

BHSF Group Limited

Annual report and financial statements

For the year ended 31 December 2021

Company information

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Chair's statement

For the year ended 31 December 2021

From its philanthropic roots, BHSF has grown into a national organisation at the forefront of employee health and wellbeing. Since 1873, BHSF has continually adapted to the needs of its customers and communities. No more so than in 2021 as employers and their workforces across the country started to re-adjust to working life post-lockdown.

BHSF's long history, reflected in our purpose of having a positive impact on the health and wellbeing of the people we reach, stood us in good stead in 2021 as we responded to the impact of the COVID-19 pandemic on people's health and wellbeing, particularly their mental health.

As restrictions eased, the longer-term impact of lockdown on working life emerged as captured in BHSF's 'The Big Return' report which examined the impact and cost of lockdowns on the health and wellbeing of the UK workforce. Based on research conducted with over 2,000 working individuals, the study brought to light the hidden costs of the pandemic as well as many of the immediate challenges facing employers.

For both employers and providers, new challenges emerged leading to a renewed focus on providing for and enhancing the support provided to their employees. BHSF's extensive range of health and wellbeing products and services along with our core clinical focus and not-for-profit status mean that we are uniquely placed to support employers and their employees across a range of needs.

Indeed, over the past 12 months, BHSF has seen sustained demand for its mental health and occupational health services, with its clinical teams now supporting a 'new normal' in terms of post-pandemic utilisation.

The nature and complexity of presenting issues have also been indicative of the complex stresses and strains of everyday life for workers across the country, compounded not just by lockdown and the pandemic, but by a range of factors including the economic pressures on working families.

I am very proud of the way we have adapted and enhanced our services. Our virtual occupational health clinics and counselling appointments have continued to allow BHSF to provide timely support in a flexible way to geographically dispersed, hybrid workforces across the country.

Our mental health support services gained the prestigious APPTS accreditation (Accreditation Programme for Psychological Therapies Services) from The Royal College of Psychiatrists and The British Psychological Society, providing great recognition for the team's on-going commitment to delivering high quality, safe and efficient care. We continue to focus strategically and operationally on delivering the high standards of clinical and operational practice.

A key highlight of 2021 for BHSF was the appointment of Heidi Stewart, our new Group Chief Executive. Heidi has a distinguished background with over 20 years' experience of leadership in some of the UK's largest private and public sector organisations. Heidi's passion for people is exemplified through her work with Rethink Mental Illness, Remploy and Salutem Care and Education. Her desire to do right by customers is exemplified in her work, in particular in setting up the Whitehall Customer Insight Forum. I have thoroughly enjoyed getting to know Heidi and I look forward to her leading the implementation of BHSF's ambitious strategy which she has already augmented since joining us.

Since its launch in early 2021, the team at BHSF has been working to implement and embed BHSF's 3-pillar strategy. The Board continue to support investment in areas which will strengthen BHSF's long-term strategic success under the pillars of people, customers and sustainability. Greater involvement from staff across the business in BHSF's strategic processes, workstreams and projects, was key to progress in 2021. I have really enjoyed working with BHSF's brilliant people over this time, particularly as we see our 3-pillar strategy come to life. I look forward to seeing more of this over the course of 2022.

Our Board is supported by a workforce who embody BHSF's culture and ensure that the Group's operations run smoothly and effectively. I am grateful for the efforts of the whole team at BHSF, and thank them all for their passion, conscientiousness and adaptability as we addressed the challenges we faced and celebrated our successes together.

The way our colleagues at BHSF have looked after themselves, each other and our stakeholders during the pandemic has been exemplary. They have responded to the various challenges which have arisen because of COVID-19 and have acted in the best interests of each other, and BHSF's stakeholders, to achieve positive outcomes wherever possible.

In line with BHSF's values, staff empowerment continues to be a priority for the Board. The Staff Forum has built its profile and has cemented itself over the course of 2021 as a well-respected, essential part of life at BHSF. The Group's initiatives ensure that the employee voice is captured and heard. Ongoing staff engagement is essential to the delivery of BHSF's strategy and the Board, working with the Staff Forum, is dedicated to the enhancement of this in 2022.

An example of a Staff Forum-led initiative in 2021 was the formation of focus groups exploring 'belonging' and what we do to ensure BHSF is an inclusive and comfortable place to work against the backdrop of a world that has become increasingly uncertain in recent years. The Staff Forum also arranged an end of summer party, where all colleagues were invited to meet up at the Birmingham Botanical Gardens for the first time since before the pandemic started in March 2020. Whilst colleagues had been united virtually over the last couple of years, it was very special to see everyone get together in-person.

Our refreshed culture code also continued to be embedded during 2021, for example through workshops and the embracing of more flexible ways of working. For instance, in recognising the shift in working practices and the importance of listening to staff, we developed a hybrid working policy to reflect the evolving expectations of our employees.

Although we have embraced hybrid working, in 2021 we also welcomed staff back to the office environment in line with COVID-19 regulations. An exciting project for BHSF has been the relocation of our Birmingham head office to 54 Hagley Road in Edgbaston. The relocation project again exemplified the Board's continued desire to ensure that the employee voice is heard in key decisions, as the needs and desires of our employees were considered via surveys and focus groups.

The new office environment reflects our contemporary culture and provides the ideal space for collaboration and fresh thinking. It also accommodates colleagues local to the Midlands who prefer working in an office, at least some of the time, for practical or wellbeing reasons.

In 2021 we said farewell to Ian Galer, our Group Chief Executive, who retired in September after joining BHSF in 2013 as Finance Director and becoming Group Chief Executive in 2017. Ian oversaw BHSF's transformation programme in 2019 which contributed hugely to our current strategy. We thank him for all that he has done for BHSF and wish him well as he embarks on his retirement.

Early in 2022, we also said farewell to Chris Wiggin, non-executive director at BHSF since 2017, and Geoff Guerin, Chief Operating Officer, who started his career at BHSF in 2006. We wish them both luck for the future and thank them for the roles they played at BHSF.

Finally, it is a pleasure to be leading the Board through this phase of BHSF's journey. BHSF's adaptability and agility continues to strengthen its position as a leading provider of health and wellbeing services ensuring that we can continue positively and sustainably to impact the health and wellbeing of not only our current stakeholders, but the people we will reach in 2022 and beyond.



Sara Fowler
Chair
24 June 2022



Group Chief Executive's business review

For the year ended 31 December 2021

Introduction

It was my absolute privilege to join BHSF as the new Group CEO in July 2021 and I want to thank Ian Galer for such a detailed handover period and wish him all the best in his retirement. I have joined the business at a fantastic time, as we move to our new open plan office in the centre of Birmingham, embed our new culture code and set out our ambitions for the next decade.

I am fortunate to have inherited a great team of colleagues who have coped with the profound impact the COVID-19 pandemic has had over the last two years and the ongoing impact it will undoubtedly have as we adjust to living with this virus. We introduced our hybrid working model in 2021, enabling our colleagues to work from both home and office; this has proved to be very successful and allowed us to remain agile and responsive to outbreaks during the year.

At the time of writing, we remain shocked and saddened by the events in the Ukraine and I am so proud of our colleagues who are supporting a wide range of humanitarian organisations. The situation changes daily at present and will no doubt have far reaching impacts for years to come, including the effects of the war on the global economy which in turn has a direct impact on our customers and the markets in which we operate. We do not trade with any companies in Russia, Belarus or Ukraine but do expect to see an impact on the investment portfolio over the coming 12 months.

