



Report and Accounts 2022

Western Provident Association Limited

For the year ended 31 December 2022



Western Provident Association Limited (WPA) is a company limited by guarantee; it is domiciled, incorporated and registered in England and Wales under company number 00475557. The Directors here present their annual report together with the audited consolidated financial statements for the year ended 31 December 2022.

These Report and Accounts have been prepared by WPA on behalf of itself and its subsidiaries within the WPA Group for information only. Accordingly, WPA and all of its Directors, members and affiliates exclude liability for any reliance upon the Report and Accounts arising from any statement or omission.

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Chairman's Statement



The Rt Hon The Earl of Cromer

2022 was undoubtedly a challenging year. The external factors of the NHS being under severe strain, global inflation, the tight UK labour market, rising interest rates and falling stock markets have inevitably resulted in the Association recording a loss in 2022.

2023 looks equally challenging but there is cause for optimism. The severe pressures being faced by the NHS have undoubtedly fuelled demand for Health Insurance; this coupled with UK employers working hard to keep their staff has created an excellent environment to attract new customers. Health insurance is arguably moving from a luxury good to a necessity where the public health system, in isolation, is not meeting the needs of the population.

It may take some time to re-establish the equilibrium between premiums, claims and costs, but we have confidence and the capital base to achieve this in the near-term.

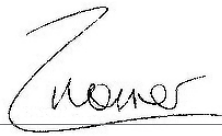
It is during challenging periods that we must remember why WPA exists and what we stand for. Our purpose today is the same as it was over 120 years ago – to enable our customers to access the best possible healthcare. In recent memory there has not been a year where our fulfilment of this purpose has been so profoundly important to those customers who without their WPA policy would still be awaiting, not recovering from, their healthcare treatment.



Customers are at the pinnacle of our objectives, and our culture remains to treat customers as we would wish to be treated ourselves. The empathetic, compassionate approach of our people delivers an outstanding customer experience and it is great to see that both our customers and our team confirm this in our Trust pilot rating of 4.9 out of 5 (2021: 4.8) and people surveys.

As a Board we ensure that the business is socially responsible and we are rightly proud of the valuable work of the WPA Benevolent and Charitable Foundations. During 2022 we have made progress with our carbon reduction ambitions and have agreed a plan to make significant investment in 2023 to reduce our CO₂ emissions.

Looking forward I am sure it is these foundations of integrity which will ensure the ongoing success of the Association.

A handwritten signature in black ink, appearing to read 'Cromer', written over a horizontal line.

The Rt Hon The Earl of Cromer *Chairman*

29 March 2023

Chief Executive's Review



Nathan Irwin

2022 has been a year of significant change in the UK's private healthcare market and WPA has fulfilled a really important role in enabling our customers to access the healthcare they require.

The challenges faced by the NHS are widely reported; waiting lists within the NHS are significantly higher than ever before as a result of the restricted activity during the Covid pandemic and more recently exacerbated by strike action. Consequently, there has been a significant increase in demand for, and usage of, private healthcare as people seek the treatment they need.

The consequence for the UK health insurance market has been twofold – firstly strong demand for health insurance and secondly significantly increased usage of health insurance policies.

We have been successful at seizing the opportunity in expanding customer numbers, with strong sales and excellent retention rates increasing the scale of the business by 14% during 2022. This growth has enabled productivity improvements such that despite the high inflation rates our cost base has remained a consistent percentage of premium.

Consistent with the marketplace, claim levels have increased considerably as health insurance policies are increasingly used to substitute rather than complement the healthcare available in the NHS, a position that is expected to continue in the coming years. We have responded in a manner consistent with our approach to treating our customers as we would wish to be treated ourselves. The premium increases that we have applied have been moderated, taking a long-term strategic view rather than being focused on short-term profitability. A good characterisation of the customer benefit of being insured with a not-for-profit organisation with an incredibly strong capital base.

With strong demand and excellent retention rates we are confident that the insurance results will return to break-even in the near future as premiums and claims return to equilibrium.

Global equity and bond markets retracted in 2022. Our defensively positioned investment portfolio contracted by 4.4% during 2022, a favourable result in the context of MSCI world equity markets reducing by 17.7% and iBoxx Sterling Non Gilt Index reducing by 17.8%. Going forward the increase in UK interest rates will enable a meaningful return on the majority of the portfolio which is invested in UK Gilts and cash.

Our service standards have remained market leading throughout the year – on average a customer is speaking to a member of the WPA team within 94 seconds of calling, a customer experience that is unparalleled and on which we pride ourselves.

The achievement of these standards is a particular success in a year when customer activity and customer numbers increased significantly. This is testament to the hard work and dedication of all our people. Our team are empathetic and compassionate towards our customers, and in return we aim to make WPA a great place to work.

It is pleasing that our service standard has been recognised in several external accolades and our people survey puts WPA in the outstanding category.

Health, as with all forms of insurance, exists to provide support to customers in times of need. The results can be volatile, particularly during periods of change and this is why our approach to hold an incredibly strong capital base is important. Our capital coverage of 402% is the highest across the UK marketplace and our commitment to treat our customers as we wish to be treated ourselves is resolute.



Nathan Irwin *Chief Executive*

29 March 2023

Strategic Report

Western Provident Association Limited is a company limited by guarantee; it is domiciled, incorporated and registered in England and Wales under company number 00475557. The registered office is Rivergate House, Blackbrook Park, Taunton, Somerset, TA1 2PE. The Directors here present their annual report together with the audited consolidated financial statements for the year ended 31 December 2022.

Strategy

The WPA strategy remains unchanged – the pursuit of quality in all that we do. As a not-for-profit organisation we are not entangled with the conflict between shareholder returns and long-term investment decisions and consequently have continued to invest in our people and processes, which for our customers means the delivery of excellent service. The omission of profit from our strategic objectives coupled with industry leading technology provides a compelling customer proposition, differentiating us from our competitors.

Our status as a company limited by guarantee is not common in today's financial services marketplace. We are reliant solely on our own resources, with no readily available access to external funding or the ability to raise share capital. Consequently, our resources over the last century have been carefully managed and our strength is evident in the Statement of Financial Position.

It is important to distinguish between the three primary activities of the WPA Group: medical insurance, healthcare administration and management of the investment portfolio. The insurance and healthcare administration operations include all interactions with current customers and we aim to break-even on our customer relationships in the medium-term.

