to see this division reach a sustainable position. This is not without its challenges – mental health support services in particular are seeing ever-increasing utilisation as households have been buffeted by successive stresses since the beginning of the COVID-19 pandemic.

This means the costs of delivering services increases all the time and 2023 will see prices for these services increased to ensure we can continue to support provision of a high quality offering.

2023 will also see significant work in this division to implement the new Consumer Duty regulations. Although the externally-underwritten insurance products sold by BHSF Employee Benefits Limited are a relatively small part of the Group's overall income, we are no less committed to ensuring that policyholders are receiving good outcomes from their products.

Risk management philosophy

Risk management is a continuous and evolving process that runs throughout the strategy and service/product delivery of BHSF Group. Learning lessons from past activities, both beneficial and adverse, will help to inform the current and future decisions by reducing threats and optimising the uptake of opportunities.

Enterprise risk management framework

The Group's enterprise risk management framework (ERMF) has evolved to ensure a robust method of monitoring the risks of the Group and all its subsidiaries, including reporting on how they are managed. This has been further established through the recruitment of dedicated risk management resource and the recent provision of a Governance Risk and Compliance (GRC) software system. This will be implemented and rolled out in 2023.

The Group has exposure to various categories of risk, many of which are recognised through the application and adherence to Solvency II regulation. In addition, BHSF utilises a Risk Taxonomy to define the specific risk categories to which it is exposed, further to those defined by Solvency II.

The ERMF utilises the principles of enterprise risk management (ERM) continues with its key aim of delivering a mature risk-aware culture across the Group. Further levels of governance work in unison with the risk assessment programme and Own Risk and Solvency Assessment (ORSA) process, will help to leverage risk management to provide a competitive advantage and to ensure the Group business model remains robust and resilient.

Risk exposure is monitored by the internal risk and compliance functions, with oversight from the Chief Risk Officer (CRO). The risk function has responsibility for monitoring and, where necessary, challenging the Group's maintenance of an adequate risk exposure and risk profile, in line with the Group's business strategy and objectives, whilst also maintaining an adequate solvency position. This is achieved through the embedded Own Risk and Solvency Assessment (ORSA) process, providing a quantitative and qualitative assessment of risks on both a current and forward-looking basis. The full ORSA review is undertaken annually. The Group utilises a rolling risk assessment programme, feeding into quarterly risk reporting to the Risk and Compliance Committee, along with an overview of the current risk profile of the Group.

The Risk and Compliance Committee is a Board constituted committee, providing advice to the Board on the risk management strategy, risk policies, the ORSA, and the current risk profile of the business. The underlying objective of risk management is to aid in the operational and strategic decision-making process, providing the Group Board with the information to help steer the business.

Principal risks and uncertainties

Under the Solvency II regulatory regime, the Group has Board-approved policies for all principal risk categories (see note 20). These are:

- Health Underwriting Risk: The Health Cash Plan (HCP) books of business involve actively taking underwriting risk within a controlled environment. Premiums are based upon analysis of historical claims trends, with close monitoring of current claims ratios, and corrective action taken where necessary. HCP claims are generally low in value and short term in nature compared to many other forms of insurance.
- Market Risk: The Group actively manages market risk through the outsourced management of the investment portfolio by an expert investment manager, UBS. Parameters are set by the Group, through which the investment manager must operate, with an investment policy that maintains a balanced portfolio of assets. The investments held by the Group and the investment strategy are regularly reviewed through monthly investment reports and through active discussion and scrutiny by the Investment Committee and Group Board.
- Credit Risk: Credit risk, or counterparty default risk, is the risk of default from one of our counter-parties, including reinsurers, investment manager, banks, insurance intermediaries, trade debtors, and other non-insurance counterparties. The risk is managed through the use of a credit control function and defined credit terms, as well as restrictions on the banks with which funds can be placed.
- Operational Risk: The risks arising from failed internal processes, systems, people, and external events. The Group has multiple business support functions designed to manage different facets of Operational risk such as HR, IT, Facilities Management, and Finance. Furthermore, the Group has a defined and tested business continuity plan (BCP) and Group insurances to mitigate against significant operational business disruption.

In addition to the Solvency II defined risk categories, the Group recognises and actively manages the following:

- Conduct Risk
- Liquidity Risk
- Pension Risk
- Regulatory Risk
- Strategic Risk
- Reputational Risk

The "Cost-of-living Crisis"

BHSF, like many businesses and individuals, is impacted by the inflationary environment. Pressure on household finances increases BHSF's costs as policyholders become more cost-conscious, lapsing policies they don't need and making more claims on those products they keep. Pressure on business finances makes a more challenging sales environment for BHSF's quality service products.

Though the response to this is outlined in previous sections – repricing exercises are being undertaken in all lines of business – there is a possibility of short-term losses being incurred in the time taken to implement price increases in line with contractual notice periods.

Board oversight of the enterprise risk management framework

The Risk and Compliance Committee maintains a standing agenda item to review both the appropriateness and effectiveness of the ERMF, along with its supporting elements and outputs. The suite of reporting provided on a quarterly basis, along with the ORSA process, are reviewed and scrutinised by the Committee, ensuring a full understanding of the Group's risk profile at a point in time.

The Group continues to work on evolving the ERMF and fully embedding risk management into every facet of the organisation, striving for a mature risk-aware culture.

Environmental, Social and Governance (ESG) Matters

Financial Risks of Climate Change

Climate change, and society's response to it, presents many financial and non-financial risks. All businesses must be aware of the emerging risks presented by climate change if they are to operate sustainable business models into the future and limit their impact on the environment.

The nature of BHSF's business is such that impacts of climate change are likely to be relatively slow to emerge. In general, there is a risk that a changing climate affects the nature, severity and frequency of various medical conditions and the associated claims behaviour or the nature of occupational health requirements. BHSF keeps its insurance claims and occupational health trends under constant review and will adapt products and services to meet the changing needs of consumers accordingly when it is considered appropriate to do so.

BHSF also wants to do its part to combat climate change by reducing its environmental footprint. This starts with reporting on current environmental impact (see below) and will evolve over time into a full environmental strategy for BHSF Group.

Emissions and Energy Consumption

	2022	2021
Energy consumption[1] (kWh)	81,092	237,189
Carbon Emissions – buildings (tCO2e)	15	46

The above emissions and energy consumption figures relate only to BHSF Limited, the Group's largest subsidiary and, until its sale in September 2021, the owner of the corporate headquarters, Gamgee House. Following the sale, BHSF Limited held the lease on the Group's new headquarters and therefore the footprint of the new premises are also included above.

As a service-based organisation, BHSF Limited's environmental footprint comes largely from computer equipment, use of paper and the heating and lighting of premises.

For the early part of 2022, BHSF Limited's office premises were occupied by a relatively small number of staff due to the country still emerging from COVID-19 restrictions. In the second half of the year, the Group has embedded a hybrid-working model, with most office-based staff aiming to spend one day per week in the office. The smaller and more modern arrangement in the new premises means that energy consumption is significantly lower in 2022 than in 2021.

BHSF takes its environmental responsibilities extremely seriously and intends to limit its impact on the environment through a process of continuous improvement. During 2022 BHSF continued taking steps toward improving its impact on the environment, including:

- Making permanent the hybrid home/office working model for all suitable roles, removing the need for thousands of commutes each year.
- Maintaining an investment portfolio focused on environmental, social and governance (ESG) matters.
- Investing in support for the delivery of the ISO 14001 environmental management system (EMS) standard due to be delivered in 2023.
- Promoting paperless reporting and MI systems across the Group, with further investment planned in 2023.

[1] Energy consumption is based on actual energy bills received during the year.
[2] Carbon Emissions are calculated by applying Carbon Trust factors to the energy consumption of our corporate headquarters.

ESG Investing

Since 2021, the Company's investment portfolio has been managed on our behalf by UBS in line with ESG principles. This means investments can only be made in businesses which UBS' research indicates meet certain ESG standards or are showing improvement towards achieving those standards. This includes investing in specific thematic funds which promote businesses demonstrating strengths in particular areas such as green energy or gender diversity.

Group Corporate Restructuring

During 2022 the BHSF Group undertook a partial internal restructuring of subsidiary holdings. This improves financial efficiency of the Group whilst also enhancing corporate governance effectiveness. The changes saw BHSF Limited become the holding company for BHSF Occupational Health Limited and BHSF Management Services Limited. Further restructure is anticipated to move other trading subsidiaries of BHSF Group Limited into the ownership of BHSF Limited. This will ultimately leave BHSF Group Limited with a single subsidiary company, BHSF Limited, but does not alter the overall nature of the Group's products, services or operations and is anticipated to have no impact on staff.

Key performance indicators

Certain key performance indicators are regularly considered by the Board to monitor the performance of the Group[3].

These include:

KPI	2022	2021
Total Revenue	£45.5m	£46.7m
Total Revenue growth rate	(2.6)%	(4.9)%
Insurance claims ratio*	80.4%	72.2%
Insurance expense ratio*	31.7%	22.0%
Insurance underwriting result	£(4.3)m	£2.2m
(Decrease) in polices underwritten	(2.7%)	(3%)
Solvency:		
BHSF Limited	250%	270%
BHSF Group	245%	219%
Non-insurance business margin	£(2.9)m	£(1.8)m
Net investment returns	(8.7)%	6.9%

* calculated as percentages of earned premiums.

Further information on the Group's performance in 2022 and its future prospects is set out in the Group Chief Executive's Review on pages 4 to 5.

Section 172 Statement

The directors have a duty to promote the success of the Company for the benefit of the members as a whole, but also to have regards to the interests of all stakeholders, and in doing so have regard (amongst other matters) to factors (a) to (f)

a. The likely consequences of any decision in the long term,

b. The interests of the Company's employees,

c. The need to foster the Company's business relationships with suppliers, customers and others,

d. The impact of the Company's operations on the community and the environment,

e. The desirability of the Company maintaining a reputation for high standards of business conduct, and

f. The need to act fairly as between members of the Company.

Carefully considering the interests of all stakeholders is one way in which a company ensures its success. This report explains to readers how the directors of BHSF Group Limited carry out these duties.

It covers two areas:

1. Key stakeholder groups and how their expectations are taken into account in general terms.
2. How critical decisions made during the reporting period took account of stakeholder interests.

This report covers the Company's financial year ending 31 December 2022.

