

BHSF Group Limited

Annual report and financial statements

For the year ended 31 December 2020

Company information

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Chair's statement

For the year ended 31 December 2020

2020 was certainly a year we will never forget. Whilst in the future we may look back on 2020 as a year defined by the COVID-19 pandemic, it was also without doubt the year which elevated society's appreciation of health & wellbeing, particularly mental health. This resonated strongly with BHSF as our stated purpose is to have a positive impact on the health and wellbeing of the people we reach.

Although 2020 was challenging in many ways, my appointment as Chair of BHSF was a personal highlight. After 19 years' involvement with BHSF, Andrew Milner's retirement in August 2020 brought his three years of service as Chair to an end. It has been a great pleasure to work with Andrew since I joined the Board in 2018. I thank Andrew for the energy he brought to the role over the years, and for being a dedicated, fair-minded and approachable Chair, over the start of what is undoubtedly a transformational period for BHSF.

From its beginnings as a charitable scheme raising funds for hospitals in Birmingham to deliver care for people of limited means, providing cycle ambulances at a time when ambulances of any sort were very rare, and opening convalescence homes, all before the formation of the NHS, BHSF has transformed into a nationwide organisation at the forefront of employee health and wellbeing. Since 1873, BHSF has continually adapted to the needs of its customers and communities. Today, BHSF is thriving in finding new ways of maximizing our impact and has developed a sector leading offering to support mental health.

We have seen first-hand the impact that COVID-19 has had on our customers and the everyday lives of their employees and of course our own employees. BHSF's mental health support services have faced unprecedented demand, and our highly trained teams have worked tirelessly to support our clients and our staff.

We have seen a range of new and challenging presenting issues caused by the impact of COVID-19 from low-level anxiety and fear, to bereavement, addiction, isolation, furlough worries, work-related stress and childcare responsibilities. Our services have also seen an increase in high-risk and complex trauma support cases requiring sensitive and immediate support with specialist clinical supervision.

The impact of COVID-19 on mental health has been widespread, and the long-term consequences will have a profound impact on the role of both employers and providers over the coming years in providing employees with high quality, clinician-led support.

Over the past 12 months we have proved the concept for RISE, BHSF's top-tier mental health support programme, providing access to high quality counselling, complex case management, personal legal and debt advice, care support services and a range of online self-help resources. More and more employers are now joining forces with BHSF to improve the quality and standard of mental health and welfare support made available to their employees.

BHSF has been immensely proud to support our customers, many of whom employ frontline and key workers, as they navigate the consequences of COVID-19. BHSF's agility and operational strength has been evident during this period and has enabled us to continue to help build resilience for our customers, including through the increased utilisation of virtual occupational health clinics which have maintained our renowned high service standards.

We continue to invest in transforming our business in areas which will advance BHSF for the long-term, focusing on our 3-pillar strategy: sustainability, customers and people. The vision for these pillars is for us to sustainably grow the BHSF

Group in line with our purpose, to put our customers at the heart of everything we do, and to take care of our people by creating a great place to work where employees feel valued, engaged, productive and thriving.

Although these have been challenging times to take on the appointment of Chair, I have relished the opportunity to work with the talented team at BHSF as we develop the strategy for the next three years and beyond. Our robust and capable Board is supported by a strong management team who ensure that the Group's operations run smoothly and effectively. I am grateful for the effort of all our colleagues and thank them all for their support, commitment and enthusiasm as we work to meet these challenges and develop the opportunities that are emerging.

In 2020, we welcomed Caroline Coates to the BHSF Group Board as a non-executive director. Caroline is a former partner in the leading law firms DWF LLP and Buller Jeffries. Caroline is currently the Head of In-house legal at Oxbotica, an independent consultant working in motorsport (W Series Ltd) and automotive sectors, specialising in risk; an advisory board member at Zenzic, a director at Birmingham Law Society; a governor at Ronald McDonald House, Birmingham and a governor at Bilton Grange Preparatory School. We are delighted to have Caroline on board.

2020 saw the departure of our Chief Commercial Officer, Brian Hall, after 19 years' service, Charlotte Taylor, our Company Secretary, after 15 years' service and Adrian Hope, our Chief Corporate Services Officer, after four years' service. After six years, the time also came for non-executive director, John Hardy, to retire. We thank them for their contributions and wish them well as they embark on the next phase of their lives.

BHSF is a special place to work and our culture and values are at the core of everything we do. During 2020, we undertook a review of our culture and values with employee involvement and focus groups in order to ensure they are reflective of what BHSF stands for today. This review led to an updated culture and values framework. Our procedures have been modernised as we adapted to new ways of working and will continue to do so as we relocate our head office in Birmingham to new premises.

A key priority for the Board is to ensure that our employees are empowered, informed and that their voices are heard. This tone was set early in 2020 at the staff roadshows. Working remotely for the majority of 2020 augmented BHSF's agility in internal communications and triggered a review of the strategy in this area. Comprising a wide range of employees from across the organisation, BHSF's Staff Forum has become integral to this effort during 2020.

The Staff Forum's initiatives have united employees despite the challenges of being physically distant in 2020 and ensured that the employee voice is well-represented. Progress made in 2020 includes the launch of The Voice, our new employee magazine, regular company-wide email and video bulletins, a monthly podcast and the engagement of Peakon, a people analytics and employee engagement software allowing us to carry out fortnightly employee surveys which enable us to continuously monitor and improve our net engagement score. Ongoing staff engagement is essential to the delivery of BHSF's strategy, and the Board is dedicated to the enhancement of this in 2021.

At BHSF, we understand the importance of supporting the wellbeing and development of our employees and in return I want to thank them for building resilience into our operations to enable us to continue to provide vital support to our customers, for showing great team resilience throughout this difficult period, and for their remarkable commitment to BHSF's strategy and vision. The past year has proven that we have a very capable, adaptable and compassionate workforce at BHSF and I know that they will continue to do the very best job possible for our customers and communities.

Finally, I am excited to be leading the Board as we implement BHSF's strategy over the next three years. After all the changes BHSF has lived through in its long history, this period of progress represents the next phase in BHSF's devotion to making a real difference to the health and wellbeing of the people we reach and will serve to bolster the BHSF Group's position as a leading provider of health and wellbeing services in the years to come.



Sara Fowler

Chair

16 June 2021



Group Chief Executive's business review

For the year ended 31 December 2020

Introduction

2020 was a year that will live long in the memory and it was a year in which BHSF had to adapt quickly to all the changes that were forced upon us. At the start of the year few would have predicted the profound impact the pandemic was to have on the world but the work that we had done over the previous couple of years, particularly with regards our investment in IT, enabled us to move to a home working model almost seamlessly and the impact on our service to customers was minimal. This does not mean that we found the pandemic plain sailing and the spring of 2020 in particular was a very challenging period for the business. However we finished 2020 and the first quarter of 2021 in reasonable shape and with confidence concerning the future of the business.

The pandemic

At the start of the pandemic, our immediate concern was with the health of our staff and this continued to be a key concern throughout the remainder of 2020 and beyond, along with maintaining excellent service standards for our customers and meeting all of our stakeholder obligations. Where possible we made sure that staff could work from the safety of their own homes and ensured they all had laptops and DSE assessments. Where roles were no longer possible, for example where they could only be performed at clients' premises, we took advantage of the Government's Coronavirus Job Retention Scheme.

Having transitioned into working from home in March 2020, over the following couple of months scenarios were produced showing various possible outcomes for the year which ranged from at best achieving the original budget figures to at the other end of the spectrum making significant losses. During the spring months the latter seemed the more likely outcome with heavy losses incurred in both our occupational health and employee benefits businesses. Our insurance business started to make larger than normal profits due in particular to dentists and opticians being unavailable during the first lock down and therefore claims were lower than normal. However there was the concern that once the lock down ended there would be a surge of claims and that hospital in-patient claims would soar. We made provision for the worst case scenarios by securing a revolving credit facility and we had the comfort that even in these scenarios we had sufficient funds to weather the storm for the remainder of the year. I am pleased to say that our results for the year show a much better position than expected in the spring.

However, the effects of the pandemic are still being felt in everyday life and there is still a great deal of uncertainty about how easing restrictions will impact our lines of business. We therefore continue to manage operations prudently and are ready to respond to any sudden surges in customer or policyholder demand.

Results for the year

2019 had seen an improvement in trading results following the transformation changes we made during that and the previous year. However in 2020 our strategic plans were profoundly affected by the pandemic and there were impacts on all parts of the Group, some positive and some negative.