We are also aware that wars are now also carried out virtually through organised cyber-attacks. Many organisations have already suffered greatly from such attacks, and we continue to invest in our cyber security. We were successfully re-accredited for our Cyber Essentials Certificate in 2021 following a detailed independent audit and are now assessing Cyber Essentials Plus, the highest level of certification under the Cyber Essentials scheme.

Insurance Business

We expected to see claims return to a more typical level during 2021 as services such as dentists and opticians returned to normality. Our board intended to run underwriting deficits in order to enhance the value of policies in 2021 following 2020's low levels of claims due to COVID-19, however this was not fully realised as we experienced further, albeit shorter, periods of lockdown. Most policy holders have been able to access new benefits, as well as extensions to existing benefits since September 2021.

Performance remained strong despite an 8% fall in premiums to £37.1m (2020: 3.5%). The decrease is due to our change in sales strategy, focusing on online and broker sales rather than face to face field sales. The technical account reported a surplus of £1.7m (2020: £10.6m).

We launched a new product during 2021, ChildMax Insurance, included within our Healthy Choice health cash plan. This is exclusive to working parents and enables them to take up to a year paid leave to look after a child diagnosed with a serious illness or medical condition following an accident. We are proud to be the first provider in the cash plan space to offer this new benefit for working families.

We provide health cash plans to some of the largest employers across the UK, including Tesco, Birmingham City Council and CAF/CASS and work with over 5,000 employers, servicing 258,000 individual policy holders.

Occupational Health

The BHSF Occupational Health team provides a range of occupational health support services including new-starter health screenings, role specific medicals, immunisations and vaccinations, health surveillance and sickness absence referrals.

Adverse events have of course been a firm fixture for every workplace since March 2020. In a typical year, we are out on the road delivering health assessments and screening across a variety of workplace settings. But in these atypical times, we've had to evolve. Contact-free delivery has become so vital to many business sectors, so that is exactly what we mirrored with our screening services, adapting to help ensure continuity at a time when so much has been uncertain.

Despite a challenging environment our occupational health business has continued to grow with several new customers joining us this year, including Toyota, Everton Football Club and Birmingham City Council. This growth is reflected in our turnover increasing by 16% to £7m and gross profit margins increased to 35% (2020: 27%) The company showed an operating profit of £183k for the year compared to a £707k loss in the previous year which is a fantastic result.

We went through our SEQOHS re accreditation during the year, SEQOHS represents a quality mark demonstrating that accredited occupational health services provide safe, effective, quality care. Managed by the Royal College of Physicians (RCP) it provides independent and impartial recognition that an occupational health service provider has objectively demonstrated their competence to a team of trained assessors.

In response to our application, the SEQOHS assessors commented that, "BHSF has a well-run occupational health business, clearly focused on delivering a good quality service to their clients. BHSF has demonstrated throughout the assessment process a real commitment to the personal and professional development of the team, an essential component in facilitating high-quality service delivery." The Assessors were also particularly impressed with the depth and quality of our clinical audits and how the results are used to drive continuous improvement.

Employee Benefits

There is a growing recognition that employers need to do more to support the health and wellbeing of their employees, and the spotlight falls sharply on benefits provision. Mental health support services and access to higher level secondary mental health services for employees have both risen in significance, as has the digital benefits agenda.

Despite BHSF having a fantastic portfolio of services to offer, we continue to face a challenging sales environment, with many employers still recovering from the impacts of COVID-19. However, despite this our revenue increased by 29% to £2.1m (2020: £1.7m). This was due to the continued growth in our BHSF Connect App, BHSF RISE our comprehensive mental health support service and other Employee Assistance Programme (EAP) products. Gross profit on employee benefits increased from 10% in 2020 to 23% in 2021 which was due to new customers and an increase in prices. Despite this positive result, the company made an operating loss of £0.7m however this is a significant improvement on the previous year operating loss of £2.0m.

During 2021 we launched our report, The Big Return, to understand the impact of COVID-19 on employees across the UK workforce. We surveyed 2,000 of those who had been working from home during the pandemic to explore how they were feeling. We captured insight into what workers were experiencing in general terms, as well as how they were specifically feeling ahead of the nationwide return to more normal work patterns.

We found that almost half of the UK's workforce were not ready to return to work, with many being anxious or deeply concerned. Our survey revealed that 45% described their feelings about the return to work negatively. Deepening the crisis, only 5% of employers had put in extra employee support services for those returning to a more normal work pattern that Summer and into Autumn 2021. This is echoed in our Mental Health Support Service, with significant increases in demand for employees experiencing stress, depression and anxiety as a result of the pandemic.

In August 2021 our psychological healthcare services arm, TERC, was awarded APPTS accreditation status by the Royal College of Psychiatry, the highest level of clinical approval in the UK. TERC or 'The Employee Resilience Company' delivers comprehensive support to millions of UK employees, through our BHSF RISE product, thanks to an extensive team of counsellors, psychotherapists, psychologists, psychiatrists and mental health educators, plus experts on trauma, stress, mediation and resilience.

The prestigious mark of approval truly validates the mental health support excellence BHSF RISE and TERC is delivering. We are extremely proud to be part of TERC and so pleased for managing director Tracey Paxton and her team.

Investments

In 2021 we changed our investment approach to focus on investing only in companies that can demonstrate achievement of or progress towards good environmental, social or governance (ESG) standards. As a profit for good organization we need to ensure our portfolio reflects our ethical approach.

Following a turbulent year in 2020 the markets improved during 2021. This resulted in unrealised gains from the portfolio of £0.9m (2020: losses of £0.4m) and realised gains of under £0.1m (2020 losses of £0.1m).

Regulations

BHSF operates in highly regulated markets and we are very alert to the regulatory environment. Our regulators recognise that the environment in which we are operating is changing rapidly. This reflects economic, technological, and social changes, as well as the challenges of the pandemic and our exit from the EU. They continue to focus on ensuring firms provide better outcomes for consumers, and that consumers are better able to make informed choices. In May 2021 the FCA launched their consultation on the proposed new Consumer Duty, followed by a further consultation in December 2021. These are a set of new principles,

rules and outcomes that replace the existing Treating Customers Fairly principle. This will lead to a fundamental shift in approach to regulation, with a greater focus on the outcomes consumers experience, with firms required to actively assess and evidence the extent to which they are acting to deliver good outcomes for their retail customers. Implementation of the Consumer Duty will be a key priority for BHSF over the next 12 months and we await the publication of the final rules in 2022.

Customer value remains at the heart of all BHSF's activity and we engaged with the FCA during 2021 to ensure that we were providing value for money for our health cash plan customers impacted by periods of lockdown. Having consulted our customers, we launched our enhanced benefits in September 2021, this was based on their feedback and insight as to what would be of most value. We continue to monitor this closely and our latest customer satisfaction survey to policyholders highlighted how positively these enhancements have been received, something reflected in our continually high Trust Pilot Score that remained at 4.8 out of 5 during the year.

Our Long Term Vision

Our board met in August for our annual Strategy Day, a key outcome of this was agreeing our long-term vision for BHSF. This is that:

"BHSF will be the pioneer of health and wellbeing needs today and tomorrow – making it simple and easy for everyone to access the right support, at the right time, in a way that works for them. Everyone will know someone BHSF has reached".