[3] These figures are unaudited

Stakeholder Management at BHSF

Who are BHSF's Stakeholders?	How does BHSF engage with them?	What are their expectations?
BHSF Group employees	Day-to-day communications Regular company-wide newsletters Roadshows and other occasional events	Culture in line with corporate values Career development opportunities Training opportunities Secure, fulfilling jobs in a safe working environment
Members (drawn from client businesses)	Annual report and accounts Solvency and Financial Condition Report	Careful financial management Caring treatment of their workers
Insurance Policyholders	Clear policy documents Written communications around major changes Surveys	Caring and fair treatment Clear communications Timely claims payments Secure and resilient processing of data
Occupatiional Health clients	Post-appointment feedback	Caring, sensitive medical opinions Clinical expertise
Corporate Customers	Customer relationship teams Surveys Case studies	Products which improve health or wellbeing of their staff Professional, efficient, secure, and resilient processes
Suppliers	Supplier management team	Timely payments Opportunities to increase the reach of their products Ethical, open and fair treatment (please refer to the corporate responsibility statement on pages 17-18)
Regulators and Government Authorities	Regular returns Ad-hoc communications	Prudent business management Adherence to conduct rules, laws and regulations Fair treatment of insurance customers and policyholders Operational resilience Culture of sound business ethics Environmentally sensitive operations (please refer to the corporate responsibility statement on pages 17-18)
Reinsurers	Supplier management team Day-to-day communications with operational teams	Open, honest communications Robust processes and procedures
Sales intermediaries	Intermediary management team Events, briefing and training days	Quality products which meet customer demands Timely payment of sales commissions Professional, efficient processes
Pension Scheme Trustees	Attendance by directors at trustee meetings	Prudent management of company resources

Critical Decisions Taken During the Reporting Period

The key decision made during the year surrounded the decision to transfer ownership of BHSF Occupational Health Limited and BHSF Management Services Limited from BHSF Group Limited to BHSF Limited.

What are the consequences of these decisions in the short and long term?

In the short term, there are impacts on the statements of financial position and statements of comprehensive income in subsidiary financial statements as they restructure investments in subsidiaries and intra-group debt balances. There are no such consequences on the Group's statements as these changes are all intra-group.

In the longer term, the Group expects to be able to benefit from a more efficient tax position created by the change in ownership of the subsidiaries.

What is the impact on BHSF Group employees?

The transfer of subsidiary businesses in the Group has no significant impact on the employees operating within any of those subsidiaries.

What is the impact on business relationships with customers, insurance policyholders and sales intermediaries?

There is no immediate impact on any business relationships, which remain unchanged in the subsidiary businesses. Over time, closer working between BHSF Limited and the other operating subsidiaries may result in new product developments or enhancements to customer experiences. Customers of the occupational health business benefit from a recapitalisation of that subsidiary and the greater financial security that comes with that.

What is the impact on the environment?

The changes have no impact on the day-to-day operations of any of the businesses involved and therefore there is no environmental impact.

What is the impact on the reputation of the business?

We do not expect there to be any impact on the reputation of the business.

Are these decisions fair to all members?

BHSF Group Limited's members are primarily drawn from the customer base and therefore represent the policyholders of BHSF Limited. For the reasons set out above, the decision to transfer subsidiaries has the potential to benefit all policyholders into the future and therefore is fair to all members.

This report was approved by the board on 21 September 2023 and signed on its behalf by

H. Stewart.

Heidi Stewart
Group Chief Executive

Directors' report

For the year ended 31 December 2022

The Directors have pleasure in submitting their annual report and audited financial statements for the year ended 31 December 2022.

Independent non-executive directors

- Sara Fowler, Chair
- Jill Bonehill (resigned 1 June 2022)
- Caroline Coates
- Gary Cowdrill
- Alison McKinna (appointed 1 March 2022)
- Jasvinder Saggu (appointed 6 June 2022)
- Chris Wiggin (resigned 27 March 2022)

Executive directors

- Heidi Stewart, Group Chief Executive
- Geoff Guerin, Chief Operations Officer (resigned 1 February 2022)
- Tom Ross, Chief Finance Officer

Committees

There are six committees including board and executive committees:

Audit Committee:

- Gary Cowdrill (Chair of the Committee)
- Jill Bonehill (resigned 11 June 2022)
- Sara Fowler (resigned 30 March 2022)
- Alison McKinna (appointed 30 March 2022)
- Jasvinder Saggu (appointed 6 June 2022)

This committee monitors the adequacy of the Group's internal control systems, accounting policies and financial reports. It also manages the relationship with the external auditors and oversees the outsourced internal audit function.

Investment Committee:

- Caroline Coates (Chair of the Committee)
- Sara Fowler

The Committee's responsibilities include recommending to the board the investment policy, which currently requires a balanced investment portfolio. Also to review the performance of the portfolio and the benchmarks agreed with the investment managers. The Committee also monitors liquidity and counterparty risks and ensures that market and credit risks are within the Group's risk appetite.

Remuneration and Nomination Committee

- Gary Cowdrill (Chair of the Committee)
- Jill Bonehill (resigned 15 May 2022)
- Chris Wiggin (resigned 24 February 2022)
- Caroline Coates (appointed 30 March 2022)
- Alison McKinna (appointed 30 March 2022)

The responsibilities of this Committee include recommending to the Board candidates for appointment as directors. It also approves the terms of employment of executive directors and other approved persons and monitors the health and well-being of staff and monitors and promotes the culture and values of the Group.

Risk and Compliance Committee

- Caroline Coates (Chair of the Committee)
- Jill Bonehill (resigned 15 May 2022)
- Gary Cowdrill
- Jasvinder Saggu (appointed 6 June 2022)

This Committee advises the board on the risk management strategy, risk management policies, the ORSA and the implications of proposed strategic transactions and compliance issues. It regularly reviews risk reports detailing the risk profile of the Group.

Strategy Implementation Oversight Board

- Sara Fowler (Chair of the Committee)
- Jill Bonehill (resigned 15 May 2022)
- Alison McKinna (appointed 30 March 2022)
- Jasvinder Saggu (appointed 6 June 2022)
- Chris Wiggin (resigned 24 February 2022)

This Committee oversees the process for embedding the Group Strategy throughout the organisation and monitors the implementation of the Group strategy, with input from the Executive Team. In early 2023, the responsibilities of this committee were absorbed into the BHSF Group Board.

Executive Committee

- Heidi Stewart (Chair of the Committee)
- Geoff Guerin (resigned 1 February 2022)
- Stuart Hayhurst (appointed 23 May 2022)
- Tom Ross
- Shelley Rowley (resigned 30 April 2023)
- Stephen Cloves
- Adam Lea (appointed 19 January 2022)
- Courtney Marsh (appointed 19 June 2023)

This Committee has responsibility for the day-to-day operations of the BHSF Group and the implementation of the strategy approved by the boards.

The boards and committees keep their effectiveness under review by a process of annual self-assessment with externally facilitated assessments every three years.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with the UK Generally Accepted Accounting Practice (FRS 102 and FRS 103).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the Group and of the surplus and 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 judgments and accounting estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the company and the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, to disclose with reasonable accuracy at any time the financial position of the Company and 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 Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in different jurisdictions.

Directors' indemnities

The Group maintained throughout the year, and at the date of the approval of this report, liability insurance for its directors and officers. This is a qualifying provision for the purpose of the Companies Act 2006.

Political and charitable donations

The Group donated £27,300 (2021: £51,068) by gift aid during the year. The Group made no political donations during the year (2021: nil).

Change in Auditors

After 23 years, this is the last year that BDO has been engaged as auditors. A tender process for the appointment of the Group's auditor was carried out during the year. The Audit Committee presented its recommendations to the board on 1 February 2023 and the board agreed that PKF should be appointed to succeed BDO LLP as auditor of the Group for the year ended 31 December 2023.

Statement regarding information given to the auditor

So far as each of the directors is aware at the time the report is approved:

- There is no relevant audit information of which the auditor is unaware, and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Advisors

- Principal bankers – The Royal Bank of Scotland plc
- Principal solicitors – Weightmans LLP, Integra Legal Limited and Shakespeare Martineau LLP
- Investment managers – UBS AG, London Branch
- Property advisors – Fisher German LLP
- Pension fund actuary and actuarial advisor to the Group - Broadstone
- Pension advisors – Benefex Financial Solutions Limited
- Solvency II actuarial advisors – Barnett Waddingham LLP
- Outsourced internal audit service provider – RSM Risk Assurance Services LLP
- Corporate tax advisors - PwC

Staff

The Group places great importance on the recruitment, training and development of its people, recognising the vital contribution made by colleagues at all levels of the business. This culminated in the achievement of the Investor in People award in 2002, for which we have been re-accredited triennially.

The Group is committed to involving colleagues in the business and giving them the opportunity to contribute. There is a philosophy of open and two-way communication and information is shared and views sought through a number of feedback mechanisms. There are regular meetings of all colleagues in order to disseminate information and hear views expressed, there is also a regular newsletter for colleagues.

We value the views and opinions of our employees and encourage new ideas and suggestions. The employee voice is represented through our Staff Forum and we encourage a 2-way communication with the leadership team.

The Group is an equal opportunities employer and recruitment, training and promotion are solely on the basis of business needs and the ability of each individual to meet the job requirements. Full and fair consideration is given to applications from, and the continuing employment of, people with disabilities. The Group has put in place and observes a diversity policy and it also complies with the Working Time Directive.

Further, the Group is committed to providing a healthy and safe working environment for all employees and the directors regularly review the assessments made.

Accreditations

The BHSF Group is recognised as holding the following accreditations:

Accreditation	First Obtained
Investors in People	2002
ISO 9001 (Quality Management System)	2004
SEQOHS (Safe, Efficient, Quality Occupational Health Service)	2017
ISO 27001 (Information Security)	2018
UK Cyber Essentials	2018

Appreciation

The directors record their thanks to the management and staff for their hard work during the year. The directors also extend grateful thanks to all customers and their staff for their support and practical assistance which has substantially assisted the service which the Group has provided to customers.

Future developments

This has been included in the strategic report on pages 6-11.

Financial instruments and risk management

This has been included in the strategic report on pages 7-8 and Note 20.

Emissions and Energy Consumption

This has been included in the strategic report on page 8. This is in relation to the compliance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Reporting) Regulations 2018.

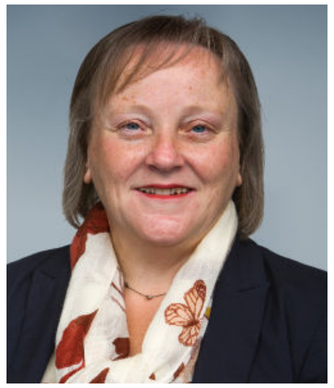
This report was approved by the Board on 21 September 2023 and signed on its behalf by;

H. Stewart

Heidi Stewart
Group Chief Executive

Directors' profiles

Directors' profiles, officers, directors of subsidiary companies and senior management

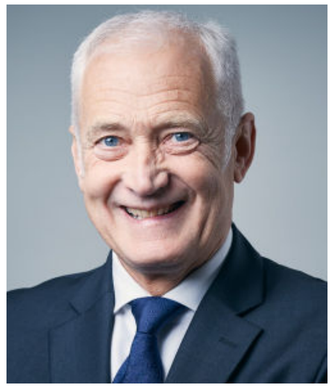


Alison McKinna
Non-executive Director

Alison McKinna has experience in both public and private organisations across multiple industry sectors. She is an accomplished leader and supports a number of organisations as a non-executive director including Acivico Group Ltd, Cancer Central CIC and Auriga Services Ltd. Alison joined the board of BHSF Group Limited in March 2022.

Caroline Coates
Non-executive Director

Caroline Coates is a lawyer with over 25 years' experience in the insurance, automotive, motorsport, manufacturing and public sectors. Previously a partner in DWF, she is now Vice President Legal at Oxbotica, a technology business. Caroline joined the board of BHSF Group Limited in 2020.