In the insurance business the expected surge in claims in the latter part of the year never materialised despite dentists and opticians remaining open throughout the second half of the year. This resulted in an exceptional trading profit of £10.5m in the insurance business partly offset by a £2m increase in the pension scheme deficit. Due to the turbulence in the markets in 2020 the investment portfolio returned a break-even position compared to the positive return in excess of £4m the previous year.

Both the occupational health and employee benefit companies struggled during 2020 with face-to-face clinics and face-to-face sales pitches coming to an abrupt end in March 2020. The Coronavirus Job Retention Scheme played a very important role in the survival of these two businesses with many roles unable to be continued due to restrictions on staff attendance at client sites. The second half of the year saw an improvement in the results of occupational health with losses being restricted to £0.7m for the year but with the loss of its health cash plan revenue stream and the difficulties of selling during a pandemic, the revenue of employee benefits fell by 40% resulting in a loss of £2m.

Regulations

In 2020 the regulators naturally turned their attention to how companies were dealing with the pandemic. They came at it from different directions with the FCA concentrating on ensuring policyholders were still getting value for money from their policies and the PRA concentrating on ensuring companies are able to survive the impacts of the pandemic. There have been several fact finding reviews performed by the regulators which we have been happy to respond to and we believe we are in good shape to both look after our customers and ensure the future of the business. Unsurprisingly the regulators concentrated on operational resilience and it was satisfying to see that all the plans we had put in place over the previous couple of years stood us in good stead during the pandemic. We have further developed our business continuity plans using our experiences from the last twelve months to improve our resilience and this will continue into the future.

Insurance business

Again there has been no further increase in Insurance Premium Tax and therefore assessments for potential premium increases have concentrated on performances of individual books of business rather than having to factor in additional increases to cover tax increases. This again was managed very well in 2020.

Overall earned premiums reduced by 3.5% to £40.3m with this decrease being due to a change in sales approach with a focus on online and broker sales rather than face-to-face field sales. Due to the reduction in claims (the claims ratio fell

from 72% in 2019 to 53% in 2020 due to the pandemic) and also due to a significant reduction in operating expenses following the transformational changes made in 2019, the surplus on the Group technical account increased by £9m on the previous year.

As yet it is unclear what the ongoing impact of the pandemic will be on the insurance business and although claims were still relatively low during the first quarter of 2021, they seem to be returning to normal levels. Having made a significant surplus in 2020, the Company is exploring ways of returning value to policy holders by enhancing benefits. In doing so, the directors will carefully weigh the expectation of regulations with regards prudential management.

In 2019, investments in technology enabled digitalisation of significant parts of the Company's operations. This paid dividends in 2020 as services to policyholders were unaffected by the pandemic. The Company plans to continue digitalising the business to improve customer experience.

Occupational Health

In the early days of the first lock down in the spring of 2020, it seemed that the impact of the pandemic would be catastrophic for this business with all face-to-face clinics and surveillance ceasing. Indeed during March, April and May very large losses were incurred with income falling significantly and costs remaining roughly the same. Two key things came to the rescue of the company, one of which was the

Coronavirus Job Retention Scheme which enabled the company to put some of the customer facing clinicians and some of the associated administration staff on furlough. The other was that for some time prior to the pandemic we had been encouraging clients to adopt our remote clinic offering. Up to that point, take up had been relatively low, however, the pandemic changed people's mind-sets about remote clinics (partly helped by the NHS also pushing this) and now it is becoming the norm. This dramatically reduced our costs and has provided us with an opportunity for a new model going forward, although the return of surveillance will require more face to face clinics.

Although Occupational Health still made a significant loss in 2020, it showed a bottom line improvement of £1m on 2019, of which £0.4m came from the Job Retention Scheme and the rest from reduced cost of sales and an ongoing focus on reducing administration expenses. This result was achieved despite a reduction in operational revenue of just over £1m. This business has seen a good start to 2021 and we predict continued improvement particularly once surveillance work can recommence and revenue increases to more normal levels.

Employee benefits

BHSF Employee Benefits Limited employs the Group's sales teams. The sales climate was very difficult throughout the year and although we have products which are of great benefit to companies, particularly in the current circumstances, many companies were facing financial

challenges of their own and getting sales across the line was tough. In addition 2020 was the first year that the sales teams concentrated on the non-insurance products including occupational health and the mental health offerings with the insurance products only being available online and through brokers. So 2020 was always going to be a challenging year for the sales teams but the pandemic made it much more difficult. This resulted in revenue falling to £4m compared to £6.3m the previous year.

On the positive side, revenue relating to employee benefit products increased by 6.3% to £1.7m (2019: £1.6m). This was due to the launch of BHSF RISE, our comprehensive mental health support service, as well as continued growth of our BHSF Connect app and other Employee Assistance Programme (EAP) services. Also administrative expenses decreased to £4.7m (2019: £6.7m) due to cost savings made particularly in relation to employee costs. As a result of all this the Company made an operating loss of £2.0m (2019: £1.1m).

Going forward, the directors anticipate a significant increase in demand as the mental health impacts of the pandemic emerge and employers act to support their staff. This company is ideally positioned to help such employers.

Investments

UBS manages the investment portfolios of both BHSF Limited and the Group's defined benefit pension scheme. Due to the pandemic it was another turbulent year on the markets and the Group saw unrealised losses for the year of £0.4m (2019: gains of £1.2m) and realised losses of £0.1m (2019: gains of £3.4m which included the profit on the sale of some of the land in Wales), with investment income also down by £0.2m on 2019.

During 2020 the Board approved a move to a more environmentally sustainable investment portfolio and this will be implemented by UBS during 2021.

Actuarial

Our closed final salary pension scheme continues to be a major risk to the company which we monitor closely with the pension trustees. The pension scheme forms a key part of our Solvency II regulatory capital calculations.

At 31 December 2020 the pension scheme deficit on an FRS102 basis increased from £1.6m to £3.9m as a result of the unusual financial market conditions caused by the pandemic. A more accurate valuation, the triennial valuation, is being performed as at 31 March 2020 and is impacted by the Coronavirus pandemic which resulted in a

large hit to the markets. The draft actuarial calculation shows a deficit of £2.7m as at 31 March 2020 but recent increases in bond rates are likely to have reduced this figure considerably. The company continues to make monthly contributions to the pension scheme and we are currently in discussions with the pension trustees concerning decisions about the scale of the contributions required in future.

People

I would first like to add my thanks to Andrew Milner for all the support he gave me during his three year tenure as Chair and to wish Sara all the best in this role going forward. BHSF has been very lucky to have two such knowledgeable and affable people at the helm.

With regards my colleagues at BHSF, I never cease to be amazed by their passion and commitment and never has that been more evident than over the last twelve months which have been so difficult for so many people. Whether it be the people who were asked to go on furlough and who therefore did not have work to take their minds off the terrible impact of the virus and who naturally had concerns about their future. Or colleagues who continued to work, many of whom were finding themselves

working from home for the first time, some of them having to juggle work with home-schooling and others living alone and not able to go out to see other people. Or our sales teams who were used to selling mainly health cash plans and were being asked to sell exclusively our non-insurance products in the toughest of sales environments where rejection was the normal response they received. Or our clinicians who every day were listening to and trying to help people who often had harrowing stories to tell.

It has been the toughest of years but my colleagues have been there for each other, finding ways to keep each other amused or just lending an ear where colleagues needed someone to talk to. We have had to find a more flexible way to work and our Slack system has been a life-line for people to interact with colleagues. We have all managed to hang in there and keep the business going so that our customers continued to receive the service they deserve. I thank everybody for their adaptability, their hard work and their sense of humour, something that has been so important in us getting through this year. I would like to thank in particular my executive team for all their support and hard work during this strangest of years.



A handwritten signature in black ink, appearing to read 'I. R. Galer', written in a cursive style.

Ian R Galer

Group Chief Executive

16 June 2021

Strategic report

For the year ended 31 December 2020

The Directors present their Strategic Report on the Group for the year ended 31 December 2020.

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 employee benefits, a portfolio of HR support-services together with a growing and market respected occupational health service to 4,500 client businesses and 267,000 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 employee benefits
BHSF Occupational Health Limited	Occupational health services
BHSF Management Services Limited	Administration for other group companies

Performance and future planning

The performance of the Group's business is set out in the financial statements and the Board considers 2020's performance to have been strong considering the challenges facing businesses of all kinds during the COVID-19 pandemic.

Insurance Division (BHSF Limited)

The insurance business saw only a relatively small drop in revenues, a sign of the value that policyholders and their employers place upon our products. Combined with a significant reduction in claims caused by the COVID-19 pandemic, this generated a healthy surplus in the insurance division. The Board is not satisfied with generating such a large surplus and will seek ways to return some value to policyholders in a prudent and measured way over the coming years.