The investment portfolio has the objective of maintaining the real value of the portfolio. Capital preservation, not growth, is paramount. Assets backing in-force business, as measured on a Solvency II Own Risk and Solvency Assessment (ORSA) basis, are held in UK Government stocks or cash. Assets in excess of the ORSA requirements are held in a diversified range of investments across different sectors and geographies. This investment strategy underpins the unquestionable financial stability of the business. As a general insurer it is necessary to recognise that our financial strength supports, but does not subsidise, the promises made to our current customers.

Review of 2022

Looking back at 2022, the year has been dominated by political and economic events, with Russia's invasion of Ukraine in February and two new UK Prime Ministers in the space of six weeks during the autumn months. Both of these events caused worldwide turmoil and had a significant impact on our investment markets, plus the knock-on effect of rising UK inflation. The first of these events caused a loss of investment return and market value which negatively impacted our results. A higher inflationary environment increased costs and consequently prices, which in the short-term negatively impacted our results. Strong competition in the employment market for skilled employees encourages employers to consider their benefit packages. This, linked with the current position of the NHS, means that private medical insurance, as an employee benefit, is now more widely sought after and has led to strong sales during the year.

Net premium income of £130.9m (2021: £118.1m) for the year reflects a full year of premium from our renewing customers, in addition to premium for a net increase of 14% for new lives on cover. There have been increases in numbers on cover in all areas of our business.

Claims costs have increased in the year in part as a result of a higher number of lives covered, whilst also reflecting the waiting lists of the NHS and people's ability to make appointments with their GP, dentist and therapist; this produced a claims ratio of 83.6% (2021: 82.1%). Our claims authorisation levels remained high at 97.7% (2021: 97.5%) of properly presented claims.

Overall operating and administrative expenses have increased from £29.3m to £34.9m. This can be attributed to an increase in new business acquisition costs and an increased headcount and variable costs to service our higher customer numbers; alongside this we incurred spend relating to the viability of carbon reduction initiatives, one of which is likely to come to fruition during 2023.

Global investment markets during 2022 were challenging. Russia's invasion of Ukraine triggered significant price rises in energy and food, and this coupled with ongoing supply chain issues led to the highest level of inflation in 40 years. Fears of recession put downwards pressure on stock market valuations and central banks responded to rising inflation by increasing interest rates which put downward pressure on bond valuations. This led to the unusual conditions of negative returns in both equity and fixed income for many investment portfolios. In early 2022 we reduced our equity exposure in recognition of the escalating tensions between Russia and Ukraine. This action, combined with our low-risk portfolio which already had a high allocation to government stock, resulted in a loss in the year of 4.4%. Whilst this was short of our target return of CPI, the primary objective of the portfolio is to preserve capital and in the context of the market conditions, this result was considered acceptable.

As noted above, events of 2022 have produced an insurance and investments loss in the year, but the business remains well capitalised with a Solvency Capital Requirement coverage ratio of 402% – unaudited (2021: 369% unaudited). The increase in coverage is primarily as a result of a decrease in equity risk charge. The total available capital is £162.4m – unaudited (2021: £183.6m - unaudited).

Strategic Report continued

Review of 2022 continued

Key performance indicators

Key performance indicators (KPIs) are reported to the Directors and Senior Managers each month as part of the regular management reporting and form an important element of the control environment. They indicate where actual experience is varying from plan and the prior year and, with our knowledge of our industry and market, help us to benchmark our performance.

An extract of the KPIs reported to the Board each month is as follows:

Premium receivable

£138.0m (2021: £120.9m)

Premium receivable.

Combined operating ratio

107.7% (2021: 104.7%)

Ratio of net insurance claims and operating and administrative expenses to net insurance and administration income.

Solvency II SCR coverage (unaudited)

4.0 (2021: 3.7)

Available regulatory capital divided by standard formula assessment.

Net investment return

-4.4% (2021: 2.0%)

Return as a percentage of financial assets.

Claims authorised

97.7% (2021: 97.5%)

Percentage of properly presented claims authorised.

Customer Numbers

370,038 (2021: 325,342)

Claims Ratio

83.6% (2021: 82.1%)

Ratio of net insurance claims to net insurance premium.

The Company takes the exemption available under s414CA(4)b Companies Act 2006, from including a non-financial information statement in the Strategic Report.

Future outlook

The areas with the most impact on the Company's future remain the UK economy and the healthcare market. The expectation is that customer numbers will continue to grow as more people see private healthcare as a necessity, rather than a luxury. This is likely to be paid for by employers wishing to retain their workforce. Improvements in NHS waiting lists and the ability to see NHS GPs, dentists or therapists are unlikely to have significant impact in the short and medium-term. As was the case during 2022, the private healthcare sector expanded their capacity to absorb some excess demand, and this is likely to continue.

Future outlook continued

The UK is currently experiencing high inflation levels. This can be seen from both a positive and negative angle. The costs of the business are increasing, most specifically employment costs, but this is partially offset by the increased return that Government instruments and corporate bonds can generate. Ultimately this will be balanced by ensuring that the product pricing is appropriate.

Overall, the Board is positive for the outlook for WPA and by remaining dedicated to our purpose of enabling our customers to access the best possible healthcare we are confident that the business will continue to be successful going forward.

Board of Directors

The members of the Board who served during the year and up to the date of signing are shown on pages 17 to 20.

Principal risks and uncertainties

The Group has an established risk management framework covering all material activities; this culminates in the ORSA which is reviewed by the Board on a regular basis. The following are considered to be the principal risks affecting the business and how management mitigates any adverse impact.

Insurance risk

Medical insurance is short-tail business and thus the ultimate claims outcome each year can be predicted with reasonable accuracy at the end of each accounting period. Adverse claims frequency or severity could result in short-term claims costs exceeding premium levels. Management regularly review underwriting ratios and take action as necessary to ensure that results within a financial year are aligned to the medium-term strategy of break-even across the insurance portfolio. In the current environment risk arises from longer NHS waiting lists which may result in greater utilisation in the private sector. Treatment costs are also impacted by inflation which gives rise to the risk that claims costs increase at a faster rate than can be passed on to policyholders. Policy terms and premium rates are reviewed regularly, particularly where performance deviates from expectations. Contracts with major hospital networks are negotiated annually and when our customers require complex medical treatment, we work with the healthcare providers to ensure that our policyholders obtain value for money. The financial strength of the business does not necessitate an extensive reinsurance arrangement.

Operational risk

The business is exposed to a variety of operational risks in respect of systems, premises and people, including the risk of cyber-attack. To the extent possible the Board has sought independent assurance over the robustness of the operational practices. Such assurances include Cyber Essentials Plus and independent certification by the British Standards Institute (BSI) to the following ISO accreditations: 9001:2015 Quality Management, 27001:2013 Information Security Management, 22301:2012 Business Continuity Management and 14001:2015 Environmental Management.