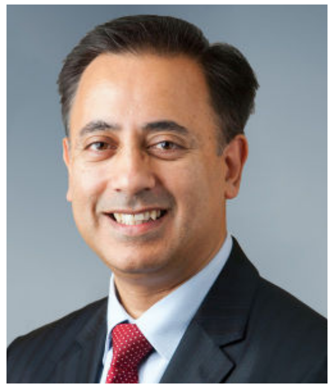


Gary Cowdrill
Non-executive Director

Gary Cowdrill has spent most of his career in financial services. He was Group Finance Director of the West Bromwich Building Society and currently he is Chairman of Board Evaluation Limited. He joined the board of BHSF Group Limited in 2015 and became Senior Independent Director in May 2017.

Heidi Stewart
Group Chief Executive

Heidi Stewart has over 20 years of leadership experience in some of the UK's largest private and public sector businesses and charities across sectors including mental health, housing, employment, justice and social care. She was appointed to the board of BHSF Group Limited as Group Chief Executive in September 2021.



Jasvinder Saggu
Non-executive Director

Jasvinder Saggu has more than 30 years of experience within financial services and business in commercial and operational roles across multiple sectors and geographies. He joined the board of BHSF Group Limited in June 2022.

Sara Fowler
Chair

Sara Fowler spent most of her career in financial services formerly as Senior Partner for EY Midlands and as Chair of the CBI West Midlands. She is currently a non-executive director of Mpac Group plc. She joined the board of BHSF Group Limited in 2018 and was appointed Chair in 2020.

Tom Ross
Chief Finance Officer

Tom Ross joined BHSF in 2014 as financial accountant and was appointed Head of Finance in March 2015. He joined the board of BHSF Group Limited in November 2017 and is Chief Finance Officer.

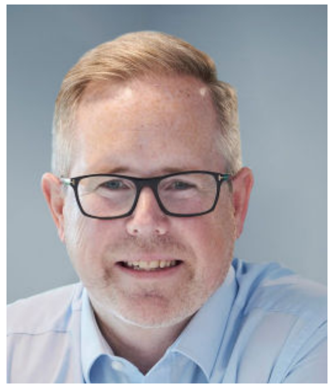
Officers

Vice Presidents
Dr Paul Kanas BM, BS, MRCP, FFOM

Life Members
Stephen G Hall FIPPM
Dr Paul Kanas BM, BS, MRCP, FFOM
David J Read JP, FFA, FICM, FIAB

Shelley Rowley BSc, MSc
Chief Commercial Officer

Shelley Rowley joined BHSF in 2011. In 2019 she was appointed to the board of BHSF Medical Practice Limited in 2019, to the board of BHSF Management Services Limited in 2020 and to the board of BHSF Employee Benefits Limited in 2022. She is Chief Commercial Officer for the Group. She resigned on 30 April 2023.



Stuart Hayhurst
Chief Operating Officer

Stuart Hayhurst joined BHSF in May 2022. He was appointed to the board of BHSF Occupational Health Limited and is set to join the board of the regulated insurance business in due course. He is the Chief Operating Officer for the Group.

Corporate responsibility statement

For the year ended 31 December 2022

We have a strong commitment to being a responsible organisation, not just because it's good for our business and our community but we know it is the right thing to do.

So whether we're reaching out to our employees, customers, partners, communities or the wider society, we do so with a clear understanding of our purpose.

"To make a positive impact on the health and wellbeing of the people we reach."

A responsibility to all

Our approach to Corporate Social Responsibility covers four distinct areas:

Charity, Community, Environment and Employees.

Charity
We will promote and actively work together with the charities we support in order to further their causes, good works and initiatives.

Community
By engaging with the local communities in which we work, supporting them and putting something back, we can make a positive difference to their health and wellbeing.

Environment
We seek to make a positive impact on our environment and the planet through initiatives and projects designed to reduce any damaging effects of our business.

Employees
By investing in our employees, recognising their different needs and requirements as well as promoting a diverse, inclusive culture, they will feel valued by our organisation and proud to work for it.

We support charities through a variety of methods including company-wide money raising activities, cash matching of staff fund raising and by also volunteering our time and skills.

Who we support

Our chosen charity partners reflect what's important to our business - having a positive impact on the health and wellbeing of those we reach.
We are partnered with charities and local community-led projects.

During 2022, continued hybrid working arrangements meant we continued to organise virtual activities for our colleagues, but there was also a return to more in-person events, some of which were organised through our charity partners. This brought with it an increase in opportunities to engage employees and support our partners.

The Ladywood Project
The Ladywood Project is situated near our Head Office, in an area known for high levels of unemployment and child poverty.

The Project provides financial, emotional, health-related and social support for families and individuals, and advice on issues such as debt, housing, benefits, child-related issues and domestic abuse. The Project also provides child play and stay mornings, leisure activities, and subsidised trips for local families.

During 2022 we supported the project by sharing our skills, donating funds for emergency fuel support, donating money towards food parcels, and gift-wrapping presents for the project to hand out to less fortunate children.

Employees of BHSF also volunteered at multiple events throughout the year, playing a key role in the setup of the Ladywood Project summer fayre and keeping children entertained, as elves, whilst waiting in line to see Santa at their Christmas grotto.

Bangor NI Foodbank
The Bangor NI Foodbank is based in the Ards and North Down Borough which is one of the most deprived areas across all of Northern Ireland.

The foodbank provides compassionate, practical support to people in crisis to tackle the root causes that lock people into poverty and build people's resilience so they are less likely to need a foodbank in the future.

In 2022, we volunteered our time and skills, and donated funds to contribute to the running of the charity. This helped the foodbank provide a higher level of support to those who need it most.

Sunflowers
Sunflowers is a small, Liverpool-based charity supporting people living with cancer and other long-term conditions. Sunflowers has been providing vital support to patients, survivors and carers for over 30 years.

Recently, the charity has broadened its remit to also offer help to those affected by other long-term conditions besides cancer. This support includes everything from counselling and complementary therapies to exercise classes and social gatherings.

In 2022, we donated funds to contribute to the running of the charity and the expansion of their services.

Rape and Sexual Violence Project (RSVP)
Located in Birmingham, RSVP have a firm belief that everybody deserves a life free from sexual violence and abuse. They support people who have been subjected to abuse, helping them thrive and enjoy a future of hope.

The charity offers advocacy partnerships and social groups that offer people a chance to talk with others in a friendly and safe environment. They also have counselling services and emotional support teams to allow people to get confidential support. A key part of their service is the delivery of corporate training, helping organisations understand the impact of sexual violence and abuse.

In 2022, we donated funds to contribute to the running of the charity.

Other charities we have supported in 2022 include;

- LGBT Foundation and their fight for a fair and equal society
- Red Cross and their support of the Ukraine refugee efforts
- St Basils and their efforts to reduce youth homeless in Birmingham
- Charlie Ramsey Research and the purchasing of community defibrillators
- Birmingham Childrens Hospital and their vital care of sick children
- Brain and Spine Foundation, supporting those with Neurological conditions
- Teenage Cancer Trust and their efforts to improve cancer care for teens

In 2022, BHSF employees gave their time and raised more than £13,000 for charities to raise awareness and support our charity partners.

Independent auditor's report

Opinion on the financial statements

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 2022 and of the Group's deficit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

We have audited the financial statements of BHSF Group Limited ("the Company") and its subsidiaries (the "Group") for the year ended 31 December 2022 which comprise Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice) and Financial Reporting Standard 103 Insurance Contracts.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Group and the 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

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 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.

Other information

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

Other Companies Act 2006 reporting

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.

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance;
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations; and
- Inspecting Board and Audit Committee minutes

We considered the significant laws and regulations to be Prudential Regulation Authority Rulebook, Financial Conduct Authority Handbook, Financial Reporting Standards 102 and 103 applicable in the UK and Republic of Ireland and Companies Act 2006.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax experts in the audit.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

Based on our risk assessment, we considered the areas most susceptible to fraud to be valuation of technical provision and management override of controls.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias such as technical provision and defined benefit pension scheme;
- Considering the results of testing of financial line items for indicators of fraud.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Rupert Livingstone

Rupert Livingstone
(Senior Statutory Auditor)

For and on behalf of BDO LLP,
Statutory Auditor
London, United Kingdom
Date 21 September 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated income statement

For the year ended 31 December 2022
Technical and Non-technical Accounts – General Business

TECHNICAL ACCOUNT

	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
PREMIUMS					
Gross premiums written	3	**35,762**		37,105	
Outward reinsurance premiums	5	**(313)**		(450)	
		35,449		36,655	
Change in the provision for unearned premiums	25.1	**41**		78	
Earned premiums net of reinsurance			**35,490**		36,733
ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT			**14**		28
CLAIMS					
Claims paid					
Gross amount		**(28,735)**		(26,557)	
Reinsurer's share	5	**168**		139	
		(28,567)		(26,418)	
Change in the provision for outstanding claims:					
Gross amount		**199**		(35)	
Reinsurer's share	5	**(164)**		(71)	
		35		(106)	
Claims incurred net of reinsurance			**(28,532)**		(26,524)
			6,972		10,237
NET OPERATING EXPENSES	6		**(11,264)**		(8,104)
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS			**(4,292)**		2,133

NON-TECHNICAL ACCOUNT

	Note	2022 £'000	2021 £'000
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS		**(4,292)**	2,133
Investment income	9	**186**	527
Unrealised (losses)/gains on investments		**(1,881)**	868
Realised gains on sale of fixed assets including property		**-**	74
Realised gains on sale of investment property		**30**	-
Allocated investment return transferred to the technical account		**(14)**	(28)
Investment expenses and charges		**(53)**	(64)
Other income	10	**9,734**	9,583
Other charges	11	**(10,870)**	(12,715)
Net interest cost on pension scheme liability	15	**(29)**	(62)
(DEFECIT)/SURPLUS BEFORE TAXATION	12	**(7,189)**	316
Tax credit/(charge) on (deficit)/surplus	14	**612**	(490)
DEFICIT FOR THE FINANCIAL YEAR		**(6,577)**	(174)

All the above amounts relate to continuing operations.

The notes on pages 29 - 53 form part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Deficit for the financial year		(6,577)	(174)
Other **Comprehensive** income:			
Actuarial gains net of deferred tax	15	1,056	1,652
TOTAL COMPREHENSIVE LOSS/INCOME FOR THE FINANCIAL YEAR		(5,521)	1,478

All the above amounts relate to continuing operations.

The notes on pages 29 - 53 form part of these financial statements.