This is likely to lead to worse financial performance in the short term, but the Board will monitor this closely to ensure no long term detriment to the business. After this, the insurance division is expected to return modest surpluses

Occupational Health Division (BHSF Occupational Health Limited)

The occupational health division saw a significant reduction in revenue due to COVID-19's impact on customer demand. Despite this, the division was able to significantly improve its financial performance on 2019 thanks to restructuring undertaken in previous years and changes made to enhance operational efficiency during 2020. Having built strong foundations over the last few years, this division is expected to generate surpluses in the future.

Employee Benefits Division (BHSF Employee Benefits Limited)

The employee benefits division grew modestly in 2020. This growth was lower than desired because of the impact of COVID-19 on customer demand. This resulted in an increased loss in this part of the business. With restructuring undertaken during the year and the increased relevance the COVID-19 pandemic has now placed upon mental health and wellbeing, the mental health support services offered in this division are expected to prove ever more relevant to customers. The directors therefore anticipate improving financial performance in this part of the business.

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 and managing the risks of the Group and all its subsidiaries. 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, the Group utilises a Risk Universe to define the specific risk categories to which it is exposed, further to those defined by Solvency II.

The evolved ERMF utilises the principles of enterprise risk management (ERM) and will further embed risk management across the Group, with a key aim being a fully risk-aware culture. 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.

Risk exposure is monitored by the Head of Risk, whose responsibility it is to ensure the 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 largely achieved through the embedded 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. Additionally, 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.
- **Market Risk:** The Group actively manages market risk through the outsourcing of management of the investment portfolio to an 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 at 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 the following:

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

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 fully risk-aware culture.

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.

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. BHSF keeps its insurance claims under constant review and will adapt products to meet the changing needs of policyholders 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

Energy consumption¹ 241,232 kWh

Carbon Emissions – buildings² 51 tCO₂e

The above emissions and energy consumption figures relate only to BHSF Limited, the Group's largest subsidiary and the owner of the corporate headquarters, Gamgee House.

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

During 2020, BHSF Limited's office premises were occupied by only a very small number of staff due to the COVID-19 pandemic. Whilst the need for office attendance and face-to-face meetings will be continually assessed, environmental performance may worsen in future years where pandemic conditions are not present and more face-to-face work takes place.

Regardless of the current level of emissions and energy consumption, BHSF takes its environmental responsibilities extremely seriously and wants to go further. This means not just looking at ways to reduce the energy consumption and carbon emissions, but also tackling the wider environmental impact of the organisation. To this end, during 2020 BHSF took the following steps towards improving the impact of the organisation on the environment in 2021 and beyond:

- Committed to a permanent hybrid home/office working model for all suitable roles, removing the need for thousands of commutes each year.
- Committed to a change of head office to a smaller, more modern and efficient premises with good public transport links.
- Continued to embrace remote-working and paperless delivery models in all parts of the business.
- Committed to the adoption of an investment portfolio focused on environmental, social and governance (ESG) matters.
- Committed to ensure that when we select our business partners they have acceptable environmental credentials.

The Group also intends to produce an environmental strategy to coordinate a unified group-wide approach to reporting and reducing emissions and energy consumption.

Key performance indicators

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

These include:

KPI	2020	2019
Total Revenue	£49.1m	£50.9m
Total Revenue growth rate	(3.5)%	4.3%
Insurance claims ratio*	52.9%	72.1%
Insurance expense ratio*	23.4%	27.5%
Insurance underwriting result	£9.5m	£0.2m
(Decrease)/Increase in policies underwritten	(12)%	3%
Solvency:		
BHSF Limited	238%	193%
BHSF Group	203%	174%
Non-insurance business margin	£(3.0)m	£(4.3)m
Investment income & net investment returns	£nil	£4.5m

* calculated as percentages of earned premiums.

Further information on the Group's performance in 2020 and its future prospects is set out in the Group Chief Executive's Review on pages 4 to 7.

¹Energy consumption is based on actual energy bills received during the year for our corporate headquarters.

²Carbon Emissions are calculated by applying Carbon Trust factors to the energy consumption of our corporate headquarters.

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)

- The likely consequences of any decision in the long term,
- The interests of the company's employees,
- The need to foster the company's business relationships with suppliers, customers and others,
- The impact of the company's operations on the community and the environment,
- The desirability of the company maintaining a reputation for high standards of business conduct, and
- The need to act fairly as between members of the company.

Carefully taking into account 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:

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

This report covers the company's financial year ending 31 December 2020.

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)	Newsletters 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
Medical 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 20-21)
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 20-21)
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

There were two key decisions made during 2020:

1. The decision to return some value, in the form of extended or enhanced benefits, to insurance policyholders following a year of low claim volumes due to the pandemic.
2. The decision to sell Gamgee House, the Group's headquarters and seek alternative premises.

What are the consequences of this decision in the short and long term?

Value Return

In the short term, a return of value will result in reduced revenue and increased costs and may result in losses and reductions in capital. However, in line with BHSF's principles of prudent management, any value return will be carefully monitored to ensure that there is no long-term detriment to the BHSF Group or its capital position.

Head Office Sale

There will be short-term operational upheaval as a result of an office move, particularly given the length of time Gamgee House has served as the Group headquarters. However, the Group is expected to benefit over time from a modern space which promotes BHSF's culture of collaborative working, attracts talent, and better supports hybrid home/office working models. The new office will provide a more modern working environment, better transport links, improved location and better facilities.

What is the impact on BHSF Group employees?

Value Return

BHSF and its staff value fairness and doing the right thing. Following a year in which many have found themselves less able to claim than normal, finding ways to prudently return value to our policyholders is the right thing to do.

Head Office Sale

Many BHSF Group employees work and have worked at the Gamgee House head office for many years. An office move therefore impacts the Group's staff above all others. However, following a year where many have become accustomed to working in new ways, the BHSF team agree the time is right to find a new home which better fits our strategic vision. Via surveys and the staff forum, BHSF staff have been key to determining what BHSF's new home should look like.

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

Value Return

Many customers and policyholders engage with BHSF and stick with us because of our ethics. They would be disappointed if we did nothing to return value to policyholders. Therefore we don't expect a significant impact on customer or policyholder relationships – we are simply treating our customers and policyholders as we know they would want to be treated and in line with their expectations of BHSF.

Head Office Sale

We expect no impact on customers or insurance policyholders. A robust project plan is in place to ensure the move doesn't affect our operational efficiency and our external stakeholders in any way.

What is the impact on the environment?

Head Office Sale

Moving to more modern premises presents an opportunity to improve not just the energy and carbon efficiency of the space we occupy, but also to consider ways to help our staff get to work in ways that are better for the environment. New premises will be selected with public transport links in mind. In addition, a move to new premises gives us the opportunity to find the right balance between home and office working and reduce the need for people to come to work.

What is the impact on the reputation of the business?

Value Return

We do not expect a significant impact on our reputation as a result of taking an action which we consider our stakeholders would expect us to take in line with our values.

Head Office Sale

Moving to more modern premises presents an opportunity to enhance our reputation by refreshing the look and feel of the business.

Are these decisions fair to all members?

Value Return

The Group's members are primarily drawn from the customer base. Representatives of corporate customers are invited to be members to represent the interests of their employees. BHSF Group is not-for-profit and members have no financial interest or ability to make financial gain as a result of their membership. Therefore, the interests of our members are aligned with the interests of our corporate customers. That is, they would expect to see us return value to our policyholders, their workers.

Head Office Sale

We expect no impact on members through an office move.

This report was approved by the board on 16 June 2021 and signed on its behalf by



Ian R Galer

Group Chief Executive

Directors' report

For the year ended 31 December 2020

The Directors have pleasure in submitting their annual report and audited financial statements for the year ended 31 December 2020.

Independent non-executive directors

- Sara Fowler BA (Hons), FCA, Chair (appointed 01 September 2020)
- Dr Andrew Milner LL.D, DMS, DipM, FIMgt, MCIM, Chairman (resigned 31 August 2020)
- Jill Bonehill ACIPP
- Caroline Coates LLB (appointed 10 March 2020)
- Gary Cowdrill FCA
- John Hardy B.Com (resigned 02 July 2020)
- Chris Wiggin BA (Hons)

Executive directors

- Ian Galer BA (Hons), FCA, Group Chief Executive
- Geoff Guerin MBA, BA (Hons), C.Dir, FloD, ACII Chief Operations Officer
- Brian Hall FlntSMM, C.Dir, FloD, Chief Commercial Officer (resigned 5 October 2020)
- Adrian Hope MA (Hons), BA, MBCS, Chief Information Officer (resigned 14 August 2020)
- Tom Ross MMath (Hons), ACA, Chief Finance Officer

Honorary Officers

The Right Worshipful The Lord Mayor of Birmingham, Councillor Mohammed Azim, kindly accepted the office of President in accordance with the tradition dating from 1873. Dr. Paul Kanas continues as Vice-President.