The Group administers bank accounts on behalf of our Corporate Deductible and Protocol customers, for the purpose of claims settlement. The customer retains the economic benefit of the balance of the bank accounts; therefore the balances of these bank accounts are not recognised on the Group's financial statements.

Strategic Report continued

Principal risks and uncertainties continued

We have well established and regularly tested business continuity plans that ensure we can continue to serve our customers in the face of adverse events. From 2021 this has evolved into a mix of both office and remote working. In addition, the Group has sole occupancy of a dedicated business continuity site which, coupled with a resilient IT platform, ensures continued operation in the event of an incident at the primary site in Taunton. The Group also complies with PRA and FCA rules on operational resilience.

Financial risks

Market risk: The Group's primary market risk is through its exposure to equity markets. From a solvency perspective the impact of market risk is eliminated through holding low risk investments, typically cash and UK Government stock which meet both solvency capital and short-term liquidity requirements. Equity risk is managed through the Investment Committee's careful selection of managed funds with a sound track record and appropriate passive exchange traded funds. There is regular monitoring of these investments. The equity portfolio is well diversified to protect against adverse market movements in any one segment. The Investment Committee is authorised by the Board to use derivative instruments solely to protect the value of the portfolio. By holding a range of instruments from very low risk government stock to higher risk equities, market risk is managed effectively.

Credit risk: The Group's primary credit risk is through cash deposited with banks and investments in corporate bonds. Credit risk also arises through exposure to policyholder debtors, which are subject to robust credit control procedures, further protected by our policy to hold claims payments until any customer arrears are settled. Credit risk is mitigated by limiting the exposure to any individual financial or corporate institution based on their credit rating and by diversifying investments across a number of counterparties.

Interest rate risk: The Group's investment policy is to typically hold debt instruments until maturity and thus eliminate volatility from asset valuations. The returns on cash instruments are dependent on interest rates. This is managed through holding instruments with a range of maturity dates to optimise returns.

Currency risk: The Group has exposure to worldwide currencies as a result of collective investment schemes with international holdings. The primary exposure is the impact of the US Dollar exchange rate on global equity holdings and US Dollar cash holdings. The Investment Committee has discretion to use derivative instruments to manage currency risk in the portfolio. The running costs of our wholly owned Indian subsidiary – WPA World Class Service (India) Private Ltd – create a secondary exposure to currency.

Liquidity risk: The Group monitors its working capital on a daily basis. The cash instruments held within the investment portfolio ensure that there are always sufficient funds available to meet all operational liquidity requirements.

Inflation risk

The Group is exposed to inflation risk through the investment portfolio, the economic value of which could be eroded by high inflation, and through the cost base which primarily consists of claims, technology and staff costs. We manage the inflation risk in the investment portfolio through careful supervision, which targets a return designed to maintain the real value of the portfolio. The cost base of the organisation is managed

Principal risks and uncertainties continued

through price increases, negotiation of contracts and optimisation of the business model to ensure we operate as efficiently as possible whilst continuing to provide excellent customer service.

Pension risk

The Pension Scheme has a fully implemented liability driven investment strategy. This has eliminated all market risk and immunised the Scheme against future deficits which result from inflation and interest rate movements, as the Gilts held by the Scheme are designed to match the expected outflows of the Scheme. The primary residual risk faced by the Scheme is longevity risk. The Board is actively considering the feasibility of buying out the defined benefit pension scheme.

Climate change risk

The financial risks from climate change arise from two primary risk factors, physical and transition. Physical risks are related to weather events and longer-term shifts in climate, whilst transition risks can arise from the process of changing to a low carbon economy.

Regarding 'physical risks' WPA is well protected. Being a UK based medical insurer we have limited exposure to natural perils such as severe weather events, associated with physical risks of climate change. Our products are also annually renewed and can be repriced as new risk factors emerge or change, should climate change influence our claims costs in the future we will be able to adjust our pricing accordingly.

We also face operational risks associated with extreme weather events which could result in staff resourcing difficulties or cause disruption to our offices. These risks are managed through home working capabilities and a dedicated back up premises.

As the world moves towards a greener economy, transition risks can occur and some sectors of the economy face big shifts in asset values or higher costs of doing business, possibly through taxation on emissions.

In terms of our business, we already offset our carbon emissions such that we are carbon neutral and we are ISO 14001 accredited, demonstrating our commitment to environmental management. We also have an ambitious plan to become net carbon zero. As well as being the right thing to do, becoming net carbon zero is an important business strategy, as it will encourage individuals and companies that are also environmentally focused to want to do business with us.

Transition risk will also impact the investment portfolio through the companies we invest in. WPA is well protected as we have a well-diversified investment portfolio with limited concentration risk, mitigating the risk that we have significant exposure to impacted sectors. We carefully monitor the portfolio for potential risks that arise from climate change to avoid significant unknown exposures.

Going concern

The Directors have carried out an evaluation of going concern, and concluded, that it is reasonable to expect the Company and its subsidiaries to remain in business for a period of at least twelve months from the date of signing the financial statements.

Strategic Report continued

Principal risks and uncertainties continued

The evaluation considered the strength of the Group's balance sheet, noting that the Group has demonstrable liquid resources of £143.3m (2021: £151.2m) in excess of liability requirements and that the regulatory solvency coverage stood at 402% – unaudited (2021: 369% – unaudited). As a not-for-profit organisation the expectation is to break-even over the medium-term on the insurance business, supported by investment returns, in line with our Board approved three year plan. This is corroborated through the stress, scenario and reverse stress testing as shown in the ORSA and the projected regulatory solvency coverage.

The Bank of England predicts that the general economic outlook will gradually improve over the next two to three years, with inflation and unemployment levels returning to those of the last decade and therefore a stable and positive future outlook for the business.

Events after the reporting period

The Directors confirm that there were no events after the reporting period that would affect the operations of the Group.

WPA and Section 172 of the Companies Act 2006

Section 172 of the Companies Act imposes upon directors a duty to promote the success of the Company. As a not-for-profit company with a heritage dating back to 1901, decisions taken by the Board have always considered long-term consequences in order to safeguard the Association's future.

The Board has adopted a revised Code of Corporate Governance, based on the Financial Reporting Council's 2018 code but adapted to reflect that WPA does not have shareholders. The code adopted identifies the Association's stakeholders and makes clear that they are to be taken into account when making decisions.