Consolidated and company statements of financial position

For the year ended 31 December 2022

		GROUP				Company (number 4767689)	
ASSETS	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000	2022 £'000	2021 £'000
INTANGIBLE ASSETS							
Goodwill	16	-		-		-	-
Other intangibles	16	278		497		-	-
			278		497	-	-
INVESTMENTS							
Land and buildings	17	760		780		-	-
Investment in subsidiaries	18	-		-		1,086	2,050
Investments in joint ventures	19	100		100			
Other financial investments	20	16,690		19,990		-	-
			17,550		20,870	1,086	2,050
REINSURER'S SHARE OF TECHNICAL PROVISIONS	21		39		203	-	-
DEBTORS							
Debtors arising out of direct insurance operations	22	1,591		1,541		-	-
Amounts due from group undertakings		-		-		7	838
Other debtors	23	3,145		2,795		-	-
			4,736		4,336	7	838
OTHER ASSETS							
Tangible fixed assets	24	243		228		-	-
Stock		12		17		-	-
Cash at bank and in hand		6,859		11,198		29	16
			7,114		11,443	29	16
PREPAYMENTS AND ACCRUED INCOME			961		711	-	8
TOTAL ASSETS			30,678		38,060	1,122	2,912

LIABILITIES	Note	GROUP 2022 £'000	GROUP 2022 £'000	GROUP 2021 £'000	GROUP 2021 £'000	Company (number 4767689) 2022 £'000	Company (number 4767689) 2021 £'000
ACCUMULATED FUND			**24,258**		29,779	**355**	272
TECHNICAL PROVISIONS	25						
Provision for unearned premiums		**372**		413		-	-
Provision for claims		**1,386**		1,583		-	-
			1,758		1,996	-	-
PROVISION FOR OTHER RISKS - PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS							
Pension scheme liability	15	**-**		1,619		-	-
Other provisions	26	**393**		492		-	-
			393		2,111	-	-
CREDITORS							
Amounts owed to group undertakings		**-**		-		**766**	2,598
Other creditors including taxation and social security	27	**2,775**		2,565		-	6
			2,775		2,565	**766**	2,604
ACCRUALS AND DEFERRED INCOME			**1,494**		1,609	**1**	36
TOTAL LIABILITIES			**30,678**		38,060	**1,122**	2,912
SURPLUS OF BHSF GROUP LIMITED SINGLE ENTITY						**83**	-

The notes on pages 29 - 53 form part of these financial statements. No Company total comprehensive income statement account has been included in these financial statements as permitted by section 408(3) of the Companies Act 2006.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 20 September 2023.

H. Stewart.

Heidi Stewart,
Group Chief Executive

Consolidated and company statements of changes in equity

For the year ended 31 December 2022

	Group Accumulated Fund £'000	Company Accumulated Fund £'000
Balance at 1 January 2021	**28,301**	**272**
Changes in equity for the year ending 31 December 2021		
Deficit for the financial year	(174)	-
Other comprehensive income for the financial year	1,652	-
Total comprehensive income for the financial year	1,478	-
Balance at 31 December 2021	**29,779**	**272**
Balance at 1 January 2022	**29,779**	**272**
Changes in equity for the year ending 31 December 2022		
(Deficit)/surplus for the financial year	(6,577)	83
Other comprehensive income for the financial year	1,056	-
Total comprehensive income for the financial year	(5,521)	83
Balance at 31 December 2022	**24,258**	**355**

The notes on pages 29 - 53 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Defeciit)/Surplus for the financial year before tax		**(7,189)**	316
Adjustments for:			
Realised losses/(gains) on sale of investments	9	**83**	(71)
Depreciation and amortisation	12	**325**	383
Unrealised investment losses/(gains)		**1,916**	(678)
Revaluation gains on land and buildings		**(35)**	(190)
Realised gains on sale of owner occupied freeholder property		**-**	(234)
Realised gains on sale of investment property		**(30)**	-
Loss on disposal of fixed assets		**-**	129
Other non-cash items of comprehensive income		**19**	83
Decrease in insurance debtors		**114**	283
(Increase)/Decrease in trade and other debtors excluding tax		**(243)**	734
Decrease/(Increase) in stock		**5**	(3)
Decrease in insurance creditors		**(238)**	(44)
Increase/(Decrease) in trade and other creditors excluding tax and pension scheme		**333**	(480)
Decrease in other provisions		**(63)**	(2)
Defined benefit pension contributions	15	**(240)**	(375)
Investment portfolio purchases		**(2,653)**	(20,655)
Investment portfolio sales		**2,854**	20,905
Corporation tax paid		**(368)**	(1,137)
NET OUTFLOW FROM OPERATING ACTIVITIES		**(5,410)**	(1,036)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		**(121)**	(83)
Purchase of intangible assets		**-**	(71)
Disposal proceeds on sale of owner occupied freeholder property		**-**	1,494
Disposal proceeds on sale of investment property		**85**	-
NET (OUT)/INFLOW FROM INVESTING ACTIVITIES		**(36)**	1,340
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(5,446)**	304
Cash and cash equivalents at 1 January		**13,024**	12,739
Effect of exchange rate fluctuations on cash balances		**8**	(19)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	30	**7,586**	13,024

The notes on pages 29 - 53 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2022

1. Basis of preparation

The accounts have been prepared in accordance with the provisions of Schedule 3 SI 2008 No 410 and the Companies Act 2006, and the following financial reporting standards (FRSs) issued by the Financial Reporting Council:

- FRS 102 The Financial Reporting Standard Applicable in the UK and Ireland
- FRS 103 Insurance Contracts

The financial statements cover the year ended 31 December 2022. The comparative figures cover the year ended 31 December 2021.

BHSF Group Limited is a private company limited by guarantee, incorporated in England & Wales under the Companies Act. The address of the registered office is given in note 31 and the nature of the Company's operations and its principal activities are set out in the strategic report.

The preparation of financial statements in compliance with FRS 102 and FRS 103 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies.

In preparing the separate financial statements of the Company, advantage has been taken of the following disclosure exemptions available under FRS 102:

- No cash flow statement nor financial instrument disclosures have been presented for the Company; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the Company as their remuneration is included in the totals for the Group as a whole.

The Company has taken advantage of the disclosure exemption as permitted by FRS 102 from disclosing related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member, as required by Section 33 Related Party Disclosures – paragraph 33.1A.

The Group financial statements are presented in pound sterling and rounded to thousands. The Company's functional and presentation currency is the pound sterling.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore the Company continues to adopt the going concern basis in preparing its financial statements.

1A. Accounting policies

The following key accounting policies are applied in the preparation of the accounts.

a) Basis of consolidation

The Group financial statements combine the results of the Company, all its subsidiaries and joint ventures after eliminating intra-group transactions. The results of subsidiaries acquired have been included from the date of acquisition.

Goodwill on consolidation, representing the excess of the fair value of the consideration given over the fair value of the net assets acquired, in respect of acquisitions is capitalised and is amortised over its estimated useful life.

Intangibles acquired which have a fair value in excess of their book value are similarly capitalised and amortised over their estimated useful life.

b) Premiums

Gross premiums written are health cash plan, cancer cover and personal accident premiums excluding insurance premium tax.

Earned premiums, all of which arise in the United Kingdom, represent premiums from policyholders for the year, excluding insurance premium tax, and include an estimate of amounts due but not received at 31 December. Provision is made for premiums received but not earned at the statement of financial position date calculated on a time-apportioned basis.

c) Reinsurance

The Group partially reinsures personal accident and cancer risk under a reinsurance agreement. Reinsurance premiums are accounted for in the technical account on the same basis as the relevant premiums. Similarly reinsurance recoveries on claims payable are accounted for on the same basis as the relevant claims.

Reinsurance assets represent amounts receivable from the reinsurer in relation to ceded insurance liabilities.

d) Claims

Claims payable are recognised in the accounting period in which the insured event occurs.

Claims paid consist of claim payments and the internal and external costs of settling those claims.

Provision is made for the estimated cost of claims incurred up to the statement of financial position date. The provision is based on claims settled after the statement of financial position date together with an estimate of claims incurred by the statement of financial position date but not settled or notified based on statistical methods. Included within the provision is an estimate of the claims handling costs that will be incurred in settling outstanding claims.

e) Acquisition costs
The costs of acquiring new business which are incurred during the financial year are deferred to the extent that they relate to unearned premiums at the statement of financial position date. During the current and preceding financial years such deferred costs were not material and therefore not separately disclosed. All acquisition costs are therefore charged to the Income Statement.

f) Leases
Operating lease rentals are charged to the Income Statement on a straight line basis over the period of the lease.

g) Investment income
Investment income comprises interest, dividends, rents and realised gains. Dividends are recorded on the date on which the shares are quoted ex-dividend and interest; rents and expenses are accounted for on an accruals basis. All investment income is initially recognised in the non-technical account.

An allocation of the investment return is made between the non-technical and technical accounts for general business so as to reflect the investment return on investments supporting technical provisions.

Realised gains or losses represent the difference between net sales proceeds and purchase price or market value if held at the previous statement of financial position date and are initially recognised in the non-technical account.

h) Unrealised gains and losses
Unrealised gains or losses represent the difference between the valuation of investments at the statement of financial position date and their purchase price if acquired during the year and the market value at the previous statement of financial position date for investments held throughout the year. All unrealised gains or losses are initially recognised in the non-technical account.

i) Other income
Other income includes commission receivable from insurance broking on the transaction of insurance business, fees receivable on invoiced employee benefits and employer-support services, amounts receivable for occupational health and medical services provided during the period, excluding value added tax and government grants received as part of the Government Coronavirus Job Retention scheme ('Furlough'). The Group has not directly benefited from any other forms of Government assistance.

Turnover is recognised when the relevant services are carried out. For annual contracts turnover is recognised on an incremental basis appropriate to the accounting period.

Grants of a revenue nature are recognised in other income in the same period as the related expenditure. This includes Furlough income.

j) Current and deferred tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences.

The current income tax charge and deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

k) Intangible assets
Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, by equal annual instalments, to allocate the cost of the assets less their residual value over their expected useful lives.

The rates applicable during the year were:

Computer software	20-50%

l) Tangible fixed assets
Tangible fixed assets are stated at depreciated historical cost.

Depreciation is calculated to write down the cost of tangible fixed assets by equal annual instalments over their expected useful lives.

The rates generally applicable during the year were:

Furniture and equipment	10-15%
Computer equipment	20%
Laptop	33%
Medical equipment	15%

m) Land and buildings
Land and buildings are treated as investment properties and are valued at open market value as determined by independent professional advisors every three years. In the intervening years these valuations are updated by the Directors with the assistance of independent professional advice as necessary. The last professional valuation of all such group properties was carried out at 31 December 2021 by Fisher German LLP (Chartered Surveyors).

n) Acquisitions
The financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Group Statement of Comprehensive Income from the date on which control is obtained.

o) Investments
Other financial investments represent the value of BHSF Limited's investment portfolio and includes equities, corporate bonds, government bonds and investments in collective investment funds. Investments are recognised when BHSF Limited becomes contractual owner of the instrument and are recognised initially at their cost to BHSF Limited.

Whilst held, BHSF Limited values equity investments and investments in units of collective investment funds at fair value through profit or loss, where fair value is taken to be the bid price of the instrument at the statement of financial position date. BHSF Limited makes use of the accounting policy choice available under section 11.14(b) of FRS 102 to also designate corporate and government bond instruments as fair value through profit or loss. See note 1B for further information.

Investments are de-recognised when BHSF Limited ceases to be the contractual owner of the instrument or, where applicable, when the instrument matures and contractual rights expire.

Investments in subsidiary undertakings are included at cost, less provision for permanent diminution in value.