This ambitious goal will require us to become a Digital First business, transforming the way we work to have a greater impact on our people, our business and our customers and we began this journey in earnest in late 2021.

Our People

In October 2021 we appointed Stephen Cloves as our Chief People Officer, he brings a wealth of experience to BHSF and is driving forward a range of people and culture projects in the coming year, all of which aim to make BHSF the employer of choice.

In late October 2021 we announced a restructure to ensure a group-wide, joined-up approach and reduce any risk of silo working within our business. This resulted in our occupational health, employee benefits and insurance sales and distribution team, customer insight function, product development and marketing all coming together under our new Chief Commercial Officer, Shelley Rowley. Shelley has been with BHSF for over ten years, and it was fantastic to see her promoted to this new role where she will also be the Managing Director of our Employee Benefits business. Our occupational health administration and planning also moved into our Group Service Delivery team alongside our helpdesk. All changes were completed and in place by January 2022 and I am pleased to report that there were no compulsory redundancies.



I am continually amazed by the passion and commitment of my colleagues, who have all made me feel so welcome during a period of change. I also want to thank the BHSF Board of Executives and NEDs for their continued support and guidance during my first year at BHSF and I am looking forward to working with them over the coming years.

A handwritten signature in black ink that reads "H. Stewart." The signature is written in a cursive, flowing style.

Heidi Stewart
Group Chief Executive
24 June 2022

Strategic report

For the year ended 31 December 2021

The Directors present their Strategic Report on the Group for the year ended 31 December 2021.

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 over 5,000 client businesses and 258,000 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

Insurance Division (BHSF Limited)

The performance of the Group's business is set out in the financial statements and the Board considers 2021's performance to have been strong. An underwriting technical account surplus of £1.7m was recognised, despite an 8% fall in premiums.

The Board intends to run underwriting deficits in order to enhance the value of policies in the coming year following 2020's low level of claims due to COVID-19. Due to further lockdowns in 2021, it was not possible to implement these measure for the whole year, but most policyholders have been able to access several brand new benefits as well as extensions to existing benefits since September 2021.

This is expected 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, thanks to strong underlying performance, the insurance division is expected to return modest surpluses

Occupational Health Division (BHSF Occupational Health Limited)

The occupational health division saw a significant increase in revenue as business recovered following the lengthy lockdown periods of 2020. Thanks to operational efficiencies introduced in the last few years, this resulted in the Company returning an annual profit for the first time in 2021.

This division is expected to continue to generate surpluses in the future.

Employee Benefits Division (BHSF Employee Benefits Limited)

The employee benefits division grew modestly in 2021 and recorded a loss, though this loss was much lower than that of 2020. With a further restructuring exercise towards the end of 2021 undertaken to enhance the commercial parts of the business, the directors 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

2022 Russian Invasion of Ukraine

The directors are concerned for the welfare of all involved in the conflict in Ukraine. The nature of our business and investment allocations do not expose us directly to the region in a material way. However, we expect to experience volatility in the value of all investments due to market uncertainty. This does not have any impact on the financial statements for the year ending 31 December 2021, but it may affect performance in 2022. The directors are monitoring the situation and are prepared to take such actions as are necessary to mitigate significant impact on the business.

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

	2021	2020
Energy consumption ¹ (kWh)	237,189	241,232
Carbon Emissions - buildings (tCO ₂ e)	46	51

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, until its sale in September 2021. Following the sale, BHSF Limited held the lease on the Group's new headquarters and therefore the footprint of the new premises are also included above.

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

For most of 2021, BHSF Limited's office premises (whether owned or leased) were occupied by a relatively small number of staff due to ongoing COVID-19 restrictions. Occupancy has since increased, but the Group's decision to embrace a 'hybrid' working model and the smaller and more modern arrangement in the new premises mean that energy consumption of the head office is permanently reduced.

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 2021 BHSF took the following steps towards improving the impact of the organisation on the environment:

- Implemented a permanent hybrid home/office working model for all suitable roles, removing the need for thousands of commutes each year.
- Moved head office to a smaller, more modern and efficient premises with excellent public transport links.
- Continued to embrace remote-working and paperless delivery models in all parts of the business.
- Adopted an investment portfolio focused on environmental, social and governance (ESG) matters.
- Added the production of a specific environmental strategy to our overall corporate strategic objectives.

Group Corporate Restructuring

During 2022 the BHSF Group plans to undertake an internal restructuring of subsidiary holdings. This improves financial efficiency of the Group whilst also enhancing corporate governance effectiveness. The primary changes will see BHSF Limited become the holding company for the current subsidiaries of BHSF Group Limited. This leaves BHSF Group Limited with a single subsidiary company, BHSF Limited, but does not alter the overall nature of the Group's products, services or operations and is anticipated to have no impact on staff

Key performance indicators

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

These include:

KPI	2021	2020
Total Revenue	£46.7m	£49.1m
Total Revenue growth rate	(4.9)%	(3.5)%
Insurance claims ratio*	72.2%	52.9%
Insurance expense ratio*	22.0%	23.4%
Insurance underwriting result	£2.2m	£9.5m
(Decrease) in policies underwritten	(3)%	(12)%
Solvency:		
BHSF Limited	270%	238%
BHSF Group	219%	203%
Non-insurance business margin	£(1.8)m	£(3.0)m
Net investment returns	6.9%	(0.3)%

* calculated as percentages of earned premiums.

Further information on the Group's performance in 2021 and its future prospects is set out in the Group Chief Executive's Review on pages 4 to 7.

¹ Energy consumption is based on actual energy bills received during the year.

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

Section 172 Statement

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

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

Carefully 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:

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

This report covers the Company's financial year ending 31 December 2021.

Stakeholder Management at BHSF

Who are BHSF's Stakeholders?	How does BHSF engage with them?	What are their expectations?
BHSF Group employees	Day-to-day communications Regular company-wide newsletters Roadshows and other occasional events	Culture in line with corporate values Career development opportunities Training opportunities Secure, fulfilling jobs in a safe working environment
Members (drawn from client businesses)	Annual report and accounts Solvency and Financial Condition Report	Careful financial management Caring treatment of their workers
Insurance Policyholders	Clear policy documents Written communications around major changes Surveys	Caring and fair treatment Clear communications Timely claims payments Secure and resilient processing of data
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 19-20)
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 19-20)
Reinsurers	Supplier management team Day-to-day communications with operational teams	Open, honest communications Robust processes and procedures
Sales intermediaries	Intermediary management team Events, briefing and training days	Quality products which meet customer demands Timely payment of sales commissions Professional, efficient processes
Pension Scheme Trustees	Attendance by directors at trustee meetings	Prudent management of company resources

Critical Decisions Taken During the Reporting Period

The key decision made during the year surrounded the decision to enhance insurance policy value following the effect the pandemic had on reducing overall claims activity in 2020. In particular, the decision to do this by extending optical and dental benefits and offering NHS ear wax removal, NHS prescriptions and flu vaccinations to most policyholders for no additional cost for at least twelve months.

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

In the short term, the value-enhancing measures are expected to result in losses and reductions in capital. However, in line with regulator expectations and 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 capital position.

What is the impact on BHSF Group employees?

Employees of BHSF Group handle the day-to-day operations of the insurance division and are therefore stakeholders. These staff value fairness and doing the right thing. Following an extended period in which many have found themselves less able to claim than normal, finding ways to prudently enhance value to our policyholders is the right thing to do.