The Board's Approach

In the Schedule of Matters Reserved for the Board, there is a section dedicated to Corporate Governance which makes clear that the Directors should consider the balance of interests between customers, members, employees, the community and any other relevant stakeholder. The Schedule of Matters Reserved for the Board is reviewed annually.

The Chairman is responsible for co-ordinating the activities of the Non-Executive Directors; he does not control or manage them, thereby allowing them to be independent in their decision making. In turn, each Non-Executive Director, annually attests that they are aware of their duties under Section 172 and pay due regard to those duties when making decisions.

Stakeholders

As a private company, limited by guarantee, WPA does not have shareholders. WPA's main stakeholders are our customers, employees, suppliers and other business relationships, regulators and the wider community including our members.

The Association recognises the importance of all stakeholders in delivering its strategy and long-term business sustainability. Our customers are at the forefront of all that we do and a key factor in any decision taken by the Board.

On a monthly basis, the Board receives an update from the Customer Outcomes Meeting, attended by the Executive Team and Senior Management. The Customer Outcomes dashboard is an innovative tool which enables drill down to a granular level and contains key performance indicators such as: feedback received from customers by way of service satisfaction scores; compliments and complaints data; along with customer retention figures and departmental service standards. Our employees are trained to treat customers as they would wish to be treated themselves.

Our employees are the voice of WPA and provide our customers with excellent service at what is, very often, a difficult time for the customer. Our employee retention is excellent with average tenure of 10.3 years. We recognise that the strength of the Group is in the employees and by fostering closer teamwork we can continually improve the business. As undertaken in previous years, an external third party company was engaged to carry out a Group staff survey, the results of this recognise WPA as an outstanding place to work evidenced by a Net Promoter Score of 42. The staff surveys follow from the Board's commitment to employee engagement and, whilst employee experience is a key consideration for the Board, it is subject to the oversight of the Personnel Committee.

Our supplier and business relationships are forged on fairness and with a view to maintaining long-standing and equal relationships. In line with our customer philosophy we treat our suppliers as we would wish to be treated ourselves – our analysis shows we pay 82.8% (2021: 90%) of invoices within 30 days. This decrease from 2021 to 2022 is as a result of bedding in a new automated system for authorising supplier invoices. This is expected to increase to 2021 levels during 2023. The approval of any material business relationship is a matter reserved for the Board.

Key Decisions

The key business decisions in 2022 were determining the level at which premiums are increased to cover the increase in level of claims and costs. This will continue into 2023.

Other key decisions in the normal course of business relate to insurance, operational and financial issues as these are the key risks faced by the Company. In making any such decision, the Board and its Advisory Committees pay due regard to stakeholder interests and promoting the long-term success of the Company.

This report was approved for issue by the Board of Directors and signed on its behalf by:



Nathan Irwin *Chief Executive*

29 March 2023

Directors' Report

Directors' interests

At no time during the year did any of the Directors have a material interest in a significant contract with the Company or any of its subsidiaries. During the year the Company purchased third party indemnity management liability insurance on behalf of the Directors and Officers against any liability or breach of trust in relation to the Company and any of its subsidiaries. Details of related party transactions are shown in note 19.

Director independence is considered as part of the Corporate Governance on page 24.

Donations

During 2022 no political donations were made, or expenditure incurred.

Employees

The Company is fully committed to developing all employees to achieve its business objectives and is proud of providing a place of opportunity through its training and development programmes.

Employees at all levels are aware of the broad aims and objectives of the organisation and are provided with information on all matters concerning them. This is facilitated by the Employee Voice – this forum reports to the Personnel Committee, the Chairman of which is a Non-Executive Director who provides updates to the Board. The Board also receives the results of the Staff Survey. The Board views employees as stakeholders and considers employee interests when making decisions. For example, the recognition of employees' needs in terms of working from the offices or from home.

There is full involvement and communication of the Company's performance through Company meetings, monthly quality statistics and the partnership-for-excellence reward scheme. It has been beneficial to recommence Company meetings in person following the removal of Covid restrictions. The updates given cover a range of topics, including an update from the staff survey, health and wellbeing updates, and the financial and economic factors affecting the performance of the business.

The Company is an equal opportunities employer. As part of this policy the Company gives full and fair consideration to applications for employment made by disabled persons. Full regard is given to training, career development and promotion of disabled persons recruited into the Company or becoming disabled during their employment.

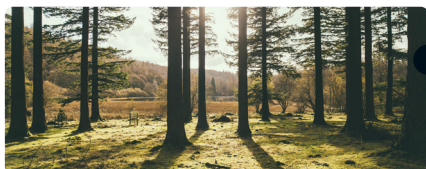
The Board is committed to supporting all staff in balancing their personal responsibilities with work commitments; accordingly, approximately 31% of the workforce have chosen to utilise part-time working and overall, 39% of the workforce have taken advantage of flexible hours arrangements.

Customers and Suppliers

Customers remained at the forefront of the Board's decision making, through consideration of insurance, operational and financial issues. The increase in claims and inflationary pressure experienced in 2022 has and will result in premium increases to return the insurance activities to a break-even position.

Our ethos of treating others as we would wish to be treated also extends to our suppliers. This can be measured in a practical sense by the high percentage of invoices we pay within 30 days, as noted in the Strategic Report.

Energy and Carbon Information



WPA recognises its responsibilities for the protection of the environment and the impact its activities may have on the environment. WPA is certified as a Carbon Zero company, through CO2balance's Gold Standard and Verified Carbon Standard carbon offset projects and has the ambitious environmental strategy of achieving NetZero by 2035.

WPA is also independently certified by the British Standards Institute to ISO14001, the Environmental Management Standard which provides a framework for setting the organisations environmental objectives and commitment to continual improvement. This includes a commitment to the prevention of pollution locally, regionally and globally.



During 2022, we met our environment objectives which included: maintaining electricity consumption to no more than the average of the previous three years, taking into account seasonal trends and the Covid-19 pandemic; reducing the usage of paper and waste production by at least 1% each year; and at least 50% of paper being purchased from responsible sources.

We are very fortunate with the location of our offices in that we have a good amount of outside space. We have utilised a section of the Office Grounds to plant a wildflower meadow. The wildflower meadow, provides shelter and food for important pollinators including bees, which are in decline in the UK. Wildflower meadows have the potential for a net removal of carbon dioxide from the atmosphere. Reduced mowing, fertilisation, pesticide and herbicide treatments of wildflower areas lower greenhouse emissions, air and water pollution associated with these practices.