Committees

There are currently six board committees:

Audit Committee:

Gary Cowdrill (Chair of the committee)
Jill Bonehill (appointed 30 September 2020)
Sara Fowler
John Hardy (resigned 02 July 2020)

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 (appointed 17 June 2020, appointed Chair of the committee 03 July 2020)
John Hardy (Chair of the committee resigned 02 July 2020)
Sara Fowler (appointed 17 June 2020)
Andrew Milner (resigned 31 August 2020)

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

Chris Wiggin (Chair of the committee)
Jill Bonehill
Gary Cowdrill
Andrew Milner (resigned 31 August 2020)

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 wellbeing of staff and monitors and promotes the culture and values of the Group.

Risk and Compliance Committee

Caroline Coates (appointed 18 March 2020, appointed Chair of the committee 03 July 2020)
John Hardy (Chair of the committee resigned 02 July 2020)
Jill Bonehill
Gary Cowdrill

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
Ian Galer
Shelley Rowley
Chris Wiggin

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.

Executive Committee

Ian Galer (Chair of the committee)
Geoff Guerin
Brian Hall (resigned 5 October 2020)
Adrian Hope (resigned 14 August 2020)
Tom Ross
Shelley Rowley
Charlotte Taylor (resigned 14 February 2020)
Philip McCrea

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 £43,170 (2019: £20,348) by gift aid during the year. The Group made no political donations during the year (2019: nil).

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, Sydney Mitchell and Shakespeare Martineau LLP
- HR advisors – Citation Limited
- Investment managers – UBS AG, London Branch
- Property advisors – Fisher German LLP
- Pension fund actuary and actuarial advisor to the Group - Quattro Pensions
- Pension advisors – Benefex Financial Solutions Limited
- Solvency II actuarial advisors – Barnett Waddingham
- 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 has culminated in the achievement of the Investor in People award in 2002, for which we have been re-accredited triennially. In 2004 we also achieved ISO 9001:2000 (Quality Management System) certification, and we were re-certified in 2019 under ISO 9001:2015 for a further three years. In October 2018 we achieved our ISO 27001:2013 (Information Security Management System) accreditation, to maintain this we have surveillance audits annually and re-certification 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. An internal communications strategy has been developed and is being embedded in 2021.

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.

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 employers, administrators and delegates 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 page 8.

Financial instruments and risk management

This has been included in the strategic report on page 9 and Note 20.

Emissions and Energy Consumption

This has been included in the strategic report on page 10. 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 16 June 2021 and signed on its behalf by



Ian R Galer

Group Chief Executive

Directors' profiles

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



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, St Basils and EY Foundation. She joined the board of BHSF Group Limited in July 2018 and was appointed Chair in September 2020.



Ian Galer
Chief Executive Officer

Ian Galer joined BHSF in 2013 after many years working in finance with BDO Binder Hamlyn (where he qualified as a Chartered Accountant) and Wesleyan Assurance. He was appointed Group Finance Director in 2014 and became Group Chief Executive in September 2017.



Jill Bonehill
Non-executive Director

Jill Bonehill has had substantial general insurance experience and has also worked in the HR and employee benefit sectors. She is currently a charity trustee and works for Citizens Advice. She became a director of BHSF Limited and BHSF Employee Benefits Limited in May 2014 and joined the Group board in 2015.



Christopher Wiggin
Non-executive Director

Christopher Wiggin has spent most of his career in the insurance and risk law business, opening BLM's Birmingham office in 1990 taking the company from just two to 185 employees. He now works for Shakespeare Martineau and is also a Mediator, Business Consultant, Professional Deputy and is a NED for two Cyber Companies. He joined the board of BHSF Group Limited in July 2017.



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.



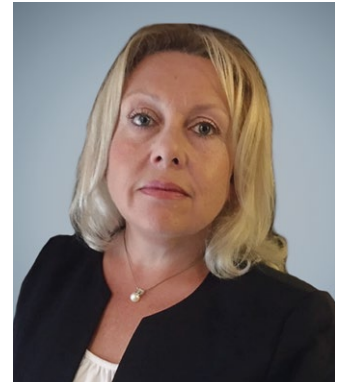
Geoff Guerin
Chief Operations Officer

Geoff Guerin joined BHSF in 2006. He has held a number of positions throughout the business since starting his career with BHSF on the Graduate Development Programme. He joined the board of BHSF Group Limited in 2014 and within his role is Managing Director of the commercially facing subsidiaries of BHSF Limited, BHSF Occupational Health Limited and BHSF Employee Benefits Limited. He also holds responsibility for the IT and Projects functions.



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.



Caroline Coates
Non-executive Director

Caroline Coates is a lawyer with over 25 years' experience in the insurance, automotive, motorsport, manufacturing and public sectors. She was a partner at DWF until 2018. She has recently become Head of in-house legal at Oxbotica. Caroline joined the board of BHSF Group Limited in 2020.

Officers

President

The Right Worshipful the Lord Mayor of Birmingham,
Councillor Mohammed Azim

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



Philip McCrea
Chief Medical Officer

Philip McCrea is an eminent occupational health physician and former owner of OHC which BHSF acquired in 2013. He became Medical Director of BHSF Occupational Health Limited in October 2014. He is Chief Medical Officer for the Group.



Shelley Rowley BSc, MSc
Chief Transformation Officer

Shelley Rowley joined BHSF in 2011. In 2019 she was appointed as a director of BHSF Medical Practice Limited and in 2020 was appointed to the board of BHSF Management Services Limited. She is Chief Transformation Officer for the Group.

Senior managers



**Richard Bisiker MSc.HRD.
FILM. MIOD.**
Head of Learning and
Development



Louise Eden BA, Dip PFS, MICA
Head of Compliance



Dr David Poots FFOM
Senior Medical Officer



Paul Brady
Head of Commercial
Development



Richard Evanson BSc
Head of Group IT and Projects



Luke Brown BA (Hons), MBA
Head of Occupational Health



Adam Lea BSc (Hons), IRMCert
Head of Risk



Chris Snookes BA (Hons), MSc
Head of Commercial
Partnerships



Jonathan Byfield
Head of Business Development



Steve Munday CIRM
Head of Technical and
Underwriting



**Mike Tresham BCom,
CMgr, FCMI,**
Head of Insurance Operations



**Emma Cartwright FCCA,
BA (Hons)**
Head of Finance



Hayley Holland BA (Hons)
Head of Marketing



Fiona McGill BSc SCPHN-OH
Senior Clinical Occupational
Health Advisor/Technician



**Dr Rohit S. Praiapati BSc (Hons)
MB ChB MSc PhD MFOM**
Consultant Occupational
Physician



Tracey Mayors
Interim Head of HR

Corporate responsibility statement

For the year ended 31 December 2020

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 2020, we had to do things a bit differently due to the Coronavirus pandemic. Our charity partners were hit hard by the pandemic and there were restrictions on what we could offer due to the local lockdowns and Coronavirus precautions.

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 2020 we supported the project by sharing our skills, donating funds for emergency fuel support, donating money towards food parcels and gifts for the project to hand out to less fortunate children. Staff members also handmade 100 face masks which were given to 100 local families within their food parcels from the Project.

"Since the lockdown we have set up a food pantry at the new leisure centre and...I am doing online referrals to the foodbank and our volunteers are offering home deliveries of the parcels for those who can't get there. I also have volunteers who are going out to put credit on gas and electricity meters.

We really couldn't have done this without the support that BHSF has given us. As well as securing our funding, your staff have given us practical help and great skills support as well as much encouragement.

We are very grateful for all your help and continued support. Thank you to all the staff. You are brilliant."

- Gerardine Giblin,
Ladywood Community Project
Co-ordinator

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 2020, we donated funds to contribute to the running of the charity and the PPE, hand gels, Perspex windows and cleaning products required for their premises to ensure Sunflowers is a safe place to visit.

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 2020, 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.

Commenting on our partnership, Foodbank Manager Ken Scott said:

"All of our activity would not be possible without the very generous support of BHSF and the donations [from your] staff.

So on behalf of our local community and the team at Bangor Foodbank thank you very much."

Brain & Spine Foundation

The Brain & Spine Foundation are the only UK-wide charity that provide support for every 350+ neurological disorders - affecting 12 million people in the UK. These conditions are often complex and poorly understood. The Brain and Spine Foundation are there to provide information, answer questions, inform choices and reduce anxiety.