Investments in joint ventures are included at cost less provision for any permanent impairment in value.

p) Other financial instruments
The Group holds cash and debtor assets and long and short-term creditor liabilities, including borrowings from credit institutions, which are classed as financial assets and liabilities. Cash balances are recorded at the statement of financial position date at their face value. Debtors and creditors are measured at amortised cost using the effective interest rate where durations are longer than one year. Where duration is shorter than one year, which is the case for all debtors and all creditors except borrowings, financial assets and liabilities are measured at their cash settlement value. Borrowings are measured at their amortised cost using the effective interest rate method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

q) Pension schemes
The Group made contributions to two different pension schemes during the year.

Defined benefit scheme
The difference between the fair value of the assets held in the Group's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the Group's statement of financial position as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the Group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Defined contribution scheme:
The contributions to a group personal pension scheme have been charged to both the technical and non-technical accounts as appropriate in the year to which they relate.

r) Liability adequacy test
The Group performs a liability adequacy test at each statement of financial position date. This test estimates all future cash flows on insurance contracts in force at the statement of financial position date, including premiums received, claims incurred, and related claims processing and other expenses. If the test identifies any shortfall in the carrying value of insurance liabilities, the shortfall is recognised and an extra charge taken to the income statement.

No such charges have arisen in the current or prior financial years.

s) Foreign currency transactions
Foreign currency transactions are translated into the Group's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in comprehensive income.

t) Dividends
Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the members.

1B. Critical judgements in the application of accounting policies

In preparing these financial statements under the above policies, the Directors have made the following critical judgements:

a) Financial instrument classifications (Note 20)
The financial statements include £15,963k (2021: £18,164k) in respect of financial instruments which are measured at fair value through profit and loss. This is based on the judgement that the default amortised cost measurement basis under FRS 102 for the £9,252k (2021 £9,767k) of direct investments in debt instruments, including corporate and government bonds, does not provide as relevant information to the users of these financial statements as fair value does because these investments are managed and monitored by the Group on the basis of their market value.

b) Indicators of impairment in assets
The Directors exercise significant judgement in assessing whether there are indications of impairment in assets, and in particular in those assets that represent investments in subsidiaries and goodwill and other intangible assets. Factors taken into account when determining whether or not to impair assets include the economic viability and expected future financial performance of the asset, and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

1C. Key sources of estimation uncertainty
In preparing these financial statements, the Directors have made the following significant estimates:

a) Technical provisions – claims provision (Note 25)
The financial statements include £1,386k (2021: £1,583k) in respect of technical provision liabilities for claims. These provide for the estimated costs of claims incurred up to the statement of financial position date and outstanding at that date.

Technical provisions for health cash plans and personal accident products are projections based on recent historical claims experience and hence there is a risk that the actual claims that will be made by policyholders in respect of events incurred up to the statement of financial position date will differ significantly from the projections based on historical data. The amount of reinsurance recoverable on personal accident claims is estimated based on the projection of claims payments made.

Technical provisions for cancer cover remain based on statistical rates of cancer incidence published by the Office for National Statistics, but now incorporate analysis of policyholders and proportionate likelihood of diagnosis, against type of cover and therefore settlement value in event of a claim. Less emphasis is now given to the length of time a policyholder has held a policy.

There remains the risk that the actual claims that will be made by policyholders in respect of events incurred up to the statement of financial position date will differ significantly from the patterns suggested by the historical statistics.

Significant changes to actual claims experience over the next financial year could materially affect the carrying value of technical provisions over the next financial year.

b) Defined benefit pension scheme liability (Note 15)
The financial statements include a net defined benefit pension scheme liability of £nil (2021: £1,619k), comprising assets of £10,413k (2021: £14,404k) and liabilities of £10,122k (2021: £16,023k). The net Pension Scheme asset of £291k has not been recognised. This is a result of significant uncertainty about the recoverability of the surplus that occurs due to the pension scheme expecting to take in excess of 20 years to settle all liabilities. These liabilities represent the costs expected to be incurred in making pension payments to current or past employees who are members of the scheme.

The valuation of the pension scheme liability is determined on an actuarial basis using the projected unit method and are discounted at a rate using the current rate of return on high quality corporate bonds of equivalent term and currency to the liability. Assumptions are also made about the mortality of the beneficiaries of the pension scheme, and future rates of inflation. The assumptions underlying this calculation are discussed in more detail in Note 15.

Significant changes to the assumptions underlying these calculations over the next financial year could materially affect the carrying value of the pension scheme liability.

c) Investments in subsidiaries and goodwill and other intangibles (Notes 16 and 18)
Investments in subsidiaries within the Company are measured at cost less accumulated impairment. Goodwill balances within the Group represent the excess over net asset value paid for the acquisition of subsidiary companies. Other intangible assets represent the value of customer contracts and relationships within acquired companies. Goodwill and other intangibles are measured at cost less accumulated amortisation and accumulated impairment.

In all cases, impairment is judged on the basis of the present value of future cash flows expected to flow from the acquired business, based on approved budgets and forecasts. Differences between the forecasts used to arrive at the net present value and actual outturn could result in significant changes to the carrying value of investment or goodwill balances over the next 12 months.

d) Investment property valuation (Note 17)
Changes in investment property valuation are based on reports provided by valuation experts. These are a source of estimation uncertainty due to the nature of property valuations. Key assumptions underlying the valuations include:

- Market conditions based on transactions involving similar properties in similar areas;
- For investment properties, the amount a reasonable, independent third party would be willing to pay for the hope that development rights might be secured over the property in the future; and
- For investment properties occupied by a tenant, the likely length of tenancy.

Events over the next 12 months which materially change any of these conditions could potentially result in a material change in the value of property.

In particular:

- An increase or decrease in prevailing market conditions equivalent to 10% of property prices could increase or decrease the recognised values by £76k.

2. Insurance risk management

The Group accepts insurance risk through the contracts it writes for its three main insurance product lines:

- Health cash plans, where policyholders are reimbursed for all or part of their spend on a variety of everyday healthcare needs;
- Personal accident insurance, where policyholders are given cash settlement in the event of various types of accidental injury; and
- Plan4Life cancer cover, where policyholders are given cash settlement in the event of diagnosis of various types of cancer.

2A. Impact on these financial statements
The writing of insurance contracts is the Group's primary business and therefore amounts directly related to insurance contracts appear throughout these financial statements. In particular:

- Note 1A (b) describes the accounting for the premium income arising from insurance contracts which appears in the income statement.
- Note 1A (c) describes the accounting for reinsurance which appears in the income statement and notes 5 and 21.
- Note 1A (d) describes the accounting for claims costs that appear in the income statement. Claims are discussed in further detail in section 2B below.
- Note 1C (a) describes the estimation techniques used in the calculation of the technical provisions balances included in the statement of financial position and disclosed in more detail in note 25.
- Note 3 discloses the amount of insurance premium tax paid on premiums arising from insurance contracts.
- Note 6 discloses costs incurred in acquiring insurance business.
- Note 12 discloses the commissions payable in respect of insurance contracts.
- Note 22 discloses the amounts receivable from insurance policyholders and reinsurers at the statement of financial position date. Reinsurance cover is taken out on certain policies to manage insurance risk.
- Note 25 discloses the movements in insurance technical provisions during 2021 and 2020.

The majority of these figures are of certain timing and amount. The only areas of uncertain timing and amount are technical provisions and the related reinsurance recoverables. The methods for estimating the value of these items is discussed in greater detail in Note 1C (a).

2B. Risks arising from insurance contracts
Insurance risk is the risk that fluctuations in claims or premiums impact the income statement. This includes catastrophic events that lead to short-term spikes in claims.

As a medium-sized health cash plan provider, the business and hence the insurance risk is concentrated within one country of operations – the UK – and a single sector of insurance – general health insurance. In addition, within this, concentration occurs within the largest group customers. These are companies that have a significant number of their employees as BHSF policyholders and hence are likely to be more concentrated geographically than the general population.

The pricing of products is an important factor in managing insurance risk. An actuarial quote engine is used to price many products, with senior executive involvement in other pricing decisions where necessary. The profitability of products is monitored in order to ensure that products do not become unviable and an appropriate level of surplus is being generated to maintain the solvency of the business. Premium and claims levels are monitored on a monthly basis in order to identify trends.

The nature of the Group's core health cash plan business which makes up over 90% of the Group's premium income is such that claims are of high volume, covering dental or optical appointments and other day-to-day treatments that can be burdensome for individuals but are of relatively low value for the Group. There is limited scope for a claim to be incurred which would be material to these financial statements.

Additionally, insurance risk is mitigated in part by the terms of the health cash plan policies. These state that claims must generally be made within three months of the date the claim event occurred. This reduces the volatility in claims and reduces the risk of sudden large historical claims that could significantly harm the Group's solvency. The value of claims for which there is uncertainty about the timing and amount extending beyond the next 12 months is £6k (2021: £17k).

2C. Sensitivity analysis
Sensitivity analysis is performed to illustrate the vulnerability of the financial statements to different changes. Three sensitivities are presented:

1. A 5% increase/decrease in claims;
2. A 5% increase/decrease in operating expenses; and
3. A one-off catastrophe giving rise to claims of £1,001k (2021: £1,023k).

These sensitivities are considered to be reasonably possible changes in a single factor based on past experience for the business, as well as calculations of catastrophe risk done as part of the Solvency II regulatory regime.

	Surplus/(Deficit) before tax		Accumulated fund	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Before sensitivities	**(7,189)**	316	**24,258**	29,779
After applying claims ratio sensitivity				
- 5% increase in claims	**(8,616)**	(1,010)	**23,102**	28,705
- 5% decrease in claims	**(5,762)**	1,642	**25,414**	30,853
After applying expense ratio sensitivity				
- 5% increase in operating expenses	**(7,752)**	(89)	**23,802**	29,451
- 5% decrease in operating expenses	**(6,626)**	721	**24,714**	30,107
After applying one-off claims shock sensitivity				
- £1,001k additional claims (2021: £1,023k)	**(8,190)**	(707)	**23,447**	28,950

3. Gross premiums written

	2022	2021
	£'000	£'000
Total insurance premiums	**40,057**	41,575
Less insurance premium tax	**(4,295)**	(4,470)
Gross premiums written	**35,762**	37,105

All gross premiums relate to the direct insurance business in relation to medical expenses insurance. During 2022, BHSF wrote premiums for three main categories of medical expenses insurance: health cash plans; personal accident; and cancer cover.

4. Segmental revenue analysis

The Group's total revenue is generated in the following business segments:

	2022	2021
	£'000	£'000
Gross written premiums:		
Underwritten insurance	**35,762**	37,105
Other income:		
Insurance broking	**489**	386
Employee benefits and employer-support services	**2,127**	2,140
Occupational health and medical services	**7,118**	7,038
Government grants	**-**	19
Total revenue	**45,496**	46,688

Government grants relates to income received under the Coronavirus Job Retention Scheme.

All revenue is generated in the UK with the exception of some occupational health services delivered in the Republic of Ireland.