During 2022, WPA consumed 674,262 kWh of electricity (2021: 565,297 kWh). This figure includes the regular recharging of electric and plug-in hybrid vehicles. Electric and hybrid (plug-in and non-plug-in) vehicles make up 73% of the WPA vehicle fleet; the total fleet has not increased during 2022. The annual energy consumed for 2022 from stationary or mobile activities, for which the business is responsible, involving the combustion of gas was: 469,141 kWh (2021: 467,836 kWh).

The 2022 annual emissions in tonnes of carbon dioxide equivalent (CO₂e) was 228.4 (2021: 222.6), made up of 84.4 tonnes of CO₂e for gas (2021: 85.7), 130.4 tonnes of CO₂e for electricity (2021: 120), and 13.6 tonnes of CO₂e for transport (2021: 16.9). The reported transport usage for 2022 has increased from the reported usage in 2021. For the calculation of its Intensity Ratio, as an insurer, WPA has adopted the tonnes of CO₂e per £ million of income ratio. For 2022, using the figures available this is: 1.8:£1m (2021: 1.79:£1m).

The carbon conversion methodology adopted is GHG Reporting Protocol – Corporate Standard and ISO 14001:2019. WPA is also audited by Abricon to Energy Savings Opportunity Scheme regulations and was last audited in November 2018.

Directors' Report continued

Statement of disclosure of information to the auditor

The Directors confirm, at the date of this report and so far as each of them is aware, that firstly, there is no information relevant to the audit of the Group's consolidated and Company's financial statements for the year ended 31 December 2022 of which the auditor is unaware; and secondly, they have taken all steps that ought to have been undertaken as part of the duties of a director to ensure awareness of any audit information and to establish that the Group's and Company's auditor is aware of that information. This confirmation is given and shall be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Independent auditor

Deloitte LLP is the current auditor and a resolution to reappoint Deloitte LLP as auditor for the 2023 year end will be proposed at the Annual General Meeting.

WPA, in accordance with the Companies Act 2006 (as amended), is required to tender the audit after ten years and rotate its audit firm after no more than twenty years. The 2022 audit will be the ten year point with Deloitte LLP. During 2022 we sought to carry out an audit tender for the 2023 year end which coincides with the transition to IFRS 17. A number of the audit firms were unwilling to take on a first year audit coinciding with a significant standard implementation, and we therefore approached the regulator for audit matters, the Financial Reporting Council, to request an extension of one year and this was granted. In Q4 2022 we ran a successful audit tender and propose to appoint PricewaterhouseCoopers LLP with effect from the 2024 year end. Accordingly PwC resigned as internal auditors with effect from 31 December 2022.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom adopted International accounting standard. The financial statements also comply with the International Financial Reporting Standards (IFRSs) as issued by the IASB. 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 Group and Company and of the profit or loss of the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- i. properly select and apply accounting policies;
- ii. present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- iii. provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- iv. make an assessment of the Company's ability to continue as a going concern.

Statement of Directors'
responsibilities continued

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

This report should be read in conjunction with the Strategic Report as a number of requirements, such as principal risks and uncertainties and the future outlook, are disclosed therein.

This report was approved for issue by the Board of Directors and signed on its behalf by:



Nathan Irwin *Chief Executive*

29 March 2023

Board of Directors and Principal Officers

Non-Executive Chairman



The Rt Hon The Earl of Cromer

Aged 76

Lord Cromer was appointed to the Board in 2004 and Chairman in 2009. He has had an extensive career as a businessman, mainly in the Far East, and has served on the boards of a considerable number of financial services companies both in the UK and overseas.

Non-Executive Deputy Chairman



Henry Kenyon FCA

Aged 72

Henry was appointed to the Board in October 2006 and Deputy Chairman in 2017. He has served on a number of boards including other insurance companies and was previously a partner of PricewaterhouseCoopers LLP (PwC) specialising in risk management, accounting and advisory work mainly within the financial services sector.

Independent Non-Executive



John Pugh FCA *Senior Non-Executive*

Aged 72

John was appointed to the Board as a Non-Executive Director in 2015, having previously been employed as Finance Director from 2004 until his retirement in 2013. Prior to 2004, he had spent the previous nineteen years as a finance director in a range of industries, including seven in investment management.



Andrew Chapman ACII

Aged 64

Andy was appointed to the Board in April 2022 having previously been the Chief Executive of The Exeter for the previous 16 year prior to his retirement in 2021. Andy is a Chartered Insurer and former chair of the Association of Financial Mutuals, the trade body that represents the mutuals sector, and former panel member of the Financial Conduct Authority's Smaller Practitioner Panel. Andy also is chair of the board of trustees of the Northbrook Community Trust.



John Chester MS FRCS FRCP

Aged 67

John was appointed to the Board in 2010. He stepped down from the position of WPA's Chief Medical Officer in March 2020 but remains on the Board as the Non-Executive Director with responsibility for oversight of medical governance. John has been a Consultant General and Vascular Surgeon to the Taunton and Somerset NHS Trust for 28 years, and during that time has served as Clinical Director of Surgery, Somerset Academy Medical Dean and Chairman of the Court of Examiners of the Royal College of Surgeons of England.

Independent Non-Executive continued



Jasper Gill *FRCS MBA Chief Medical Officer*

Aged 49

Jasper was appointed to the Board in February 2019 as a Non-Executive Director, becoming WPA's Chief Medical Officer in March 2020. He is a Consultant Surgeon who has held a number of senior medical management posts in the NHS, latterly as Associate Medical Director for Surgery, Anaesthesia, Theatres and Critical Care.



Rosalind Johnson *MA*

Aged 72

Rosalind was appointed to the Board in 2020 as a Non-Executive Director having previously been employed as WPA's Legal Director and Company Secretary from 1990 until her retirement in 2014. A qualified solicitor and mediator, Rosalind has over 30 years of legal experience.



Robert Lee *MA FIA*

Aged 65

Rob was appointed to the Board in 2009 and Chairman of the Risk Committee in 2014. He was previously a director at AXA Life and currently serves on Actuarial Committees both in the UK and overseas.



Anne Obey *OBE FCA*

Aged 60

Anne was appointed to the Board in October 2020. Until December 2022, Anne was Director of Financial Reporting at the Nationwide Building Society, and is a qualified chartered accountant with extensive experience in governance, risk management and control as well as internal and external reporting. In 2019, Anne received an OBE for her services to financial reporting and sustainable energy. Anne chairs the Board of Trustees for the Centre for Sustainable Energy and is a governor of Coventry University.