We support them by sharing our skills and funding an additional nurse for their helpline for three years! This will help the Brain and Spine Foundation to answer more calls providing support to those who need it most.

We raised donations through a variety of activities including quizzes, virtual treasure hunts, raffles and competitions.

And it's not just money that is donated to these charities, over the year colleagues collectively donated their time to support these causes by making face masks, writing Christmas cards, dropping off food parcels and a few of the Occupational Health team in Belfast volunteered with Auntie Anne's to raise money for the Bangor NI Foodbank.

We also try to help out colleagues who are organising their own events or activities for a charity special to them.

Other charities we have supported include;

- Birmingham Central Food Bank
- Hampers for Heroes
- St Basils
- NHS Charities Together.

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 2020 and of the Group's surplus 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 2020 which comprise the 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, 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 remain 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. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included the review and challenge of the Groups current plans and budgets, challenging growth assertions and ensuring that movements were in line with justifiable assumptions and movements.

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, 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 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:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Obtaining a general understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the direct laws and regulations related to elements of company law and tax legislation, and the financial reporting framework. Our considerations other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA') for its subsidiaries;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Review of minutes of board meetings throughout the period;
- For both direct and other laws and regulations, our procedures involved: making enquiry for those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the Group's methods of enforcing and monitoring compliance with such policies.
- Review of correspondence with the PRA and FCA for its subsidiaries.

- We assessed the susceptibility of the financial statements to material misstatement, including fraud. We consider the primary fraud risks to be around the misappropriation of assets and fraudulent reporting, including the valuation of claims provisions, the valuation of the Defined Benefit Pension liability valuation, the property valuation. We also considered where management made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We ensured that our audit procedures performed covered these risks. In addition, we also considered the risks around journal postings and tested a sample of journals; and
- We also addressed the risk of management override of internal controls and the risk of fraud including evaluating whether there was evidence of bias by management that represented a risk of material misstatement due to fraud;

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

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.



John Perry (Senior Statutory Auditor)

**For and on behalf of BDO LLP,
Statutory Auditor
Birmingham, UK
Date 28 June 2021**

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 2020

Technical and Non-technical Accounts – General Business

TECHNICAL ACCOUNT		2020	2020	2019	2019
	Note	£'000	£'000	£'000	£'000
PREMIUMS					
Gross premiums written	3	40,314		41,785	
Outward reinsurance premiums	5	(489)		(505)	
		39,825		41,280	
Change in the provision for unearned premiums	25.1	(127)		101	
Earned premiums net of reinsurance			39,698		41,381
ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT					
			47		60
CLAIMS					
Gross amount		(21,694)		(30,261)	
Reinsurer's share	5	208		431	
		(21,486)		(29,830)	
Change in the provision for outstanding claims:					
Gross amount		540		(129)	
Reinsurer's share	5	(50)		102	
		490		(27)	
Claims incurred net of reinsurance			(20,996)		(29,857)
			18,749		11,584
NET OPERATING EXPENSES	6		(9,283)		(11,360)
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS					
			9,466		224

NON-TECHNICAL ACCOUNT

BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS

	Note	2020 £'000	2019 £'000
Investment income	9	9,466	224
Unrealised (losses)/gains on investments		447	3,388
Allocated investment return transferred to the technical account		(424)	1,193
Investment expenses and charges		(47)	(60)
Other income	10	(73)	(97)
Other charges	11	8,790	9,082
Net interest cost on pension scheme liability	15	(11,756)	(13,376)
		(32)	(36)
SURPLUS BEFORE TAXATION	12	6,371	318
Tax charge on surplus	14	(1,929)	(819)
SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR		4,442	(501)

All the above amounts relate to continuing operations.

The notes on pages 32 – 57 form part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2020

		2020	2019
	Note	£'000	£'000
Surplus/(Deficit) for the financial year		4,442	(501)
Other Comprehensive income:			
Actuarial losses net of deferred tax	15	(1,926)	(286)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		2,516	(787)

All the above amounts relate to continuing operations.

The notes on pages 32 – 57 form part of these financial statements.

Consolidated and company statements of financial position

For the year ended 31 December 2020

		GROUP				Company (number 4767689)	
ASSETS		2020	2020	2019	2019	2020	2019
	Note	£'000	£'000	£'000	£'000	£'000	£'000
INTANGIBLE ASSETS							
Goodwill	16	-		120		-	
Other intangibles	16	671		768		-	-
			671		888	-	-
INVESTMENTS							
Land and buildings	17	1,850		1,850		-	-
Investment in subsidiaries	18	-		-		1,350	1,554
Investments in joint ventures	19	100		100			
Other financial investments	20	19,298		18,614		-	-
			21,248		20,564	1,350	1,554
REINSURER'S SHARE OF TECHNICAL PROVISIONS							
	21		274		324	-	-
DEBTORS							
Debtors arising out of direct insurance operations	22	1,753		2,161		-	-
Amounts due from group undertakings		-		-		1,009	1,078
Other debtors	23	3,969		4,142		-	-
			5,722		6,303	1,009	1,078
OTHER ASSETS							
Tangible fixed assets	24	412		527		-	-
Stock		14		20		-	-
Cash at bank and in hand		11,108		5,640		20	10
			11,534		6,187	20	10
PREPAYMENTS AND ACCRUED INCOME							
			622		723	-	-
TOTAL ASSETS			40,071		34,989	2,379	2,642

		GROUP				Company (number 4767689)	
LIABILITIES		2020	2020	2019	2019	2020	2019
	Note	£'000	£'000	£'000	£'000	£'000	£'000
ACCUMULATED FUND			28,301		25,785	272	2,444
TECHNICAL PROVISIONS	25						
Provision for unearned premiums		491		364		-	-
Provision for claims		1,549		2,089		-	-
			2,040		2,453	-	-
PROVISION FOR OTHER RISKS - PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS							
Pension scheme liability	15	3,932		1,576		-	-
Other provisions	26	450		291		-	-
			4,382		1,867	-	-
CREDITORS							
Amounts owed to group undertakings		-		-		2,065	167
Other creditors including taxation and social security	27	3,838		3,199		-	-
			3,838		3,199	2,065	167
ACCRUALS AND DEFERRED INCOME			1,510		1,685	42	31
TOTAL LIABILITIES			40,071		34,989	2,379	2,642
LOSS OF BHSF GROUP LIMITED SINGLE ENTITY						(2,172)	(407)

The notes on pages 32 – 57 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 16th June 2021.



Ian R Galer,
Group Chief Executive

Consolidated and company statements of changes in equity

For the year ended 31 December 2020

	Group Accumulated Fund £'000	Company Accumulated Fund £'000
Balance at 1 January 2019	26,572	2,851
Changes in equity for the year ending 31 December 2019		
Deficit for the financial year	(501)	(407)
Other comprehensive income for the financial year	(286)	-
Total comprehensive income for the financial year	(787)	(407)
Balance at 31 December 2019	25,785	2,444
Changes in equity for the year ending 31 December 2020		
Surplus/(deficit) for the financial year	4,442	(2,172)
Other comprehensive income for the financial year	(1,926)	-
Total comprehensive income for the financial year	2,516	(2,172)
Balance at 31 December 2020	28,301	272

The notes on pages 32 – 57 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the financial year before tax		6,371	318
Adjustments for:			
Realised losses/(gains) on sale of investments	9	45	(2,694)
Depreciation and amortisation	12	584	615
Unrealised investment losses/(gains)		424	(1,181)
Revaluation gains on land and buildings		-	(12)
Other non-cash items of comprehensive income		57	58
Decrease/(Increase) in insurance debtors		458	(48)
Decrease/(Increase) in trade and other debtors excluding tax		751	(1,400)
Decrease/(Increase) in stock		6	(7)
(Decrease)/Increase in insurance creditors		(413)	28
(Decrease)/Increase in trade and other creditors excluding tax and pension scheme		(243)	492
Increase in other provisions		165	15
Defined benefit pension contributions	15	(60)	(60)
Investment portfolio purchases		(6,851)	(10,314)
Investment portfolio sales		6,991	13,849
Corporation tax paid		(1,232)	(127)
NET IN/(OUT)FLOW FROM OPERATING ACTIVITIES		7,053	(468)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(94)	(77)
Purchase of intangible assets		(207)	(510)
Purchase of investment in joint venture		-	(100)
Disposal proceeds of investment properties		-	3,102
NET (OUT)/INFLOW FROM INVESTING ACTIVITIES		(301)	2,415
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,752	1,947
Cash and cash equivalents at 1 January		5,978	4,047
Effect of exchange rate fluctuations on cash balances		9	(16)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	30	12,739	5,978

The notes on pages 32 – 57 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2020

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 2020. The comparative figures cover the year ended 31 December 2019.

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.