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

We enjoy good relationships with many customers and policyholders in part due to our shared ethics. These same ethics drive us to take some value-enhancing action to make up for the relatively low claims in 2020.. Therefore we don't expect a significant impact on customer or policyholder relationships – we are simply treating customers and policyholders as we believe they would wish to be treated.

What is the impact on the environment?

Increasing the volume of claims will increase the amounts of paper claim forms and volumes of post to be delivered. These will have negative impacts on the environment, but we expect the impact to be negligible.

This is because although there are policyholders who prefer physical paper communications or do not have access to electronic alternatives, the majority of policyholders do claim using electronic means.

What is the impact on the reputation of the business?

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.

Are these decisions fair to all members?

BHSF Group Limited's members are primarily drawn from the customer base and therefore represent the policyholders of the Company. Therefore, the interests of the Company's single member is closely aligned with the interests of its members – our policyholders. That BHSF Limited supports the enhancement of value to policyholders therefore directly supports BHSF Group Limited in meeting the needs of its members.

This report was approved by the board on 24 June 2022 and signed on its behalf by



Heidi Stewart
Group Chief Executive

Directors' report

For the year ended 31 December 2021

The Directors have pleasure in submitting their annual report and audited financial statements for the year ended 31 December 2021.

Independent non-executive directors

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

Executive directors

- Heidi Stewart, Group Chief Executive (appointed 24 September 2021)
- Ian Galer, Group Chief Executive (resigned 30 September 2021)
- Geoff Guerin, Chief Operations Officer (resigned 1 February 2022)
- Tom Ross, Chief Finance Officer

Committees

There are six committees including board and executive committees:

Audit Committee:

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

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

Investment Committee:

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

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

Remuneration and Nomination Committee

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

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

Risk and Compliance Committee

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

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

Strategy Implementation Oversight Board

- Sara Fowler (Chair of the Committee)
- Jill Bonehill (resigned 15 May 2022)
- Ian Galer (resigned 30 September 2021)
- Alison McKinna (appointed 30 March 2022)
- Jasvinder Saggu (appointed 6 June 2022)
- Chris Wiggin (resigned 24 February 2022)

This Committee oversees the process for embedding the Group Strategy throughout the organisation and monitors the implementation of the Group strategy, with input from the Executive Team.

Executive Committee

- Ian Galer (Chair of the Committee) (resigned 30 September 2021)
- Heidi Stewart (Chair of the Committee) (appointed 1 August 2021)
- Geoff Guerin (resigned 1 February 2022)
- Stuart Hayhurst (appointed 23 May 2022)
- Tom Ross
- Shelley Rowley
- Philip McCrea (resigned 30 September 2021)
- Stephen Cloves (appointed 1 October 2021)
- Adam Lea (appointed 19 January 2022)

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 £51,068 (2020: £43,170) by gift aid during the year. The Group made no political donations during the year (2020: 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 LLP 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 – Broadstone
- Pension advisors – Benefex Financial Solutions Limited
- Solvency II actuarial advisors – Barnett Waddingham LLP
- Outsourced internal audit service provider – RSM Risk Assurance Services LLP
- Corporate tax advisors – PwC

Staff

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

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

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

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

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

Accreditations

The BHSF Group is recognised as holding the following accreditations:

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

Appreciation

The directors record their thanks to the management and staff for their hard work during the year. The directors also extend grateful thanks to all 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 pages 8-12.

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 24 June 2022 and signed on its behalf by:



Heidi Stewart

Group Chief Executive

Directors' profiles

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



Alison McKinna
Non-executive Director

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



Caroline Coates
Non-executive Director

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



Gary Cowdrill
Non-executive Director

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



Heidi Stewart
Group Chief Executive

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



Jasvinder Saggu
Non-executive Director

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



Sara Fowler
Chair

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



Tom Ross
Chief Finance Officer

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

Officers

Vice Presidents

Dr Paul Kanas BM, BS, MRCP, FFOM

Life Members

Stephen G Hall FIPPM

Dr Paul Kanas BM, BS, MRCP, FFOM

David J Read JP, FFA, FICM, FIAB



Shelley Rowley BSc, MSc
Chief Commercial Officer

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



Stuart Hayhurst
Chief Operating Officer

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

Senior managers



Adam Lea BSc (Hons), IRMCert
Executive Head of Information
Governance, Risk & Compliance



Chris Snookes BA (Hons), MSc
Group Head of Marketing, Products &
Markets



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



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



Jonathan Byfield
Group Head of Distribution



Louise Eden BA, Dip PFS, MICA
Head of Compliance



**Mike Tresham BCom,
CMgr, FCMI,**
Head of Group Service Delivery



Paul Brady
Head of Customer Success



**Dr Rohit S. Praiapati BSc (Hons) MB
ChB MSc PhD MFOM**
Chief Medical Officer



Stephen Cloves
Chief People Officer

Corporate responsibility statement

For the year ended 31 December 2021

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 2021, we had to do things a bit differently due local lockdowns and Coronavirus precautions. The majority of the activities we organised were virtual and/or could be completed remotely.

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 2021 we supported the project by sharing our skills, donating funds for emergency fuel support, donating money towards food parcels, and gift-wrapping presents for the project to hand out to less fortunate children. Staff members also donated plants for the Project to use in their garden and indoor areas.

With our support, the project was able to help 183 families (265 adults, 434 children) with their holiday hunger / help schemes, provide 297 families with food parcels and supermarket vouchers, help 223 families (287 adults, 721 children) with fuel costs, and purchase school uniform for 21 children.

"We couldn't do as much as we do without your generosity and support. It means a great deal to us."

- Gerardine Giblin,
Ladywood Community Project
Co-ordinator

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 2021, we volunteered our time and skills, and donated funds to contribute to the running of the charity. This helped the foodbank provide a higher level of support to those who need it most.

Sunflowers

Sunflowers is a small, Liverpool-based charity supporting people living with cancer and other long-term conditions. Sunflowers has been providing vital support to patients, survivors and carers for over 30 years. Recently, the charity has broadened its remit to also offer help to those affected by other long-term conditions besides cancer. This support includes everything from counselling and complementary therapies to exercise classes and social gatherings.

In 2021, we donated funds to contribute to the running of the charity and the expansion of their services.

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 a company-wide sponsored silence, raffle, and staff members taking part in the London Marathon race.

"We are delighted to be working in partnership with BHSF. BHSF's support of an extra nurse means we will be able to help even more people with neurological conditions needing our services. From our recent survey we know that people feel more informed, less isolated and more confident talking with a health professional about their condition after contacting our helpline."