Chief Executive



Nathan Irwin *FCA*

Aged 43

Nathan was appointed as Chief Executive in August 2019, having previously served as the Association's Chief Financial Officer for six years. Nathan was previously a director at PwC, specialising in financial services.

Executive Directors



Rod Bramston *BSc (Hons) MBA Retail and Commercial*

Aged 60

With over 20 years' experience at WPA, Rod leads the retail and commercial SME sectors. Previously, Rod was a marketing director at GE Capital, having earlier gained extensive international marketing experience with Procter & Gamble's Pharmaceutical Division in Australia, USA, Benelux and the UK.

Board of Directors and Principal Officers continued

Executive Directors continued



Brian Goodman BSc (Hons) Corporate

Aged 60

Brian has over 30 years of experience across a range of functions within WPA and is also Chief Executive of the Group’s specialist healthcare administrator WPA Protocol Plc. Brian was a quantity surveyor in the construction industry prior to joining WPA.



Mark Southern Sales and Marketing Director

Aged 45

Mark joined WPA in 2008 and has held a number of roles across the business. He is currently the Sales and Marketing Director with responsibility for distribution across WPA. He is also the Chief Executive of the Group’s health insurance intermediary, WPA Healthcare Practice Plc. Prior to joining WPA, Mark was a Royal Marines Commando Officer.

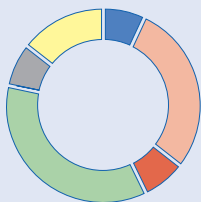


Peter Venables FCA Chief Risk Officer

Aged 40

Pete joined the Board as Chief Risk Officer in March 2020. Prior to joining WPA, Pete was a director at PwC, where he spent 14 years specialising in financial services within the UK and in Hong Kong. During this time, he gained extensive experience across insurance, banking and asset management.

Board Skills



- Actuarial
- Insurance
- Investment
- Financial Risk and Accountancy
- Legal
- Medical

Board Changes

There were no other changes to the composition of the Board during 2022.

Director and Principal Officer Position Changes

Andy Chapman has been appointed as an independent Non-Executive Director.

Andrew Haworth resigned from the Board on 16 December 2022.

Nicola Royle resigned from the position of Company Secretary on 22 March 2023.

Kimberley Bell was appointed as Company Secretary on 29 March 2023.

In accordance with its Articles of Association, WPA maintains a greater number of Non-Executive than Executive Directors.

Executive Officers



Donna Eavis *FCMA* *Chief Actuary and Chief Finance Officer*

Aged 53

Donna has been with WPA for over 20 years, firstly as the Finance Manager, then Head of Finance and more recently Chief Finance Officer. Prior to WPA, Donna worked in a number of finance roles around the UK including Debenhams, the University of Surrey and the Robert Gordon University.



James Searle *Chief Operating Officer*

Aged 46

Jim has been at WPA for 6 years, first as Chief Information Officer and then, for the last 2 years, as Chief Operating Officer. Previously, Jim was a partner at the consultancy company Control Risks and, before that, an officer in the Army.

Company Secretary



Kimberley Bell *LLB (Hons)*

Aged 37

Kimberley joined WPA in 2016 and was appointed as Company Secretary on 29 March 2023. Kimberley qualified as a solicitor in 2010.