Occupational health revenue is divided into the following geographic segments:

	2022	2021
	£'000	£'000
United Kingdom	**6,773**	6,647
Republic of Ireland	**345**	391
Total occupational health revenue	**7,118**	7,038

5. Gain or loss on reinsurance relationships

	2022	2021
	£'000	£'000
Premiums ceded to reinsurer	**313**	450
Claims recovered from reinsurer	**(168)**	(139)
Technical provision movement attributed to reinsurer	**164**	71
Loss on buying reinsurance	**309**	382

6. Net operating expenses

	2022	2021
	£'000	£'000
Business acquisition expenses	**1,343**	920
Direct insurance administration	**2,315**	1,641
IT and other general administration overheads	**6,400**	4,359
Commissions payable	**1,206**	1,184
	11,264	8,104

7. Employee costs and numbers

7A. Employee costs:

	2022 £'000	2021 £'000
Wages and salaries	10,216	9,819
Social security costs	1,140	1,056
Pension costs	1,540	1,456
Redundancy costs	16	139
	12,912	12,470

Director's emoluments are included in the employee costs above and analysed in Note 8.

The pension costs disclosed above are the costs incurred in respect of the defined contribution pension scheme available to employees of the Group. Costs in respect of the defined benefit pension scheme are discussed in Note 15.

All members of staff within the Group are employed by subsidiary companies. The Company does not directly employ any staff.

Employee costs relating to direct insurance activities amounting to £3.6m (2021:£2.9m) are included in net operating expenses (note 6) and those relating to the provision of claims are included in claims £286k (2021: £250k). The remaining employee costs (including the redundancy costs) amounting to £9.0m (2021: £9.3m) are included in other charges (note 11).

Wages and salaries, social security and pension costs of £nil (2021:£161k) and redundancy costs of £nil (2021: £113k) are regarded as exceptional items and are disclosed in note 13.

7B. The average number of employees during the year:

	2022 Number	2021 Number
Sales and marketing	31	41
Registration, claims and helpdesk	46	43
Management and administration	109	103
Occupational health practitioners	74	67
	260	254

8. Directors' emoluments and benefits

	2022 £'000	2021 £'000
Directors' emoluments including benefits in kind	591	645
Contributions to a defined contribution scheme	99	104
	690	749
Highest paid Director		
Remuneration	207	205

The above costs are also included in note 7.

The Group made contributions on behalf of Directors to the following pension scheme during the year:

	2022 Number	2021 Number
Defined contribution scheme	3	4

The highest paid director has no accrued pension or lump sum for the year (2021: nil).

9. Investment income

	2022 £'000	2021 £'000
Income from other investments	269	456
(Loss)/Profit on the realisation of investments	(83)	71
	186	527

10. Other income

	2022 £'000	2021 £'000
Insurance broking	489	386
Employee benefits and employer-support services	2,127	2,140
Occupational health	7,118	7,038
Government grants	-	19
Total revenue	9,734	9,583

Government grants relates to income received under the Coronavirus Job Retention Scheme.

11. Other charges

	2022 £'000	2021 £'000
Cost of sales	6,829	6,159
Administration expenses	3,795	6,260
Goodwill and other intangible assets amortisation	219	238
	10,843	12,657
Charitable donations	27	58
	10,870	12,715

Cost of sales comprises direct selling costs for the Employee Benefits and Occupational health businesses.

Administration Expenses includes wages and salaries across support functions not directly involved in the insurance business and IT, legal, consultancy and facilities costs.

Administration expenses includes wages and salaries of £nil (2021: £161k) and redundancy costs of £nil (2021: £113k) which are regarded as exceptional items as disclosed in note 13.

12. Defecit/Surplus before taxation

	2022 £'000	2021 £'000
The (defecit)/surplus before taxation is arrived at after charging the following:		
Depreciation	106	145
Amortisation of other intangibles	219	238
Operating leases – buildings	347	227
Operating leases – other	-	96
Commissions payable	1,206	1,184
Auditor's fees:		
Fees payable in respect of the audit of the Company's accounts	25	20
Other services provided by the Company's auditor:		
Audit fees for the Company's subsidiaries pursuant to regulation	152	98

All fees payable in respect of the audit of the Group's accounts are approved by the Audit Committee.

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13. Exceptional Items

	2022 £'000	2021 £'000
Wages and salaries (including social security and pension costs (note 7A)	-	161
Redundancy (note 7A)	-	113
	-	274

These costs relate to the transformation and restructuring activities currently being undertaken by the Group and are included in administration expenses in other charges (see note 11).

14. Taxation

14A. Analysis of charge in year

	2022 £'000	2021 £'000
Corporation tax at 19% (2021: 19%)		
Current tax charge	-	435
Adjustments in respect of prior periods included in current tax charge	(435)	-
Deferred tax (credit)/charge	(177)	55
Adjustments in respect of prior periods in deferred tax charge	-	-
Taxation (credit)/charge	(612)	490

14B. Factors affecting the tax charge for the year:

The tax assessed for the year is more (2021: more) than would be expected by multiplying the surplus by the standard rate of corporation tax in the UK of 19.0% (2021: 19.0%). The differences are explained below:

	2022 £'000	2021 £'000
(Defecit)/Surplus before taxation	(7,189)	316
(Defecit)/Surplus before taxation multiplied by the standard rate of corporation tax at 19.0% (2021: 19.0%)	(1,366)	60
Expenses not deductible for tax purposes	11	12
Income not subject to corporation tax	(58)	(55)
Losses unutilised	163	501
Adjustments in respect of prior periods	(4)	-
Tax rate changes	(60)	(3)
Deferred tax asset not recognised	688	-
Other differences	14	(25)
Total tax (credit)/charge	(612)	490

The aggregate deferred tax relating to items recognised in other comprehensive income is a charge of £352k (2021: charge of £339k).

14C. Deferred tax

The Group had deferred tax assets as follows:

	2022 £'000	2021 £'000
Short-term timing differences - trading	**7**	-
Losses	**231**	44
Deferred tax asset on pension scheme liability	**-**	405
	238	449

Deferred tax assets are carried forward within other debtors.

The movement on the deferred tax asset is as follows:

	2022 £'000	2021 £'000
As at 1 January	**449**	800
Charged to income statement	**141**	(12)
Charged to other comprehensive income (note 15A)	**(352)**	(339)
As at 31 December	**238**	449

Deferred tax assets are recognised in respect of the defined benefit pension scheme. This will reverse over the life of the scheme and is subject to changes in valuations of the defined benefit obligation and plan assets. Of the remaining assets, it is estimated that £nil (2021: £nil) will reverse over the next 12 months.

The Group has deferred tax liabilities as follows:

	2022 £'000	2021 £'000
Fixed asset timing differences	**61**	90
Short-term timing differences - trading	**-**	4
Investment property revaluations	**177**	180
	238	274

The deferred tax liability is carried forward within other provisions.

The movement on the deferred tax liability is as follows:

	2022 £'000	2021 £'000
As at 1 January	**274**	231
Charged to income statement	**(36)**	43
As at 31 December	**238**	274

Over the next 12 months it is expected that £12k (2021: £44k) of deferred tax liabilities in respect of fixed asset timing differences will reverse as the accounting value and tax value of fixed assets converge. Reversals of deferred tax liabilities in respect of property revaluations is uncertain due to its dependency on prevailing market conditions.

14D. Factors that may affect future tax charges

The Finance Act 2021 was substantially enacted in May 2021 and has increased the corporation tax rate to from 19% to 25% with effect from 1 April 2023. The deferred taxation balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

15. Pension Commitments

The Group provides retirement benefits to some of its former and current employees through a defined benefit pension scheme. The scheme closed to future accrual on 31 October 2012. The pension scheme assets are held in a separate trustee-administered fund to meet the long-term pension liabilities of these past and present employees. The administration of the scheme is determined by the scheme's Trust Deed. It provides that the level of retirement benefit is based upon the highest annual salary earned in any one of the three years preceding retirement.

15A. Pension scheme impact on financial statements

The amounts recognised in the consolidated statement of financial position are as follows:

	2022 £'000	2021 £'000
Present value of scheme liabilities	**(10,122)**	(16,023)
Fair value of scheme assets	**10,413**	14,404
Surplus/(Deficit) in the scheme	**291**	(1,619)
Restrictions on surplus	**(291)**	-
Net defecit recognised	**-**	(1,619)

The amounts recognised in the income statement are as follows:

	2022 £'000	2021 £'000
Interest on net liability	**(29)**	(53)
Total charge	**(29)**	(53)

The amounts recognised in other comprehensive income are as follows:

	2022 £'000	2021 £'000
Actuarial gain on scheme liabilities	**5,638**	1,138
Return on scheme assets less interest	**(3,939)**	853
Restriction on surplus	**(291)**	-
Deferred tax credit on actuarial adjustments (note 14C)	**(352)**	(339)
Total net actuarial gain	**1,056**	1,652

There are no commitments in respect of the defined contribution scheme at the year-end (2021: nil).

Following the triennial valuation of the scheme as at 31 March 2020 the Company has agreed to pay £240k per year (monthly instalments of £20k) into the defined benefit scheme with effect from April 2020 (2021: £240k per year).

15B. Pension scheme assets and liabilities

Changes in the present value of the defined benefit obligation are as follows:

	2022 £'000	2021 £'000
Opening scheme liabilities	16,023	17,037
Interest cost	300	240
Actuarial loss/(gain)	(5,638)	(1,138)
Benefits paid	(563)	(386)
Closing scheme liabilities	10,122	16,023

Changes in the fair value of scheme assets are as follows:

	2022 £'000	2021 £'000
Opening fair value of scheme assets	14,404	13,375
Interest income on scheme assets	271	187
Other income	16	19
Return on scheme assets less interest	(3,955)	834
Contributions by employer	240	375
Benefits paid	(563)	(386)
Closing fair value of scheme assets	10,413	14,404

The actual loss on plan assets was £3,684k (2021: gain of £1,021k). Under FRS 102, this return is not recognised. Instead, interest income on scheme assets is calculated using the same discount rate as is applied to liabilities. However the scheme actuary will take the actual return on assets into account in establishing the closing fair value.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2022	2021
Equities	16%	50%
Bonds	42%	45%
Liability driven investments	37%	0%
Annuities	1%	1%
Cash	4%	4%

The most recently-completed triennial actuarial valuation of the defined benefit scheme was performed by an independent actuary at 31 March 2020. The next triennial valuation will consider the scheme's value at 31 March 2023 and will determine whether further contributions by the Company are required.

In arriving at the pension liabilities as at 31 December 2022, the scheme actuary updated the liabilities being used in the triennial valuation at 31 March 2020 by adjusting for payments made to and from the scheme and updating the actuarial assumptions.

15C. Actuarial assumptions

The principal actuarial assumptions used at the statement of financial position date (expressed as weighted averages) are:

	2022	2021
Discount rate	4.80%	1.90%
RPI Inflation before retirement	3.70%	3.70%
RPI Inflation after retirement	3.40%	3.50%
CPI inflation before retirement	2.90%	2.90%
CPI inflation after retirement	3.00%	3.10%
Deferred pension revaluations	3.00%	3.00%
Pension increases - CPI (0,5)	3.00%	3.10%
Pension increases - CPI (0,2.5)	2.50%	2.50%
Pension increases - CPI (0,3)	3.00%	3.00%
Mortality base table	S3PXA YOB	S3PXA YOB
Allowance for future improvements	CMI 2019 1.25%	CMI 2019 1.25%

An AA-rated over 15-year corporate bond yield index was used as a starting point for setting the discount rate, which is the longest duration bond index readily available. The index yield has increased over the year to 4.8% pa at 31 December 2022.