Compliance with FRS 102 requires departure from the requirements of the Companies Act 2006 relating to depreciation and an explanation of the departure is given in the accounting policy note relating to land and buildings.

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, Plan4Life 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%
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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%
Laptops	33%
Medical equipment	15%

m) Land and buildings

Land and buildings other than those occupied by the Group 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 2020 by Fisher German LLP (Chartered Surveyors).

Land and buildings occupied by the Group for its own purposes are included at 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 the Group headquarters, Gamgee House, was carried out at 31 December 2017 by Sellers (Chartered Surveyors). In the current year, the directors have assessed the year end valuation based on the consideration offered by interested buyers of the building as a basis for fair valuation.

Depreciation is provided on freehold buildings used by the Group for its own purposes so as to write-off the valuations less their estimated residual value over their estimated lives. However, given the Group's policy of formally revaluing the property every three years, any charges for depreciation would be immaterial in relation to the financial statements. The Directors review the carrying value of the property for impairment on an annual basis.

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

Investment balances 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 accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the joint venture. The consolidated statement of comprehensive income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. Any share of losses are only recognised to the extent that they do not reduce the investment balance below zero as the Group has no obligations to make payments on behalf of the joint venture, and any share of subsequent profits shall be accounted for once the unrecognised profits are equal to the unrecognised losses. In the consolidated balance sheet, the interests in joint ventures are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition. Any unrealised profits and losses from transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture.

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 £17,667k (2019: £18,276k) 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 £6,817k (2019: £7,648k) of 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 £1,549k (2019: £2,089k) 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 £3,932k (2019: £1,576k), comprising assets of £13,375k (2019: £13,195k) and liabilities of £17,307k (2019: £14,771k). 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 £59k.

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 2020 and 2019.

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.

As a not-for-profit Group, 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 £13k (2019: £13k).

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 £1,103k (2019: £1,579k).

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	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Before sensitivities	6,371	318	28,301	25,785
After applying claims ratio sensitivity				
- 5% increase in claims	5,321	(1,175)	27,451	24,576
- 5% decrease in claims	7,421	1,811	29,151	26,994
After applying expense ratio sensitivity				
- 5% increase in operating expenses	5,907	(250)	27,925	25,325
- 5% decrease in operating expenses	6,835	886	28,677	26,245
After applying one-off claims shock sensitivity				
- £1,103k additional claims (2019: £1,579k)	5,268	(1,261)	27,408	24,506

3. Gross premiums written

	2020	2019
	£'000	£'000
Total insurance premiums	45,161	46,761
Less insurance premium tax	(4,847)	(4,976)
Gross premiums written	40,314	41,785

All gross premiums relate to the direct insurance business in relation to medical expenses insurance.

4. Segmental revenue analysis

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

	2020	2019
	£'000	£'000
Gross written premiums:		
Underwritten insurance	40,314	41,785
Other income:		
Insurance broking	369	505
Employee benefits and employer-support services	1,656	1,393
Occupational health and medical services	6,081	7,184
Government grants	684	-
Total revenue	49,104	50,867

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:

	2020	2019
	£'000	£'000
United Kingdom	5,722	6,716
Republic of Ireland	359	468
Total occupational health revenue	6,081	7,184

5. Gain or loss on reinsurance relationships

	2020	2019
	£'000	£'000
Premiums ceded to reinsurer	489	505
Claims recovered from reinsurer	(208)	(431)
Technical provision movement attributed to reinsurer	50	(102)
Loss/(Gain) on buying reinsurance	331	(28)

6. Net operating expenses

	2020	2019
	£'000	£'000
Business acquisition expenses	2,005	3,081
Business acquisition administration expenses	329	1,354
Direct insurance administration	1,025	1,047
IT and other general administration overheads	4,614	4,761
Commissions payable	1,310	1,117
	9,283	11,360

7. Employee costs and numbers

7A. Employee costs:

	2020	2019
	£'000	£'000
Wages and salaries	9,842	11,188
Social security costs	1,063	1,235
Pension costs	1,346	1,571
Redundancy costs	127	205
	12,378	14,199

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 £4.7m (2019:£5.9m) are included in net operating expenses (note 6) and those relating to the provision of claims are included in claims £286k (2019: £387k). The remaining employee costs (including the redundancy costs) amounting to £7.4m (2019: £7.9m) are included in other charges (note 11).

Wages and salaries, social security and pension costs of £282k (£141k) and redundancy costs of £127k (2019: £205k) are regarded as exceptional items and are disclosed in note 13.

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

	2020 £'000	2019 £'000
Sales and marketing	53	68
Registration, claims and helpdesk	40	44
Management and administration	108	128
Occupational health practitioners	66	70
	267	310

8. Directors' emoluments and benefits

	2020 £'000	2019 £'000
Directors' emoluments including benefits in kind	931	1,109
Contributions to a defined contribution scheme	120	155
Loss of office	-	99
	1,051	1,363
Highest paid Director Remuneration	295	284

Loss of office costs in 2019 have been included in exceptional items see note 13 split between wages and salaries and redundancy.

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:

	2020 Number	2019 Number
Defined contribution scheme	6	6

The highest paid director has no accrued pension or lump sum for the year (2019: nil).

9. Investment income

	2020 £'000	2019 £'000
Income from other investments	492	694
(Loss)/Profit on the realisation of investments	(45)	2,694
	447	3,388

10. Other income

	2020	2019
	£'000	£'000
Insurance broking	369	505
Employee benefits and employer-support services	1,656	1,393
Occupational health	6,081	7,184
Government grants	684	-
Total revenue	8,790	9,082

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

11. Other charges

	2020	2019
	£'000	£'000
Cost of sales	5,941	6,597
Administration expenses	5,360	6,271
Goodwill and other intangible assets amortisation	412	488
	11,713	13,356
Charitable donations	43	20
	11,756	13,376

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 consultancy fees of £21k (2019: £128k), wages and salaries of £282k (2019: £141k) and redundancy costs of £127k (2019: £205k) which are regarded as exceptional items as disclosed in note 13.

12. Surplus before taxation

	2020	2019
	£'000	£'000
The surplus before taxation is arrived at after charging the following:		
Depreciation	172	127
Amortisation of goodwill	120	331
Amortisation of other intangibles	292	157
Profit on disposal of investment property (note 17)	-	2,355
Operating leases – buildings	150	287
Operating leases – other	213	252
Commissions payable	1,310	1,117
Auditor's fees:		
Fees payable in respect of the audit of the Company's accounts	16	14
Other services provided by the Company's auditor:		
Audit fees for the Company's subsidiaries pursuant to regulation	82	86

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

13. Exceptional Items

	2020	2019
	£'000	£'000
Consultancy (note 11)	21	128
Wages and salaries (including social security and pension costs (note 7A))	282	141
Redundancy (note 7A)	127	205
	430	474

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

	2020	2019
	£'000	£'000
Corporation tax at 19% (2018: 19%)		
Current tax charge	1,964	286
Adjustments in respect of prior periods included in current tax charge	(10)	(107)
Deferred tax (credit)/charge	(26)	435
Adjustments in respect of prior periods in deferred tax charge	1	205
Taxation charge	1,929	819

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

The tax assessed for the year is more (2019: more) than would be expected by multiplying the surplus by the standard rate of corporation tax in the UK of 19.0% (2019: 19.0%). The differences are explained below:

	2020	2019
	£'000	£'000
Surplus before taxation	6,371	318
Surplus before taxation multiplied by the standard rate of corporation tax at 19.0% (2019: 19.0%)	1,210	60
Effects of:		
Expenses not deductible for tax purposes	41	267
Income not subject to corporation tax	(55)	(353)
Losses unutilised	743	699
Goodwill deduction not subject to corporation tax	6	73
Adjustments in respect of prior periods	(10)	98
Tax rate changes	(5)	(52)
Effects of other reliefs	(1)	17
Other differences	-	10
Total tax charge	1,929	819

The aggregate deferred tax relating to items recognised in other comprehensive income is a credit of £458k (2019: credit of £58k).

14C. Deferred tax

The Group had deferred tax assets as follows:

	2020 £'000	2019 £'000
Short-term timing differences - trading	53	55
Deferred tax asset on pension scheme liability	747	268
	800	323

Deferred tax assets are carried forward within other debtors.

The movement on the deferred tax asset is as follows:

	2020 £'000	2019 £'000
As at 1 January	323	914
Charged to income statement	19	(649)
Charged to other comprehensive income (note 15A)	458	58
As at 31 December	800	323

Deferred tax asset 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 (2019: £3k) will reverse over the next 12 months.