Directors and Officers of subsidiaries not listed above

Theresa Attree *Cert CII*

Jenna Bishop *Cert CII*

Neville Kavarana *MBA*

Russell Moore

Denize Spierenburg *Cert CII*

Katy Trowell *Cert CII*

Ellis Turley *Cert CII*

Chief Actuary

Donna Eavis *FCMA*

Statutory Auditor

Deloitte LLP

Bankers

National Westminster Bank Plc

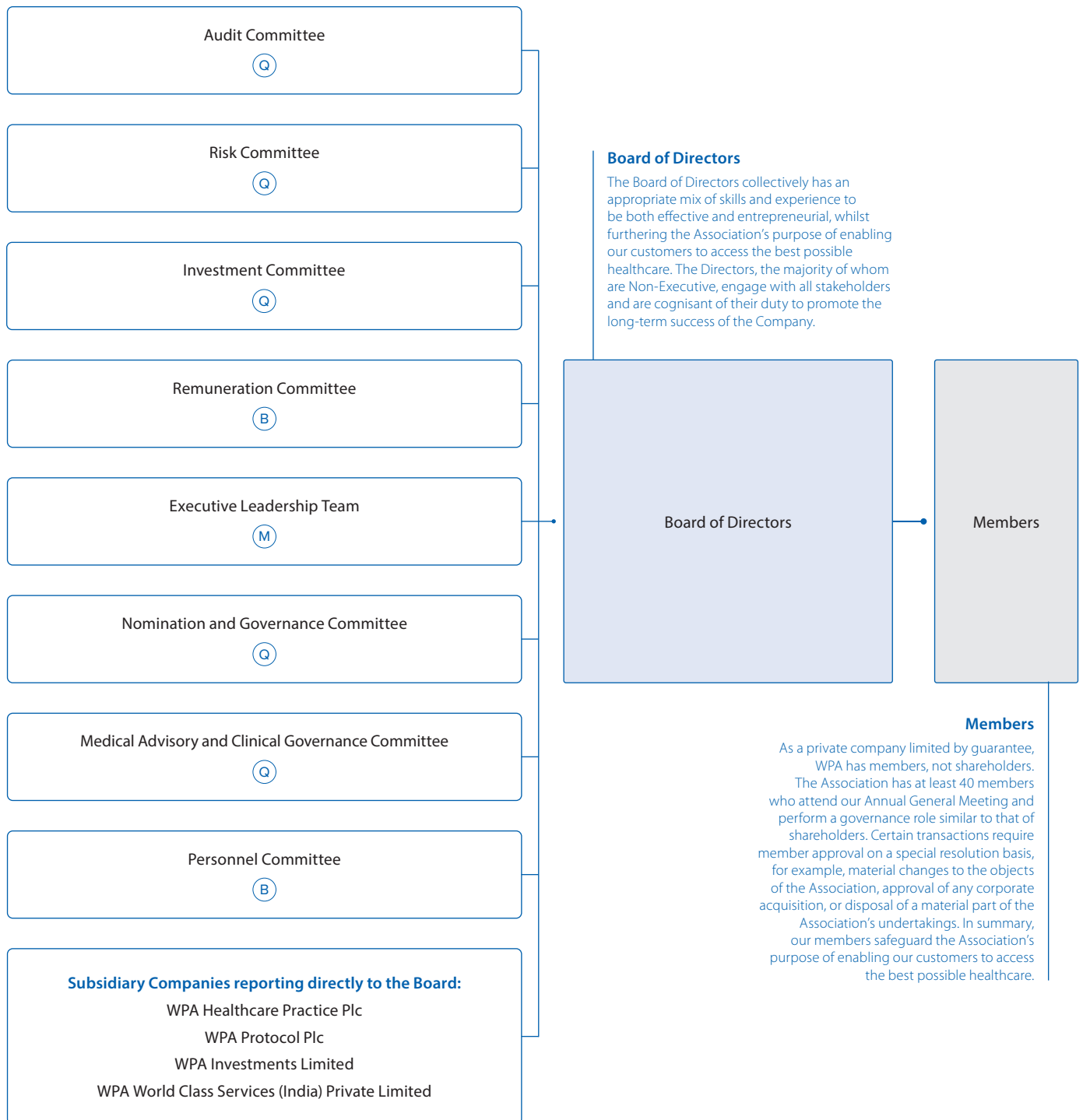
Committee Members

For Committee composition, please see the relevant Committee within the Corporate Governance section from page 24 onwards.

Board of Directors Attendance Register 2022

	Board excluding AGM	Audit	Risk	Remuneration	Nomination and Governance
Executive					
Nathan Irwin	7 of 7	–	–	3 of 3	3 of 3
Rod Bramston	7 of 7	–	–	–	–
Andrew Haworth (resigned 16 December 2022)	6 of 7	–	–	–	–
Brian Goodman	7 of 7	–	–	–	–
Mark Southern	7 of 7	–	–	–	–
Peter Venables	7 of 7	–	–	–	–
Non-Executive					
Lord Cromer	6 of 7	–	–	3 of 3	3 of 3
Andy Chapman (appointed 20 April 2022)	5 of 5	–	–	–	–
John Chester	7 of 7	–	–	–	–
Jasper Gill	6 of 7	–	–	3 of 3	3 of 3
Rosalind Johnson	6 of 7	–	3 of 3	–	–
Henry Kenyon	7 of 7	–	–	3 of 3	3 of 3
Rob Lee	7 of 7	6 of 6	3 of 3	–	–
Anne Obey	7 of 7	6 of 6	3 of 3	–	–
John Pugh	7 of 7	6 of 6	3 of 3	3 of 3	3 of 3

System of Governance



Board of Directors

The Board of Directors collectively has an appropriate mix of skills and experience to be both effective and entrepreneurial, whilst furthering the Association's purpose of enabling our customers to access the best possible healthcare. The Directors, the majority of whom are Non-Executive, engage with all stakeholders and are cognisant of their duty to promote the long-term success of the Company.

Members

As a private company limited by guarantee, WPA has members, not shareholders. The Association has at least 40 members who attend our Annual General Meeting and perform a governance role similar to that of shareholders. Certain transactions require member approval on a special resolution basis, for example, material changes to the objects of the Association, approval of any corporate acquisition, or disposal of a material part of the Association's undertakings. In summary, our members safeguard the Association's purpose of enabling our customers to access the best possible healthcare.

- (A) = Annual meetings
- (M) = Monthly meetings
- (Q) = Quarterly meetings
- (B) = Biannual meetings

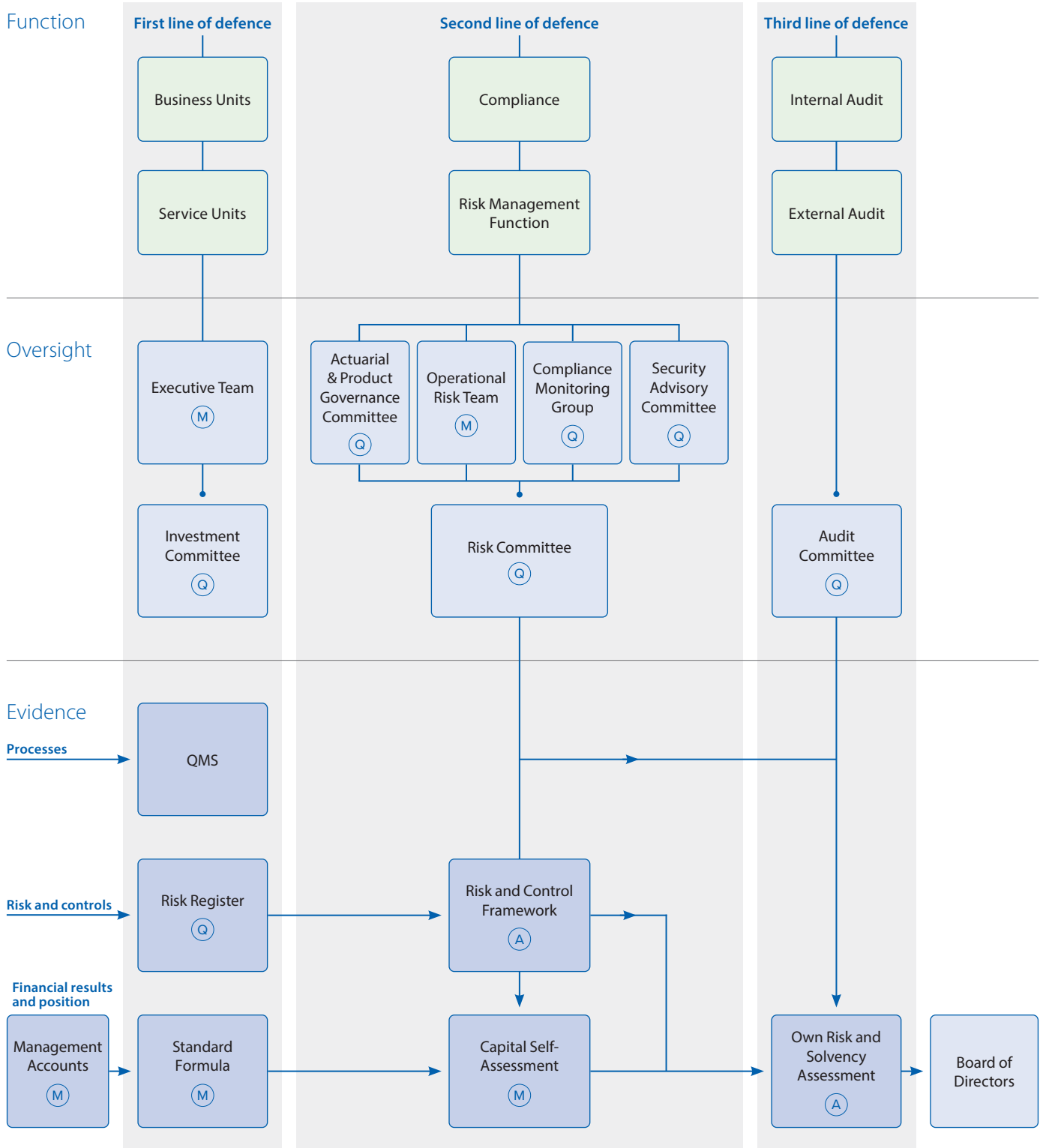
Whistleblowing

The Whistleblowing Policy and Procedure, along with the Anti-Corruption and Bribery Policy are matters formally reserved for the Board and are reviewed annually. Thereafter, the policies are circulated to all staff with a reminder about how to raise concerns.