Mortality rate assumptions have been reviewed this year and under the mortality tables adopted the assumed life expectancy is as follows:

	2022	2021
Longevity at age 65 for current pensioners		
Males	22.0	22.0
Females	24.4	24.3
Longevity at age 65 for future pensioners, now aged 45		
Males	23.4	23.3
Females	25.9	25.8

15D. Sensitivity analysis

The sensitivity of total comprehensive income for the year and the accumulated fund balance are shown below for three key actuarial assumptions. Changes in these assumptions have no impact on the surplus for the year. Sensitivities are chosen by the actuarial advisors based on prevailing conditions at the calculation date.

	Total comprehensive income		Accumulated fund	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Before sensitivities	(5,521)	1,478	24,258	29,779
Reduce discount rate by 0.5% per year (2021: 0.5% per year)	(6,180)	166	23,599	28,467
Increase inflation 0.5% per year (2021: 0.5% per year)	(5,697)	757	24,082	29,058
Add one year to life expectancies	(5,732)	1,041	24,047	29,342

16. Intangible assets

	Goodwill	Other Intangibles	Software	Total
	£'000	£'000	£'000	£'000
Group				
Cost:				
At 1 January 2022	8,959	300	1,116	**10,375**
Additions	-	-	-	**-**
At 31 December 2022	8,959	300	1,116	**10,375**
Amortisation:				
At 1 January 2022	8,959	300	619	**9,878**
Amortisation charge for the year			219	**219**
At 31 December 2022	8,959	300	838	**10,097**
Net book value:				
At 31 December 2022	**-**	**-**	**278**	**278**
At 31 December 2021	-	-	497	**497**

Amortisation charged for the year is reflected in other charges in the non-technical account.

In the year to 31 December 2022 there were no new acquisitions made by the Group.

The other intangibles balance represents the value of contracts and customer relationships acquired.

The analysis above shows movement on goodwill balances from previous acquisitions.

17. Land and buildings

	Investment property
	£'000
At market value:	
At 1 January 2022	**780**
Disposals	**(85)**
Revaluation	**65**
At 31 December 2022	**760**
At cost:	
At 1 January 2022	**59**
Disposals	**(6)**
At 31 December 2022	**53**

The last professional valuation of all investment properties was carried out at 31 December 2022 by Fisher German LLP (Chartered Surveyors - MRICS FAAV qualified).

The Group received proceeds of £85,000 in relation to the sale of land at Tyn-y-coed. The realised gain on sale of the land was £30k.

18. Subsidiary undertakings

18A. Summary of all subsidiary undertakings

The activities of the subsidiary companies during 2022 are below:

Trading Companies		**Principal activity**	**% Ownership**
BHSF Limited (limited by guarantee)	-	provider of health cash plans and other insurances	100
BHSF Management Services Limited	-	provider of administrative services to the group	100
BHSF Employee Benefits Limited	-	insurance broker and provider of employee benefits and employer-support services	100
BHSF Occupational Health Limited	-	provider of occupational health services	100

Other Companies		**Principal activity**	**% Ownership**
BHSF Corporate Healthcare (Holdings) Limited	-	Former holding company for occupational health businesses (exempt from audit under Section 479A of the Companies Act 2006 as the Group agrees to guarantee liabilities of the Company)	100
BHSF Medical Practice Limited	-	provider of private primary care (GP) services (ceased trading during 2020 and exempt from audit under Section 479A of the Companies Act 2006 as the Group agrees to guarantee liabilities of the Company)	100
Nexus Healthcare Limited	-	provider of occupational health services (no longer trading and exempt from audit under Section 479A of the Companies Act 2006 as the Group agrees to guarantee liabilities of the Company)	100

All companies in the Group are registered at 13th Floor, 54 Hagley Road, Birmingham, B16 8PE.

Internal Group Structure

As at 31 December 2022:

- The investments in BHSF Occupational Health Limited and BHSF Management Services Limited were held by BHSF Limited.
- The investments in BHSF Medical Practice Limited and Nexus Healthcare Limited were held by BHSF Occupational Health Limited.
- Other investments in subsidiaries were held directly by BHSF Group Limited.

In the case of each subsidiary, BHSF Group Limited is the sole ultimate shareholder or member. All subsidiary companies are incorporated in England and Wales.

Investment in subsidiary undertakings

	£'000
Cost	
At 1 January 2022	10,347
Capital contributions	1,040
At 31 December 2022	11,387
Accumulated impairment provision	
At 1 January 2022	8,297
Impairment	2,004
At 31 December 2022	10,301
Net book value	
At 31 December 2022	1,086
At 31 December 2021	2,050

The capital contributions in the year relate to amounts paid to BHSF Employee Benefits Limited (£200k) in ongoing support and to BHSF Corporate Healthcare Holdings (£840k) as part of an internal group restructuring.

An impairment review was undertaken at the year-end. An impairment of £2,004k was recognised in relation to the investment in BHSF Corporate Healthcare Holdings due to the internal group restructuring.

18B. Summary of acquisitions during the year

There were no new acquisitions by the Group during the year.

19. Joint venture

	2022 £'000	2021 £'000
Cost	100	100
	100	100

The Group via BHSF Employee Benefits Limited entered into a joint venture agreement on 16 September 2019 to control 50 percent of the share capital of The Employee Resilience Company Limited a health and wellbeing provider incorporated in England and Wales on 21 August 2018. The remaining 50% is controlled by SME HCI Limited. The registered address is The Malthouse Business Centre, 48 Southport Road, Ormskirk, Lancashire, England, L39 1QR.

The Group's share in the joint venture's total comprehensive income is £nil (2021: £nil). Please see note 32 for related party transactions with The Employee Resilience Company Limited and the accounting policy page note 1(o).

20. Financial instruments,financial risk and capital management

A financial instrument is a contract that gives rise to a right to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group has financial assets on its statement of financial position which give rise to income and loss in the income statement (e.g. interest and dividends) as well as gains and losses as the market values of those items valued at fair value through profit or loss change over time. In addition, the Group has financial assets and liabilities in the form of the debtors, creditors, borrowings, and cash balances that are a normal part of doing business.

20A Impact of financial instruments on financial statements

20A.1 Financial assets – statement of financial position analysis

The Group holds financial assets valued in the statement of financial position as follows:

	2022 Cost £'000	2022 Fair Value £'000	2021 Cost £'000	2021 Fair Value £'000
Financial asset investments held at fair value				
Equities	4,415	4,625	4,682	5,082
Collective investment funds	12,858	11,338	12,780	13,082
Total financial assets held at fair value through profit or loss	17,273	15,963	17,462	18,164
Cash held in investment portfolio	727	727	1,826	1,826
Total investment portfolio	18,000	16,690	19,288	19,990
Debtors held at amortised cost	3,930	3,930	3,887	3,887
Cash held outside investment portfolio	6,859	6,859	11,198	11,198
Total financial assets	28,789	27,479	34,373	35,075

Collective investment funds include equity funds with a fair value of £2,086k (2021: £3,315k) , corporate bond funds with a fair value of £2,963k (2021: £3,906k) and supra-national bond funds with a fair value of £6,289k (2021: £5,861k).

All financial assets held at fair value are valued using valuations taken from the active markets in which the assets are actively traded on the statement of financial position date, that is all have valuations that qualify as 'level 1' in the FRS 102 hierarchy of fair valuations.

The Directors consider that the market value of these items takes into account the credit risk of the investment counterparty and therefore no further adjustment to valuations has been applied.

Debtors held at amortised cost do not include prepayments, accrued income and deferred tax assets as these are not financial instruments.

20A.2 Financial liabilities – statement of financial position analysis

The statement of financial position contains creditors totalling £4,269k (2021: £3,934k). The creditors figure does not include corporation and deferred tax liabilities as these are not financial liabilities.

Besides the provisions covered in more detail in Notes 25 and 26, and the pension scheme deficit covered in Note 15, these are the only financial liabilities the Group holds. All creditors are valued using the amortised cost method. There were no write-offs, write-downs, revaluations or other adjustments of creditors that gave rise to income statement credits or charges over the previous 12 months.

20A.3 Financial assets – income statement analysis

	2022 £'000	2021 £'000
Financial assets measured at fair value		
Dividend and interest income from investment portfolio	269	386
Realised (losses)/gains on assets held in investment portfolio	(83)	71
Realised gains on sale of fixed assets including property	-	74
Realised gains on sale of investment property	30	-
Unrealised (losses)/gains on assets held in investment portfolio	(1,881)	868
Income from option agreements on investment property	-	70
Total (cost)/income from financial assets measured at fair value	(1,665)	1,469
Interest earned on cash balances outside investment portfolio	-	-
Total income statement (charge)/credit	(1,665)	1,469
Amount recognised in technical account	14	28
Amount recognised in non-technical account	(1,679)	1,441
Total income statement (charge)/credit	(1,665)	1,469

20B. Financial risk management

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

20B.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Group is directly exposed to credit risk in the categories of financial asset in which the default of the other party to the instrument would result in a loss to the Group.

The categories of financial asset in which such counterparty default gives rise to a risk of loss at BHSF, including ageing and impairment information where applicable, can be analysed as follows:

	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Corporate bond funds		2,963		3,906
Government or supranational bond funds		6,289		5,861
Cash at bank or with investment managers		7,586		13,024
Debtors				
Current	3,024		2,955	
Between 1 and 3 months overdue	643		688	
More than 3 months overdue	559		487	
Total debtors before provisions	4,226		4,130	
Provisions against overdue balances	(296)		(243)	
Net debtors balance		3,930		3,887
Total credit risk exposure in the statement of financial position		20,768		26,678

Corporate and government bonds above are held within funds which include a large number of individual instruments. The credit quality of the significant majority of these instruments is expected to be of at least 'investment grade' at any given time. This corresponds to credit quality steps 0 – 3 in the Solvency II regulatory system. Cash balances are generally of credit quality step 2 – 3 while most of the debtor balances held are unrated, being trade debts with individual companies[4].

The Group manages the risk of default through investment and operational policies.

Debtors are actively managed on a day-to-day basis, with regular contact established with policyholders or corporate customers in order to arrange payment of amounts overdue. The credit risk in this category is small because the amounts owed by any one debtor do not amount to a material figure.

Cash at bank is held only in major UK banks, the solvency of which are regularly reported in the media and monitored by the Group.

Debtors are considered to be impaired when they are more than three months overdue and without a payment plan in place or there are other indications of impairment. Debtors are presented in the statement of financial position net of impairment for debts which are bad or doubtful. There were no other impairments recognised against any other classes of financial asset in either the current or prior year.

Across all cash holdings and debtors, including those embedded within collective investment funds, the Solvency II regulatory regime measures the Group's exposure to counterparty default risk at £1,418k (2021: £1,800k)[5].

20B.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group is exposed to liquidity risk in meeting operating costs as represented by the trade and other creditor figures on the statement of financial position totalling £4,269k (2021: £3,935k), and in meeting policyholder claims, represented on the year-end statement of financial position by the technical provision balances totalling £1,758k (2021: £1,996k). Both of these exposures are due within 12 months of the statement of financial position date, and in particular the large majority of claims represented by the technical provisions are generally settled within three months.