The Group has deferred tax liabilities as follows:

	2020 £'000	2019 £'000
Fixed asset timing differences	126	142
Short-term timing differences - trading	5	5
Investment property revaluations	100	90
	231	237

The deferred tax liability is carried forward within other provisions.

The movement on the deferred tax liability is as follows:

	2020 £'000	2019 £'000
As at 1 January	237	246
Charged to income statement	(6)	(9)
As at 31 December	231	237

Over the next 12 months it is expected that £57k (2019: £25k) 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 2016 reduced the corporation tax rate to 17% with effect from 1 April 2020 and so this rate was used in the December 2019 deferred tax calculations. In the Budget of 11 March 2020, the Chancellor of the Exchequer announced that the planned rate reduction to 17% would no longer be taking effect. The changes announced during the Budget of 11 March 2020 were substantively enacted as at the 2020 balance sheet date, therefore, all opening deferred taxation balances have been remeasured at 19% with an adjustment recognised in the 2020 total tax charge.

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:

	2020 £'000	2019 £'000
Present value of scheme liabilities	(17,307)	(14,771)
Fair value of scheme assets	13,375	13,195
Deficit in the scheme	(3,932)	(1,576)

The amounts recognised in the income statement are as follows:

	2020 £'000	2019 £'000
Interest on net liability	(32)	(36)
Total charge	(32)	(36)

The past service cost reflects provisions included for GMP equalisation and salary linking.

The amounts recognised in other comprehensive income are as follows:

	2020 £'000	2019 £'000
Actuarial loss on scheme liabilities	(2,690)	(1,539)
Return on scheme assets less interest	306	1,195
Deferred tax credit on actuarial adjustments (note 14C)	458	58
Total net actuarial loss	(1,926)	(286)

There are no commitments in respect of the defined contribution scheme at the year-end (2019: nil).

In March 2018, the Board approved a commitment to pay an annual amount of £60k (monthly instalments of £5k) with effect from April 2018.

15B. Pension scheme assets and liabilities

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

	2020 £'000	2019 £'000
Opening scheme liabilities	14,771	13,271
Interest cost	305	379
Actuarial loss/(gain)	2,690	1,539
Benefits paid	(459)	(418)
Closing scheme liabilities	17,307	14,771

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

	2020 £'000	2019 £'000
Opening fair value of scheme assets	13,195	12,015
Interest income on scheme assets	273	343
Return on scheme assets less interest	306	1,195
Contributions by employer	60	60
Benefits paid	(459)	(418)
Closing fair value of scheme assets	13,375	13,195

The actual return on plan assets was £559k (2019: £1,519k). 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:

	2020	2019
Equities	58%	57%
Bonds	37%	38%
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 2017. The next triennial valuation is ongoing and is considering the scheme's value at 31 March 2020. This will determine whether further contributions by the Group are required. The contributions above relate to inflation payments for pensions in payment.

In arriving at the pension liabilities as at 31 December 2020, 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:

	2020	2019
Discount rate	1.40%	2.10%
RPI Inflation	3.10%	3.20%
CPI inflation	2.70%	2.20%
LPI pension increases	2.70%	2.20%
Statutory increases in deferment	3.00%	3.00%
Mortality base table	S3PXA YOB	S2PXA YOB
Allowance for future improvements	CMI 2019 1.25%	CMI 2018 1.25%

An AA-rated over 15-year corporate bond yield index was used as a starting point for setting the discount rate in the prior year, which is the longest duration bond index readily available. The index yield has decreased over the year to 1.4% pa at 31 December 2020 as a result of the impact of COVID-19 on the financial markets.

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

	2020	2019
Longevity at age 65 for current pensioners		
Males	21.9	21.5
Females	24.2	23.4
Longevity at age 65 for future pensioners, now aged 45		
Males	23.2	22.8
Females	25.7	25.0

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	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Before sensitivities	2,516	(787)	28,301	25,785
Reduce discount rate by 0.5% per year (2019: 0.5% per year)	1,074	(1,999)	26,859	24,573
Increase inflation 0.5% per year (2019: 0.5% per year)	1,795	(1,285)	27,580	25,287
Add one year to life expectancies	2,030	(1,210)	27,815	25,362

16. Intangible assets

	Goodwill	Other Intangibles	Software	Total
	£'000	£'000	£'000	£'000
Group				
Cost:				
At 1 January 2019	8,959	300	1,165	10,424
Additions	-	-	207	207
Disposal	-	-	(20)	(20)
At 31 December 2020	8,959	300	1,352	10,611
Amortisation:				
At 1 January 2020	8,839	269	428	9,536
Amortisation charge for the year	120	31	261	412
Disposal	-	-	(8)	(8)
At 31 December 2020	8,959	300	681	9,940
Net book value:				
At 31 December 2020	-	-	671	671
At 31 December 2019	120	31	737	888

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

Goodwill arising on the Group's acquisitions is amortised to the income statement in equal instalments over its estimated useful life.

In the year to 31 December 2020 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. Goodwill balances (excluding those which were fully amortised at the beginning of the year) were amortised on the following basis during the year:

Newhall Medical Practice Limited	-	4 years finishing on 26 May 2020
Nexus Healthcare Limited	-	4 years finishing on 31 August 2020

Subsequent to the application of amortisation charges for the year as outlined above, an impairment review was undertaken at the year-end. Following impairment losses made in previous years, no further impairment losses were recognised in 2020.

Other intangible assets arising on acquisition have been amortised over a four year period, this being their estimated useful economic life.

17. Land and buildings

	Owner occupied freehold property £'000	Investment property £'000	Total £'000
At market value:			
At 1 January 2019	1,260	590	1,850
Disposals	-	-	-
Revaluation	-	-	-
At 31 December 2019	1,260	590	1,850
At cost:			
At 1 January 2019	2,103	59	2,162
Disposals	-	-	-
At 31 December 2019	2,103	59	2,162

The last professional valuation of the Owner occupied freehold property, being the Group headquarters, Gamgee House, was carried out at 31 December 2017 by Sellers (Chartered Surveyors). Since then, the directors have used the offers of interested buyers of the building as a basis for fair valuation.

The last professional valuation of all investment properties was carried out at 31 December 2020 by Fisher German LLP (Chartered Surveyors - MRICS FAAV qualified).

In the prior year investment land and property at Tyn-Y-Coed in Wales with a value of £747k was sold for £3,102k resulting in a profit on disposal of £2,355k.

18. Subsidiary undertakings

18A. Summary of all subsidiary undertakings

The activities of the subsidiary companies during 2020 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
BHSF Medical Practice Limited -	provider of private primary care (GP) services (ceased trading during 2020)	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
Intermediate Holding Company	Principal activity	% Ownership
BHSF Corporate Healthcare (Holdings) Limited -	holding company for occupational health businesses	100

All companies in the Group are registered at Gamgee House, 2 Darnley Road, Birmingham, B16 8TE.

Internal Group Structure

- The investments in BHSF Medical Practice Limited and Nexus Healthcare Limited were held by BHSF Occupational Health 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 2020	8,077
Capital contributions	1,570
At 31 December 2020	9,647
Accumulated impairment provision	
At 1 January 2020	6,523
Impairment	1,774
At 31 December 2020	8,297
Net book value	
At 31 December 2020	1,350
At 31 December 2019	1,554

The capital contributions in the year relate to amounts paid to BHSF Employee Benefits Limited.

An impairment review was undertaken at the year-end. Impairment losses in the year relate to the investment in BHSF Employee Benefits Limited due to losses made in the year.

18B. Summary of acquisitions during the year

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

19. Joint venture

	2020	2019
	£'000	£'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 Suite 20, Foundry House, Widnes Business Park, Waterside Lane, Widnes, Cheshire, WA8 8GT.

The Group's share in the joint venture's total comprehensive income is £nil (2019: £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:

	2020 Cost	2020 Fair Value	2019 Cost	2019 Fair Value
	£'000	£'000	£'000	£'000
Financial asset investments held at fair value				
Corporate bonds	3,597	3,705	4,195	4,237
Equities	7,171	7,115	6,175	6,951
Government bonds	2,851	3,112	3,288	3,411
Collective investment funds	3,428	3,735	3,515	3,677
Total financial assets held at fair value through profit or loss	17,047	17,667	17,173	18,276
Cash held in investment portfolio	1,631	1,631	338	338
Net book value:	18,678	19,298	17,511	18,614
Debtors held at amortised cost	5,196	5,196	6,304	6,304
Cash held outside investment portfolio	11,108	11,108	5,640	5,640
Total financial assets	34,982	35,602	29,455	30,558

All financial assets held at fair value are valued using valuations taken from the active markets in which the assets are 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. For these items, 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 assets.