- Marc Smith, Chief Executive of the Brain & Spine Foundation

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;

- Hampers for Heroes
- St Basils
- Marie Curie

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 2021 and of the Group's deficit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of BHSF Group Limited ("the Company") and its subsidiaries (the "Group") for the year ended 31 December 2021 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 are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the 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 30 June 2022**

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 2021

Technical and Non-technical Accounts – General Business

TECHNICAL ACCOUNT		2021	2021	2020	2020
	Note	£'000	£'000	£'000	£'000
PREMIUMS					
Gross premiums written	3	37,105		40,314	
Outward reinsurance premiums	5	(450)		(489)	
		36,655		39,825	
Change in the provision for unearned premiums	25.1	78		(127)	
Earned premiums net of reinsurance			36,733		39,698
ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT			28		47
CLAIMS					
Gross amount		(26,557)		(21,694)	
Reinsurer's share	5	139		208	
		(26,418)		(21,486)	
Change in the provision for outstanding claims:					
Gross amount		(35)		540	
Reinsurer's share	5	(71)		(50)	
		(106)		490	
Claims incurred net of reinsurance			(26,524)		(20,996)
			10,237		18,749
NET OPERATING EXPENSES	6		(8,104)		(9,283)
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS			2,133		9,466

NON-TECHNICAL ACCOUNT

	Note	2021 £'000	2020 £'000
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS		2,133	9,466
Investment income	9	527	447
Unrealised gains/(losses) on investments		868	(424)
Realised gains/(losses) on fixed assets including property		74	-
Allocated investment return transferred to the technical account		(28)	(47)
Investment expenses and charges		(64)	(73)
Other income	10	9,583	8,790
Other charges	11	(12,715)	(11,756)
Net interest cost on pension scheme liability	15	(62)	(32)
SURPLUS BEFORE TAXATION	12	316	6,371
Tax charge on surplus	14	(490)	(1,929)
(DEFICIT)/SURPLUS FOR THE FINANCIAL YEAR		(174)	4,442

All the above amounts relate to continuing operations.

The notes on pages 31 - 57 form part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	2021	2020
Note	£'000	£'000
(Deficit)/Surplus for the financial year	(174)	4,442
Other Comprehensive income:		
Actuarial gains/(losses) net of deferred tax	15 1,652	(1,926)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	1,478	2,516

All the above amounts relate to continuing operations.

The notes on pages 31 - 57 form part of these financial statements.

Consolidated and company statements of financial position

For the year ended 31 December 2021

ASSETS	Note	GROUP				Company (number 4767689)	
		2021 £'000	2021 £'000	2020 £'000	2020 £'000	2021 £'000	2020 £'000
INTANGIBLE ASSETS							
Goodwill	16	-	-	-	-	-	-
Other intangibles	16	497	-	671	-	-	-
			497		671	-	-
INVESTMENTS							
Land and buildings	17	780	-	1,850	-	-	-
Investment in subsidiaries	18	-	-	-	2,050	1,350	-
Investments in joint ventures	19	100	-	100	-	-	-
Other financial investments	20	19,990	-	19,298	-	-	-
			20,870		21,248	2,050	1,350
REINSURER'S SHARE OF TECHNICAL PROVISIONS							
	21	-	203	-	274	-	-
DEBTORS							
Debtors arising out of direct insurance operations	22	1,541	-	1,753	-	-	-
Amounts due from group undertakings		-	-	-	838	1,009	-
Other debtors	23	2,795	-	3,969	-	-	-
			4,336		5,722	838	1,009
OTHER ASSETS							
Tangible fixed assets	24	228	-	412	-	-	-
Stock		17	-	14	-	-	-
Cash at bank and in hand		11,198	-	11,108	16	20	-
			11,443		11,534	16	20
PREPAYMENTS AND ACCRUED INCOME							
			711		622	8	-
TOTAL ASSETS			38,060		40,071	2,912	2,379

		GROUP				Company (number 4767689)	
	Note	2021 £'000	2021 £'000	2020 £'000	2020 £'000	2021 £'000	2020 £'000
LIABILITIES							
ACCUMULATED FUND			29,779		28,301	272	272
TECHNICAL PROVISIONS							
	25						
		413		491		-	-
		1,583		1,549		-	-
			1,996		2,040	-	-
PROVISION FOR OTHER RISKS - PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS							
	15	1,619		3,932		-	-
	26	492		450		-	-
			2,111		4,382	-	-
CREDITORS							
		-		-		2,598	2,065
	27	2,565		3,838		6	-
			2,565		3,838	2,604	2,065
ACCRUALS AND DEFERRED INCOME			1,609		1,510	36	42
TOTAL LIABILITIES			38,060		40,071	2,912	2,379
LOSS OF BHSF GROUP LIMITED SINGLE ENTITY						(0)	(2,172)

The notes on pages 31 - 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 24 June 2022.



Heidi Stewart,
Group Chief Executive

Consolidated and company statements of changes in equity

For the year ended 31 December 2021

	Group Accumulated Fund	Company Accumulated Fund
	£'000	£'000
Balance at 1 January 2020	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
Changes in equity for the year ending 31 December 2021		
Deficit for the financial year	(174)	-
Other comprehensive income for the financial year	1,652	-
Total comprehensive income for the financial year	1,478	-
Balance at 31 December 2021	29,779	272

The notes on pages 31 - 57 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the financial year before tax		316	6,371
Adjustments for:			
Realised (gains)/losses on sale of investments	9	(71)	45
Depreciation and amortisation	12	383	584
Unrealised investment (gains)/losses		(678)	424
Revaluation gains on land and buildings		(190)	-
Realised gains on sale of owner occupied freeholder property		(234)	-
Loss on disposal of fixed assets		129	-
Other non-cash items of comprehensive income		83	57
Decrease/(Increase) in insurance debtors		283	458
Decrease/(Increase) in trade and other debtors excluding tax		734	751
(Increase)/Decrease in stock		(3)	6
Decrease in insurance creditors		(44)	(413)
Decrease in trade and other creditors excluding tax and pension scheme		(480)	(243)
(Decrease)/Increase in other provisions		(2)	165
Defined benefit pension contributions	15	(375)	(60)
Investment portfolio purchases		(20,655)	(6,851)
Investment portfolio sales		20,905	6,991
Corporation tax paid		(1,137)	(1,232)
NET (OUT)/IN FLOW FROM OPERATING ACTIVITIES		(1,036)	7,053
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(83)	(94)
Purchase of intangible assets		(71)	(207)
Disposal proceeds on sale of owner occupied freeholder property		1,494	-
NET IN/(OUT)FLOW FROM INVESTING ACTIVITIES		1,340	(301)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		12,739	5,978
Effect of exchange rate fluctuations on cash balances		(19)	9
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	30	13,024	12,739

The notes on pages 31 - 57 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2021

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 2021. The comparative figures cover the year ended 31 December 2020.

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%
Laptop	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 2021 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. In the prior year, the directors 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

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

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

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

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

Investments in joint ventures are 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 is only recognised to the extent that it does 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 £18,164k (2020: £17,667k) 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 £nil (2020 £6,817k) of direct investments in debt instruments, including corporate and government bonds, does not provide as relevant information to the users of these financial statements as fair value does because these investments are managed and monitored by the Group on the basis of their market value.

b) Indicators of impairment in assets

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

1C. Key sources of estimation uncertainty

In preparing these financial statements, the Directors have made the following significant estimates:

a) Technical provisions – claims provision (Note 25)

The financial statements include £1,583k (2020: £1,549k) 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 £1,619k (2020: £3,932k), comprising assets of £14,404k (2020: £13,375k) and liabilities of £16,023k (2020: £17,307k). 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 £78k.

2. Insurance risk management

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

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

2A. Impact on these financial statements

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

- Note 1A (b) describes the accounting for the premium income arising from insurance contracts which appears in the income statement.
- Note 1A (c) describes the accounting for reinsurance which appears in the income statement and notes 5 and 21.

- Note 1A (d) describes the accounting for claims costs that appear in the income statement. Claims are discussed in further detail in section 2B below.

- Note 1C (a) describes the estimation techniques used in the calculation of the technical provisions balances included in the statement of financial position and disclosed in more detail in note 25.

- Note 3 discloses the amount of insurance premium tax paid on premiums arising from insurance contracts.