The risk of difficulties in meeting these obligations is managed by ensuring investments are made only in liquid instruments which can be converted to cash in a small number of days.

20B.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other prices risk.

20B.3.1 Currency risk

The Group's insurance operations are conducted almost entirely within the UK, with relatively small operational exposure to currency risk. The Group's investment policy does not allow direct investment in foreign currency assets and hence the Group's exposure to currency risk is restricted to foreign currency assets that are part of collective investment funds and which are hedged back to sterling. Collective investment funds containing large proportions of foreign currency assets totalled £10,856k (2021: £9,177k) at the statement of financial position date.

Under the Solvency II insurance regulatory regime, insurers using a standard formula approach must hold capital to cover a 25% increase or decrease in relevant exchange rates. A 25% increase in the value of pound sterling relative to all foreign currencies would result in a loss of £259k (2021: £304k) being made due to negative movements in the value of investments. Meanwhile a 25% decrease in the value of pound sterling relative to all foreign currencies would result in a gain of £259k (2021: £304k) being made due to positive movements in the value of investments[6].

20B.3.2 Interest rate risk

Interest rate risk is the risk that asset fair values or future cash flows will fluctuate as a result of changes to interest rates. Interest rate risk affects the value of the Group's investments in corporate and government bonds, and also affects the value of pension scheme assets and long-term liabilities, thus affecting the level of the defined benefit scheme deficit in the statement of financial position. One of the key drivers of interest rate risk is the amount of time between the date on which an asset is valued and the date on which it matures. The Company's portfolio includes collective investment funds of green bonds, world bank bonds, and 'ESG' corporate bonds. These contain a large number of individual bonds so that the Group's exposure to any one bond is relatively small. Detailed maturity analysis of the constituent parts of these funds is not practical, but it is expected that at any one time the large majority of investments will carry maturity dates of within 0 – 10 years.

The Group's internal sensitivity analysis for interest rate risk utilises the approach of the Solvency II insurance regulatory regime. This applies a shock to the yield of each bond asset of between 70% and -75% based on the duration of each bond within both the company and pension scheme portfolio, as well as the pension scheme liabilities. This analysis indicates that a shock to corporate bond yields could result in a charge of £999k (2021: £588k) and reduction in the accumulated fund of £809k (2021: £476k) or a credit of £1,696k (2021: £1,721k) and an increase in the accumulated fund of £1,374k (2021: £1,394k).

Due to the easy-access nature of cash balances, interest rate risk on cash deposits and cash with investment managers is negligible.

[4, 5, 6] Note that solvency disclosures are not required to be audited and are not presented as audited numbers in this Annual Report or the Financial Statements

20B.3.3 Other prices (equity) risk

Equity risk is the risk that asset fair values will fluctuate due to changes in equity prices.

Equity risk is managed by the Group through the implementation of an investment policy which limits losses through the application of caps on the exposure to any one company as well as an overall limit on the proportion of the investment portfolio that can be held in equities.

The Group stress tests its exposure to equity prices using the Solvency II standard formula approach, which considers shocks of 35.98% (2021: 45.88%) and 45.98% (2021: 55.88%), depending on the exact nature of the investment. This analysis shows that as at 31 December 2022, such a shock would result in a profit and loss charge or credit of £2,485k (2021: £7,159k) and reduction or increase in the accumulated fund of £2,103k (2021: £5,799k)[7].

20C. Capital management

As a not-for-profit company limited by guarantee, BHSF Group Limited has limited scope for raising additional capital. As such, the only capital resource generally available to management is the accumulated fund balance of £24,258k (2021: £29,779k). The statement of changes in equity discloses information about the changes in the accumulated fund over the last 12 months.

The Company is subject to capital requirements imposed by the Bank of England's Prudential Regulation Authority (PRA) under UK Solvency II regulations. Regulations require firms to maintain a ratio of at least 100%. Management aim to maintain capital sufficient to achieve a solvency ratio of at least 150%.

As at 31 December 2022 BHSF Group's solvency ratio was 245% (2021: 219%)[8] (The Group has taken advantage of the available exemption to have the Solvency and Financial Condition Report audited). Further information on this and other regulatory matters can be found in the BHSF Group Solvency and Financial Condition Report available from www.bhsf.co.uk.

Major investment, product, or other decisions that will impact on regulatory capital requirements or the level of capital available to meet those requirements must be modelled and stress tested as part of the approval process for these decisions. This includes dividend payment decisions within subsidiary companies subject to regulatory capital requirements on an individual level. This enables senior management and the Board to effectively manage capital levels within the Group's risk appetite.

21. Movement in reinsurance assets

	2022 £'000	2021 £'000
Reinsurer's share of technical provisions brought forward	203	274
Technical provision movement attributed to reinsurer	(164)	(71)
Reinsurer's share of technical provisions carried forward	**39**	203

See note 25 showing the technical provisions net of reinsurance assets.

22. Debtors arising out of direct insurance operations

	2022 £'000	2021 £'000
Amounts receivable from policyholders and policyholder groups	1,591	1,541
	1,591	1,541

23. Other debtors

	2022 £'000	2021 £'000
Trade debtors	2,034	2,121
Corporation tax debtor	568	-
Other debtors	305	225
Deferred taxation (Note 14)	238	449
	3,145	2,795

[7,8] Note that solvency disclosures are not required to be audited and are not presented as audited numbers in this Annual Report or the Financial Statements

Amounts shown due under other debtors fall due within one year with the exception of deferred tax assets recognised in respect of fixed asset timing differences. These balances will reverse over the life of the relevant assets.

24. Tangible fixed assets

	Computer equipment £'000	Furniture and equipment £'000	Total £'000
Cost:			
At 1 January 2022	101	304	405
Additions	57	64	121
At 31 December 2022	**158**	**368**	**526**
Depreciation:			
At 1 January 2022	27	150	177
Charge for the year	54	52	106
At 31 December 2022	**81**	**202**	**283**
Net book value:			
31 December 2022	**77**	**166**	**243**
31 December 2021	74	154	228

25. Technical Provisions

25.1 Unearned premiums and claims provision

	Gross Unearned Premiums £'000	Gross Claims £'000	Total £'000
As at 31 December 2021	413	1,583	**1,996**
Technical provisions added	372	27,265	**27,637**
Technical provisions utilised	(413)	(27,462)	**(27,875)**
At 31 December 2022	**372**	**1,386**	**1,758**

	Gross Unearned Premiums £'000	Gross Claims £'000	Total £'000
As at 31 December 2020	491	1,549	**2,040**
Technical provisions added	413	24,912	**25,325**
Technical provisions utilised	(491)	(24,878)	**(25,369)**
At 31 December 2021	**413**	**1,583**	**1,996**

Unearned premiums provisions represent the amount of premiums received from policyholders in respect of future periods.

Claims provisions represent an estimate of the amount the Group will have to pay to policyholders in respect of claims incurred prior to the statement of financial position date that are yet to be paid. The precise value and timing of claims payments is uncertain due to their reliance on factors outside the Group's control, such as the specific nature of the medical services that policyholders opt for, and when they opt to use those services.

It is expected that the significant majority of the claims represented by the provision balance as at the statement of financial position date will be paid within the first three months of the next financial year.

25.2 Reconciliation of claims and reinsurance provisions

	Gross claims £'000	Reinsurance £'000	Net Total £'000
As at 31 December 2021	1,583	203	**1,380**
Technical provisions added	27,265	91	**27,174**
Technical provisions utilised	(27,462)	(255)	**(27,207)**
At 31 December 2022	**1,386**	**39**	**1,347**

	Gross claims £'000	Reinsurance £'000	Net Total £'000
As at 31 December 2020	1,549	274	**1,275**
Technical provisions added	24,912	55	**24,857**
Technical provisions utilised	(24,878)	(126)	**(24,752)**
At 31 December 2021	**1,583**	**203**	**1,380**

Of the total claims provision, it is estimated that £39k (2021: 203k) will be recoverable from our reinsurer. A receivable equal to this amount is recognised as reinsurer's share of technical provisions in the statement of financial position (see note 21).

26. Other provisions

	Deferred Tax £'000	Other £'000	Total £'000
As at 31 December 2021	274	218	**492**
Provisions added	8	13	**21**
Provisions utilised	(44)	(76)	**(120)**
At 31 December 2022	**238**	**155**	**393**

Deferred tax liabilities include fixed asset timing differences and liabilities arising on fair value adjustments applied to investment property and the assets acquired as part of business combinations. Further detail can be found in Note 14.

Other provisions represent the dilapidations and onerous leases on three properties.

27. Other creditors including taxation and social security

	2022 £'000	2021 £'000
Creditors due within one year:		
Trade and other creditors	**2,775**	2,327
Corporation tax	**-**	238
	2,775	**2,565**

Included in trade and other creditors is £1,684k (2021: £1,575k) relating to other taxation and social security.

28. Lease obligations

The Group had commitments to make future payments under non-cancellable operating leases which fall due as follows:

	2022 £'000	2021 £'000
Not later than one year - buildings	**256**	177
- other	**-**	6
Later than one year and not later than five years - buildings	**229**	97
- other	**-**	-
	485	280

29. Capital commitments

The Group had commitments to make payments of £nil (2021: £nil) during the next 12 months in respect of capital asset purchases.

30. Cash and cash equivalents

The statement of cash flows discloses the movement in all cash and cash equivalents. The statement of financial position distinguishes between cash that is on hand or in the bank and cash that is held within the investment portfolio by our investment managers. The following reconciles the statement of financial position cash balance to the statement of cash flows cash balance.

	2022 £'000	2021 £'000
Closing cash at bank per statement of financial position	**6,859**	11,198
Cash held in investment portfolio	**727**	1,826
Closing cash and cash equivalents per statement of cash flows	**7,586**	13,024

31. Legal form

BHSF Group Limited is a company limited by guarantee incorporated in England and Wales with company registration number 4767689. BHSF Group Limited's registered office is 13th Floor, 54 Hagley Road, Birmingham, B16 8PE.

32. Related party transactions

The Company is a company limited by guarantee. Accordingly there is no parent entity nor ultimate controlling party.

Compensation of key management personnel of the Group totalled £1,274k (2021: £1,171). Key management personnel include all directors across the group who together have authority and responsibility for planning, directing and controlling the activities of the group.

Purchases totalling £14k (2021: £65k) were made by the Group to Cyber Q Group Limited, Chris Wiggin who was a director of the group (resigned 27 March 2022) was also a director of Cyber Q Group Limited. There was £nil relating to the period to 27 March 2022 due to Cyber Q Group Limited at the statement of financial position date.

During the year, income of £14.7k (2021: £20k) was received by the Group from St Basils and donations of £nil (2021: £100) were made by the group to St Basils, Sara Fowler who was a director of the company was also a director of St Basils (resigned 1 May 2022). £1k (2021: £359) was due from St Basils at the statement of financial position date.

During the year, purchases of £1,525k (2021: £1,183k) were made by the Group from The Employee Resilience Company, a joint venture investment (see note 19). There was £17k (2021: £2k) balance due to The Employee Resilience Company at the statement of financial position date.

There were no other related party transactions other than those between members of the Company's group. All inter group balances are interest free and repayable on demand.

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