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

The statement of financial position contains creditors totalling £4,416k (2019: £4,677k). 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

Financial assets measured at fair value

Dividend and interest income from investment portfolio

Realised (losses)/gains on assets held in investment portfolio

Unrealised (losses)/gains on assets held in investment portfolio

Total income from financial assets measured at fair value

Interest earned on cash balances outside investment portfolio

Total income statement credit

Amount recognised in technical account

Amount recognised in non-technical account

Total income statement credit

2020 £'000	2019 £'000
489	693
(45)	2,694
(424)	1,193
20	4,580
3	1
23	4,581
47	60
(24)	4,521
23	4,581

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:

	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Corporate bonds		3,705		4,237
Government bonds		3,112		3,411
Cash at bank or with investment managers		12,739		5,978
Debtors				
Current	3,380		3,908	
Between 1 and 3 months overdue	824		1,193	
More than 3 months overdue	1,345		1,623	
Total debtors before provisions	5,549		6,724	
Provisions against overdue balances	(353)		(420)	
Net debtors balance		5,196		6,304
Total credit risk exposure in the statement of financial position		24,752		19,930

The credit quality of the assets on the previous page is given in greater detail below. This uses Solvency II credit quality steps, a standardised regulatory system for aligning the credit ratings offered by the various commercial credit reference agencies. The highest quality possible is 0, with credit quality decreasing as the step number increases from 1 to 6.

As at 31 December 2020

	Credit quality 0 - 1 £'000	Credit quality 2 - 3 £'000	Unrated £'000	Total £'000
Corporate bonds	792	2,913	-	3,705
Government bonds	3,112	-	-	3,112
Cash at bank and with investment managers	-	12,739	-	12,739
Debtors	-	274	4,922	5,196
	3,904	15,926	4,922	24,752

As at 31 December 2019

	Credit quality 0 - 1 £'000	Credit quality 2 - 3 £'000	Unrated £'000	Total £'000
Corporate bonds	1,324	2,913	-	4,237
Government bonds	3,411	-	-	3,411
Cash at bank and with investment managers	-	5,978	-	5,978
Debtors	-	324	5,980	6,304
	4,735	9,215	5,980	19,930

The Group is also indirectly exposed to credit risk through holdings in collective investment bond funds. Such funds generally contain a large number of different bond assets and hence the impact of default of any one bond issuer on the value of the assets in the Group is limited. Total holdings in such funds were £1,657k (2019: £1,652k).

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

The investment policy for directly held corporate bonds insists on high-quality counterparties – only those with at least an investment-grade credit rating, and places a cap on the losses that could occur by limiting the holding against any one counterparty.

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.

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 £4,416k (2019: £4,677k), and in meeting policyholder claims, represented on the year-end statement of financial position by the technical provision balances totalling £2,040k (2019: £2,453k). 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 carrying an appropriate amount of liquid investments and maximising the liquidity of investment balances by restricting investment to only those entities with an investment-grade credit rating or higher, as well as investing in government gilts. In addition to this, the Group seeks to mitigate liquidity risk further by holding cash reserves which at any one time enable financial liabilities to be met for at least a month.

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. Collective investment funds containing large proportions of foreign currency assets totalled £723k (2019: £1,231k) 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 £181k (2019: £311k) 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 £181k (2019: £311k) being made due to positive movements in the value of investments.

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 Group's portfolio of directly-held corporate and government bonds matures as follows:

	2020 £'000	2019 £'000
Maturity (years)		
0 - 5	2,966	2,628
5 - 10	1,852	1,973
10 - 15	-	341
15 - 20	305	324
20 - 25	786	829
25+	908	1,553
Total	6,817	7,648

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.

This analysis indicates that a shock to corporate bond yields could result in a charge of £1,156k (2019: £828k) and reduction in the accumulated fund of £936k (2019: £671k) or could result in a credit of £138k (2019: £372k) and increase in the accumulated fund of £112k (2019: £301k) according to the 31 December 2020 exercise.

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

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 38.52% (2019: 38.92%) and 48.52% (2019: 48.92%), depending on the exact nature of the investment. This analysis shows that as at 31 December 2020, such a shock would result in a profit and loss charge of £3,540k (2019: £3,479k) and reduction in the accumulated fund of £2,867k (2019: £2,818k). Conversely an increase by this amount would result in a profit and loss credit of £3,540k (2019: £3,479k) and increase in the accumulated fund of £2,867k (2019: £2,818k).

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 £28,301k (2019: £25,785k). 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 Europe-wide solvency regulations. Regulations require firms to maintain a solvency ratio of at least 100% of their solvency capital requirement (SCR). Management aim to maintain capital sufficient to achieve a solvency ratio of at least 150%.

As at 31 December 2020, BHSF Group's solvency ratio was 203% (2019: 174%) (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

Reinsurer's share of technical provisions brought forward

Technical provision movement attributed to reinsurer

Reinsurer's share of technical provisions carried forward

2020	2019
£'000	£'000
324	222
(50)	102
274	324

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

22. Debtors arising out of direct insurance operations

Amounts receivable from policyholders and policyholder groups

2020	2019
£'000	£'000
1,753	2,161
1,753	2,161

23. Other debtors

Trade debtors

Other debtors

Deferred taxation (Note 14)

2020	2019
£'000	£'000
2,970	3,743
199	76
800	323
3,969	4,142

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 2020	328	1,306	1,634
Additions	50	28	78
Disposals	(2)	(60)	(62)
At 31 December 2020	376	1,274	1,650
Depreciation:			
At 1 January 2020	140	967	1,107
Charge for the year	71	101	172
Disposals	(2)	(39)	(41)
At 31 December 2020	209	1,029	1,238
Net book value:			
31 December 2020	167	245	412
31 December 2019	188	339	527

25. Technical Provisions

25.1 Unearned premiums and claims provision

	Unearned Premiums £'000	Claims £'000	Total £'000
As at 31 December 2019	364	2,089	2,453
Technical provisions (released)/added	491	19,824	20,315
Technical provisions utilised	(364)	(20,364)	(20,728)
At 31 December 2020	491	1,549	2,040

	Unearned Premiums £'000	Claims £'000	Total £'000
As at 31 December 2018	465	1,960	2,425
Utilisation of technical provisions	364	29,211	29,575
Technical provisions utilised	(465)	(29,082)	(29,547)
At 31 December 2019	364	2,089	2,453

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 2019	2,089	324	1,765
Technical provisions added	19,824	170	19,654
Utilisation of technical provisions	(20,364)	(220)	(20,144)
At 31 December 2020	1,549	274	1,275

	Gross claims £'000	Reinsurance £'000	Net Total £'000
As at 31 December 2018	1,960	222	1,738
Technical provisions added	29,211	527	28,684
Utilisation of technical provisions	(29,082)	(425)	(28,657)
At 31 December 2019	2,089	324	1,765

Of the total claims provision, it is estimated that £274k (2019: 324k) 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 2019	237	54	291
Provisions added	1	185	186
Provisions utilised	(7)	(20)	(27)
At 31 December 2020	231	219	450

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 two properties.

27. Other creditors including taxation and social security

	2020 £'000	2019 £'000
Creditors due within one year:		
Trade and other creditors	2,906	2,992
Corporation tax	932	207
	3,838	3,199

Included in trade and other creditors is £2,295k (2019: £2,070k) 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:

	2020 £'000	2019 £'000
Not later than one year - buildings	142	153
- other	85	170
Later than one year and not later than five years - buildings	71	154
- other	10	151
Later than one year and not later than five years - buildings	-	-
	308	628

29. Capital commitments

The Group had commitments to make payments of £nil (2019: £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.

	2020 £'000	2019 £'000
Closing cash at bank per statement of financial position	11,108	5,640
Cash held in investment portfolio	1,631	338
Closing cash and cash equivalents per statement of cash flows	12,739	5,978

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 Gamgee House, 2 Darnley Road, Birmingham, B16 8TE.

Purchases totalling £10k were made by the Group to Shakespeare Martineau LLP, Chris Wiggins who is a director of the group is a consultant at Shakespeare Martineau LLP. There was £4k due to Shakespeare Martineau LLP at the statement of financial position date.

During the year, purchases of £1,043k were made by the Group from The Employee Resilience Company, a joint venture investment (see note 19). There was £14k balance due to The Employee Resilience Company at the statement of financial position date.

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 £1,350k (2019: £1,570k). 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 £52k were made by the Group to Cyber Q Group Limited, Chris Wiggins who is a director of the group was appointed as a director of Cyber Q Group Limited in the year. There was no balance due to Cyber Q Group Limited 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.

During the year, income of £17k was received by the Company from St Basils, Sara Fowler who is a director of the company is also a director of St Basils. £56 was due from St Basils at the statement of financial position date.