- Note 6 discloses costs incurred in acquiring insurance business.

- Note 12 discloses the commissions payable in respect of insurance contracts.

- Note 22 discloses the amounts receivable from insurance policyholders and reinsurers at the statement of financial position date. Reinsurance cover is taken out on certain policies to manage insurance risk.

- Note 25 discloses the movements in insurance technical provisions during 2021 and 2020.

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

2B. Risks arising from insurance contracts

Insurance risk is the risk that fluctuations in claims or premiums impact the income statement. This includes catastrophic events that lead to short-term spikes in claims.

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

The pricing of products is an important factor in managing insurance risk. An actuarial quote engine is used to price many products, with senior executive involvement in other pricing decisions where necessary. The profitability of products is monitored in order to ensure that products do not become unviable

and an appropriate level of surplus is being generated to maintain the solvency of the business. Premium and claims levels are monitored on a monthly basis in order to identify trends.

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

Additionally, insurance risk is mitigated in part by the terms of the health cash plan policies. These state that claims must generally be made within three months of the date the claim event occurred. This reduces the volatility in claims and reduces the risk of sudden large historical claims that could significantly harm the Group's solvency. The value of claims for which there is uncertainty about the timing and amount extending beyond the next 12 months is £17k (2020: £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 £1,023k (2020: £1,103k).

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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Before sensitivities	316	6,371	29,779	28,301
After applying claims ratio sensitivity				
- 5% increase in claims	(1,010)	5,321	28,705	27,451
- 5% decrease in claims	1,642	7,421	30,853	29,151
After applying expense ratio sensitivity				
- 5% increase in operating expenses	(89)	5,907	29,451	27,926
- 5% decrease in operating expenses	721	6,835	30,107	28,677
After applying one-off claims shock sensitivity				
- £1,023k additional claims (2020: £1,103k)	(707)	5,268	28,950	27,408

3. Gross premiums written

	2021	2020
	£'000	£'000
Total insurance premiums	41,575	45,161
Less insurance premium tax	(4,470)	(4,847)
Gross premiums written	37,105	40,314

All gross premiums relate to the direct insurance business in relation to medical expenses insurance. During 2021, BHSF wrote premiums for three main categories of medical expenses insurance: health cash plans; personal accident; and cancer cover.

4. Segmental revenue analysis

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

	2021	2020
	£'000	£'000
Gross written premiums:		
Underwritten insurance	37,105	40,314
Other income:		
Insurance broking	386	369
Employee benefits and employer-support services	2,140	1,656
Occupational health and medical services	7,038	6,081
Government grants	19	684
Total revenue	46,688	49,104

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:

	2021	2020
	£'000	£'000
United Kingdom	6,647	5,722
Republic of Ireland	391	359
Total occupational health revenue	7,038	6,081

5. Gain or loss on reinsurance relationships

	2021	2020
	£'000	£'000
Premiums ceded to reinsurer	450	489
Claims recovered from reinsurer	(139)	(208)
Technical provision movement attributed to reinsurer	71	50
Loss on buying reinsurance	382	331

6. Net operating expenses

	2021	2020
	£'000	£'000
Business acquisition expenses	920	2,334
Direct insurance administration	1,641	1,025
IT and other general administration overheads	4,359	4,614
Commissions payable	1,184	1,310
	8,104	9,283

7. Employee costs and numbers

7A. Employee costs:

	2021	2020
	£'000	£'000
Wages and salaries	9,819	9,842
Social security costs	1,056	1,063
Pension costs	1,456	1,346
Redundancy costs	139	127
	12,470	12,378

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 £2.9m (2020: £4.7m) are included in net operating expenses (note 6) and those relating to the provision of claims are included in claims £250k (2020: £286k). The remaining employee costs (including the redundancy costs) amounting to £9.3m (2020: £7.4m) are included in other charges (note 11).

Wages and salaries, social security and pension costs of £161k (2020: £282k) and redundancy costs of £113k (2020: £127k) are regarded as exceptional items and are disclosed in note 13.

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

	2021 Number	2020 Number
Sales and marketing	41	53
Registration, claims and helpdesk	43	40
Management and administration	103	108
Occupational health practitioners	67	66
	254	267

8. Directors' emoluments and benefits

	2021 £'000	2020 £'000
Directors' emoluments including benefits in kind	645	931
Contributions to a defined contribution scheme	104	120
	749	1,051
Highest paid Director Remuneration	205	295

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:

	2021 Number	2020 Number
Defined contribution scheme	4	6

The highest paid director has no accrued pension or lump sum for the year (2020: nil).

9. Investment income

	2021 £'000	2020 £'000
Income from other investments	456	492
Profit/(loss) on the realisation of investments	71	(45)
	527	447

10. Other income

	2021	2020
	£'000	£'000
Insurance broking	386	369
Employee benefits and employer-support services	2,140	1,656
Occupational health	7,038	6,081
Government grants	19	684
Total revenue	9,583	8,790

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

11. Other charges

	2021	2020
	£'000	£'000
Cost of sales	6,159	5,941
Administration expenses	6,260	5,360
Goodwill and other intangible assets amortisation	238	412
	12,657	11,713
Charitable donations	58	43
	12,715	11,756

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 £nil (2020: £21k), wages and salaries of £161k (2020: £282k) and redundancy costs of £113k (2020: £127k) which are regarded as exceptional items as disclosed in note 13.

12. Surplus before taxation

	2021	2020
	£'000	£'000
The surplus before taxation is arrived at after charging the following:		
Depreciation	145	172
Amortisation of goodwill	-	120
Amortisation of other intangibles	238	292
Operating leases – buildings	227	150
Operating leases – other	96	213
Commissions payable	1,184	1,310
Auditor's fees:		
Fees payable in respect of the audit of the Company's accounts	20	16
Other services provided by the Company's auditor:		
Audit fees for the Company's subsidiaries pursuant to regulation	98	82

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

13. Exceptional Items

	2021 £'000	2020 £'000
Consultancy (note 11)	-	21
Wages and salaries (including social security and pension costs (note 7A))	161	282
Redundancy (note 7A)	113	127
	274	430

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

	2021 £'000	2020 £'000
Corporation tax at 19% (2020: 19%)		
Current tax charge	435	1,964
Adjustments in respect of prior periods included in current tax charge	-	(10)
Deferred tax charge/(credit)	55	(26)
Adjustments in respect of prior periods in deferred tax charge	-	1
Taxation charge	490	1,929

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

The tax assessed for the year is more (2020: more) than would be expected by multiplying the surplus by the standard rate of corporation tax in the UK of 19.0% (2020: 19.0%). The differences are explained below:

	2021 £'000	2020 £'000
Surplus before taxation	316	6,371
Surplus before taxation multiplied by the standard rate of corporation tax at 19.0% (2020: 19.0%)	60	1,210
Effects of:		
Gains and losses not subject to corporation tax	-	-
Expenses not deductible for tax purposes	12	41
Income not subject to corporation tax	(55)	(55)
Losses unutilised	501	743
Goodwill deduction not subject to corporation tax	-	6
Impairment charge not subject to corporation tax	-	-
Adjustments in respect of prior periods	-	(10)
Tax rate changes	(3)	(5)
Effects of other reliefs	-	(1)
Other differences	(25)	-
Total tax charge	490	1,929

The aggregate deferred tax relating to items recognised in other comprehensive income is a charge of £339k (2020: credit of £458k).

14C. Deferred tax

The Group had deferred tax assets as follows:

	2021 £'000	2020 £'000
Short-term timing differences - trading	44	53
Deferred tax asset on pension scheme liability	405	747
	449	800

Deferred tax assets are carried forward within other debtors.

The movement on the deferred tax asset is as follows:

	2021 £'000	2020 £'000
As at 1 January	800	323
Charged to income statement	(12)	19
Charged to other comprehensive income (note 15A)	(339)	458
As at 31 December	449	800

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 (2020: £nil) will reverse over the next 12 months.

The Group has deferred tax liabilities as follows:

	2021 £'000	2020 £'000
Fixed asset timing differences	90	126
Short-term timing differences - trading	4	5
Investment property revaluations	180	100
	274	231

The deferred tax liability is carried forward within other provisions.

The movement on the deferred tax liability is as follows:

	2021 £'000	2020 £'000
As at 1 January	231	237
Charged to income statement	43	(6)
As at 31 December	274	231

Over the next 12 months it is expected that £44k (2020: £57k) of deferred tax liabilities in respect of fixed asset timing differences will reverse as the accounting value and tax value of fixed assets converge. Reversals of deferred tax liabilities in respect of property revaluations is uncertain due to its dependency on prevailing market conditions.

14D. Factors that may affect future tax charges

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

15. Pension Commitments

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

15A. Pension scheme impact on financial statements

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

	2021	2020
	£'000	£'000
Present value of scheme liabilities	(16,023)	(17,307)
Fair value of scheme assets	14,404	13,375
Deficit in the scheme	(1,619)	(3,932)

The amounts recognised in the income statement are as follows:

	2021	2020
	£'000	£'000
Interest on net liability	(53)	(32)
Total charge	(53)	(32)

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

The amounts recognised in other comprehensive income are as follows:

	2021	2020
	£'000	£'000
Actuarial gain/(loss) on scheme liabilities	1,138	(2960)
Return on scheme assets less interest	853	306
Deferred tax credit on actuarial adjustments (note 14C)	(339)	458
Total net actuarial loss	1,652	(1,926)

There are no commitments in respect of the defined contribution scheme at the year-end (2020: nil).

Following the triennial valuation of the scheme as at 31 March 2020 the Company has agreed to pay £240k per year (monthly instalments of £20k) into the defined benefit scheme with effect from April 2020 (2020: £60k). Contributions for the year included £135k relating to 2020.

15B. Pension scheme assets and liabilities

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

	2021	2020
	£'000	£'000
Opening scheme liabilities	17,307	14,771
Interest cost	240	305
Actuarial (gain)/loss	(1,138)	2,690
Benefits paid	(386)	(459)
Closing scheme liabilities	16,023	17,307

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

	2021	2020
	£'000	£'000
Opening fair value of scheme assets	13,375	13,195
Interest income on scheme assets	187	273
Return on scheme assets less interest	853	306
Contributions by employer	375	60
Benefits paid	(386)	(459)
Closing fair value of scheme assets	14,404	13,375

The actual return on plan assets was £1,021k (2020: £559k). 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:

	2021	2020
Equities	50%	58%
Bonds	45%	37%
Annuities	1%	1%
Cash	4%	4%

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

In arriving at the pension liabilities as at 31 December 2021, 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:

	2021	2020
Discount rate	1.90%	1.40%
RPI Inflation before retirement	3.70%	3.10%
RPI Inflation after retirement	3.50%	3.10%
CPI inflation before retirement	2.90%	2.30%
CPI inflation after retirement	3.10%	2.70%
Deferred pension revaluations	3.00%	3.00%
Pension increases - CPI (0,5)	3.10%	2.70%
Pension increases - CPI (0,2,5)	2.50%	2.50%
Pension increases - CPI (0,3)	3.00%	2.70%
Mortality base table	S3PXA YOB	S3PXA YOB
Allowance for future improvements	CMI 2019 1.25%	CMI 2019 1.25%

An AA-rated over 15-year corporate bond yield index was used as a starting point for setting the discount rate, which is the longest duration bond index readily available. The index yield has increased over the year to 1.9% pa at 31 December 2021.

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

	2021	2020
Longevity at age 65 for current pensioners		
Males	22.0	21.9
Females	24.3	24.2
Longevity at age 65 for future pensioners, now aged 45		
Males	23.3	23.2
Females	25.8	25.7

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	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Before sensitivities	1,478	2,516	29,779	28,301
Reduce discount rate by 0.5% per year (2020: 0.5% per year)	166	1,074	28,467	26,859
Increase inflation 0.5% per year (2020: 0.5% per year)	757	1,795	29,058	27,580
Add one year to life expectancies	1,041	2,030	29,342	27,815

16. Intangible assets

Group	Goodwill	Other Intangibles	Software	Total
	£'000	£'000	£'000	£'000
Cost:				
At 1 January 2021	8,959	300	1,352	10,611
Transfers from tangible fixed assets	-	-	(7)	(7)
Additions	-	-	71	71
Disposal	-	-	(300)	(300)
At 31 December 2021	8,959	300	1,116	10,375
Amortisation:				
At 1 January 2021	8,959	300	681	9,940
Amortisation charge for the year			238	238
Disposal	-	-	(300)	(300)
At 31 December 2021	8,959	300	619	9,878
Net book value:				
At 31 December 2021	-	-	497	497
At 31 December 2020	-	-	671	671

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

In the year to 31 December 2021 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.

Subsequent to the application of amortisation charges for the year as outlined above, an impairment review was undertaken at the year-end. No impairment losses were recognised in 2021.

17. Land and buildings

	Owner occupied freehold property	Investment property	Total
	£'000	£'000	£'000
At market value:			
At 1 January 2021	1,260	590	1,850
Disposals	(1,260)	-	(1,260)
Revaluation	-	190	190
At 31 December 2021	-	780	780
At cost:			
At 1 January 2021	2,103	59	2,162
Additions	-	-	-
Disposals	(2,103)	-	(2,103)
At 31 December 2021	-	59	59

In the prior year, the directors used the offers of interested buyers of the owner occupied freehold property as a basis for fair valuation ahead of its sale.

The last professional valuation of all investment properties was carried out at 31 December 2021 by Fisher German LLP (Chartered Surveyors - MRICS FAAV qualified).

18. Subsidiary undertakings

18A. Summary of all subsidiary undertakings

The activities of the subsidiary companies during 2021 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 13th Floor, 54 Hagley Road, Birmingham, B16 8PE.

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 2021	9,647
Capital contributions	700
At 31 December 2021	10,347
Accumulated impairment provision	
At 1 January 2021	8,297
Impairment	-
At 31 December 2021	8,297
Net book value	
At 31 December 2021	2,050
At 31 December 2020	1,350

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

An impairment review was undertaken at the year-end. There were no impairment losses in the year.

18B. Summary of acquisitions during the year

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

19. Joint venture

	2021	2020
	£'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 The Malthouse Business Centre, 48 Southport Road, Ormskirk, Lancashire, England, L39 1QR.

The Group's share in the joint venture's total comprehensive income is £nil (2020: £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:

	2021 Cost £'000	2021 Fair Value £'000	2020 Cost £'000	2020 Fair Value £'000
Financial asset investments held at fair value				
Corporate bonds	-	-	3,597	3,705
Equities	4,682	5,082	7,171	7,115
Government bonds	-	-	2,851	3,112
Collective investment funds	12,780	13,082	3,428	3,735
Total financial assets held at fair value through profit or loss	17,462	18,164	17,047	17,667
Cash held in investment portfolio	1,826	1,826	1,631	1,631
Total investment portfolio	19,288	19,990	18,678	19,298
Debtors held at amortised cost	4,090	4,090	5,196	5,196
Cash held outside investment portfolio	11,198	11,198	11,108	11,108
Total financial assets	34,576	35,278	34,982	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 instruments.

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

The statement of financial position contains creditors totalling £3,934k (2020: £4,416k). 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 gains/(losses) on assets held in investment portfolio

Realised gains on fixed assets including property

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

Income from option agreements on investment property

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

	2021 £'000	2020 £'000
	386	489
	71	(45)
	74	-
	868	(424)
	70	-
Total income from financial assets measured at fair value	1,469	20
	-	3
Total income statement credit	1,469	23
	28	47
	1,441	(24)
Total income statement credit	1,469	23

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:

	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Corporate bonds		-		3,705
Government bonds		-		3,112
Cash at bank or with investment managers		13,024		12,739
Debtors				
Current	3,159		3,380	
Between 1 and 3 months overdue	688		824	
More than 3 months overdue	487		1,345	
Total debtors before provisions	4,334		5,549	
Provisions against overdue balances	(243)		(353)	
Net debtors balance		4,091		5,196
Total credit risk exposure in the statement of financial position		17,115		24,752

The credit quality of the above assets is given in greater detail on the next page. 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 2021

	Credit quality 0 - 1 £'000	Credit quality 2 - 3 £'000	Unrated £'000	Total £'000
Corporate bonds	-	-	-	-
Government bonds	-	-	-	-
Cash at bank and with investment managers	-	13,024	-	13,024
Debtors	-	203	3,888	4,091
	-	13,227	3,888	17,115

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

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 £9,177k (2020: £1,657k).

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.

Across all cash holdings and debtors, including those embedded within collective investment funds, the Solvency II regulatory regime measures the Group's exposure to counterparty default risk at £1,800k (2020: £1,818k).

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 £3,935k (2020: £4,416k), and in meeting policyholder claims, represented on the year-end statement of financial position by the technical provision balances totalling £1,996k (2020: £2,040k). 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 and which are hedged back to sterling. Collective investment funds containing large proportions of foreign currency assets totalled £11,675k (2020: £723k) 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 £304k (2020: £181k) 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 £304k (2020: £181k) 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 Company's portfolio

of directly-held corporate and government bonds was replaced during the year with collective investment funds of green bonds, world bank bonds, and 'ESG' corporate bonds. These contain a large number of individual bonds so that the Company's exposure to any one bond is relatively small. Detailed maturity analysis of the constituent parts of these funds is not practical.

	2021	2020
	£'000	£'000
Maturity (years)		
0 - 5	-	2,966
5 - 10	-	1,852
10 - 15	-	-
15 - 20	-	305
20 - 25	-	786
25+	-	908
Total	-	6,817

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 £1,108k (2020: £1,156k) and reduction in the accumulated fund of £897k (2020: £936k) or could result in a credit of £387k (2019: £138k) and increase in the accumulated fund of £313k (2020: £112k) according to the 31 December 2021 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 45.88% (2020: 38.52%) and 55.88% (2020: 48.52%), depending on the exact nature of the investment. This analysis shows that as at 31 December 2021, such a shock would result in a profit and loss charge of £3,845k (2020: £3,540k) and reduction in the accumulated fund of £3,114k (2020: £2,867k). Conversely an increase by this amount would result in a profit and loss credit of £3,845k (2020: £3,540k) and increase in the accumulated fund of £3,114k (2020: £2,867k).

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 £30,552k (2020: £28,301k). 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 2021, BHSF Group's solvency ratio was 219% (2020: 203%) (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

	2021	2020
	£'000	£'000
	274	324
	(71)	(50)
	203	274

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

	2021	2020
	£'000	£'000
	1,541	1,753
	1,541	1,753

23. Other debtors

Trade debtors

Corporation tax debtor

Other debtors

Deferred taxation (Note 14)

	2021	2020
	£'000	£'000
	2,121	2,970
	-	-
	225	199
	449	800
	2,795	3,969

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 2021	376	1,274	1,650
Transfers to intangible assets	7	-	7
Additions	40	43	83
Disposals	(322)	(1,013)	(1,335)
At 31 December 2021	101	304	405
Depreciation:			
At 1 January 2021	209	1,029	1,238
Charge for the year	61	84	145
Disposals	(243)	(963)	(1,206)
At 31 December 2021	27	150	177
Net book value:			
31 December 2021	74	154	228
31 December 2020	167	245	412

25. Technical Provisions

25.1 Unearned premiums and claims provision

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

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

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 2020	1,549	274	1,275
Technical provisions added	24,912	55	24,857
Utilisation of technical provisions	(24,878)	(126)	(24,752)
At 31 December 2021	1,583	203	1,380

	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

Of the total claims provision, it is estimated that £203k (2020: 274k) 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 2020	231	219	450
Provisions added	43	49	92
Provisions utilised	-	(50)	(50)
At 31 December 2021	274	218	492

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

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

27. Other creditors including taxation and social security

Creditors due within one year:

Trade and other creditors

Corporation tax

	2021 £'000	2020 £'000
	2,327	2,906
	238	932
	2,565	3,838

Included in trade and other creditors is £1,575k (2020: £2,295k) 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:

Not later than one year - buildings

- other

Later than one year and not later than five years - buildings

- other

Later than one year and not later than five years - buildings

	2021 £'000	2020 £'000
	177	142
	6	85
	97	71
	-	10
	-	-
	280	308

29. Capital commitments

The Group had commitments to make payments of £nil (2020: £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.

Closing cash at bank per statement of financial position

Cash held in investment portfolio

Closing cash and cash equivalents per statement of cash flows

	2021 £'000	2020 £'000
	11,198	11,108
	1,826	1,631
	13,024	12,739

31. Legal form

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

32. Related party transactions

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

Compensation of key management personnel of the Group totalled £1,171k (2020: £1,350k). 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 £35k (2020: £10k) were made by the Group to Shakespeare Martineau LLP, Chris Wiggin who is a director of the group is a consultant at Shakespeare Martineau LLP. There was £nil due to Shakespeare Martineau LLP at the statement of financial position date.

Purchases totalling £65k (2020: £52k) were made by the Group to Cyber Q Group Limited, Chris Wiggin who is a director of the group was appointed as a director of Cyber Q Group Limited in the year. There was £15k due to Cyber Q Group Limited at the statement of financial position date.

During the year, income of £20k (2020: £17k) was received by the Group from St Basils and donations of £100 were made by the group to St Basils, Sara Fowler who was a director of the company (resigned 13 September 2021) is also a director of St Basils. £359 was due from St Basils at the statement of financial position date.

During the year, purchases of £1,183k (2020: £1,043k) were made by the Group from The Employee Resilience Company, a joint venture investment (see note 19). There was £2k balance due to The Employee Resilience Company at the statement of financial position date.

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

33. Post balance sheet events

An internal restructuring plan was approved by the Board in March 2022 which will see subsidiaries BHSF Occupational Health Limited and BHSF Management Services Limited transfer to the ownership of BHSF Limited, another subsidiary of the Company. This brings with it a number of benefits in terms of financial efficiency and governance strengthening. It is expected that the changes will take effect from May 2022.