There were no instances of anyone blowing the whistle during 2022.

System of Governance continued

The system of governance is designed to enable the Board to lead with three lines of defence, evidence and oversight of functions.



□ = Function | □ = Committee | □ = Documents

Corporate Governance

The Board, comprising Executive and Non-Executive Directors, has responsibility for the overall leadership and direction of WPA including determining the strategic direction of the Group to include values and culture. Collectively, the Board is responsible for the Group's system of corporate governance. The Association recognises that good and effective corporate governance is key to the long-term success of the Association. We consider the FRC's UK Corporate Governance Code 2018 a good starting point, however, as a private company limited by guarantee, without shareholders, not all of the provisions and principles apply. Accordingly, the Association adopts and complies with its adapted Code of Corporate Governance, which mirrors the FRC's 2018 Code in so far as it applies.

The Independent Non-Executive Directors are greater in number than the Executive and, with their particularly wide experience, their role is to bring independent judgement to the Board. Annually, the Nomination and Governance Committee, chaired by the Chairman of the Board, considers independence. Each of the Non-Executive Directors are reviewed against the seven independence criteria at provision 10 of the FRC's Code. The following explanations are provided:

- For Non-Executive Directors who were previously employees of the Association either:
 - the requisite period of time elapsed before their appointment to the Board as a Non-Executive; or
 - the Board considered that given the short-term nature of WPA's insurance contracts sufficient time had elapsed for them to be considered independent.
- For those Non-Executive Directors that are members of the defined benefits pension Scheme, it had been fully funded using a liability driven investment strategy and thus does not present a material conflict of interest between the Scheme and WPA. This potential conflict is acknowledged, and should a Pension Scheme matter arise two Non-Executive Directors will absent themselves from discussions. This is documented each year as part of their signed independence declaration.
- Each Director is required annually to declare any other interests. These are disclosed to the Board and approved only when it accepts there are appropriate safeguards to mitigate any potential conflict.
- Although tenure is an important independence consideration, the Board considers the preservation of the Association's values and culture along with an individual's personal integrity to be of paramount importance. These attributes, along with continued demonstration of effective challenge both inside and outside meetings, demonstrate independence.

With the above explanations accepted, the Board considers all of the Non-Executive Directors to be independent.

The structure and composition of the Board is kept under review and the Board, with input from the Nomination and Governance Committee which monitors the Association's succession plan, considers the identification and nomination of new Directors and the continuation of existing Directors in office.

A meeting of the Independent Non-Executives, both with and without the Chairman, is held annually. The Independent Non-Executive Directors have access to any information they require and, as part of their role, regularly spend time engaging with staff in all parts of the business including the observation of the Group's management committees.

Corporate Governance continued

The Board is aware of its stakeholders and engages with them, taking into consideration, when appropriate, their views when making decisions. As highlighted, in addition to its Code of Corporate Governance, the Board has a Schedule of Matters specifically reserved to it, which can only be amended by the Board itself and which is reviewed annually. The Statement of Principles (Terms of Reference) for each of the Board's Advisory Committees ensure that reserved matters are correctly referred to the Board for decision.

There is a formal procedure for the Board's Advisory Committees and each Director to obtain independent professional advice at the Company's expense, should this be necessary in the exercise or furtherance of their duties.

The Company is regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) as a general insurer. The Board and Senior Management are regularly briefed on existing and proposed regulation. The Company routinely monitors its compliance with regulatory requirements at all levels and reports the findings formally to the Audit and Risk Committees. Both the Audit and Risk Committees each give due consideration to all relevant laws and regulations, along with the provisions of the FCA and PRA and any other applicable rules, as appropriate.

Further, and amongst its other duties, the Risk Committee is responsible for supporting the Board through an oversight role in ensuring that: the WPA Group remains compliant with relevant legislation and regulation; and the insurance activities do not expose the WPA Group to significant adverse financial results. The Audit Committee complements this by holding responsibility for reviewing the systems in place to ensure the Group's compliance with the regulatory reporting requirements of the FCA and PRA. Each of these Committees in turn report to the Board.

Governance Framework

The Board reviews the Group's strategic plans and objectives at least annually and approves budgets and plans in light of these. The Board, following challenge and review by the Risk Committee, formally approves the risk appetite statements and related policies and the assessment of risk and appropriate controls. There are detailed financial control procedures, applicable across the business; the Board receives regular reports on financial and operational matters. These include monthly ORSA snapshots, Customer Outcomes information and reports on financial performance both against the approved business plan and by comparison with the previous year and reporting on investment performance, liquidity and solvency.

The Board has always received a mixture of written and verbal updates. During 2022:

- The Board recommenced in-person meetings from March once the Covid restrictions concluded. The Board will retain the flexibility to meet virtually when required as permitted under the Association's Articles of Association.
- Board papers continued to contain written updates, both from Advisory Committee Chairs and the Executive, to ensure that the Board's time can be effectively used and that the Non-Executive Directors can adequately challenge the Executive.

Governance Framework continued

The Board Advisory Committees are set out on page 22. They each have a written Statement of Principles (Terms of Reference), which clearly define authorities and responsibilities.

The minutes of all the Board Advisory Committees are placed on the Agenda of the Board. Committee remit and membership are kept under review by the Nomination and Governance Committee at least annually. As appropriate, the Committees comprise members who are not directors, where they bring a particular expertise.

Board Effectiveness Review

The last Board Effectiveness review, commissioned by the Nomination and Governance Committee, was reported to the Board in 2020. There were a small number of minor findings, all of which have been addressed and closed.

The Board is in the process of conducting an internal effectiveness review in early 2023.

Audit Committee

John Pugh *FCA Chairman*

Robert Lee *MA FIA*

Anne Obey *OBE FCA*

The Committee meets the requirement that at least one member of the Committee has recent and relevant financial experience and the Committee as a whole has competence relevant to the sector in which the Association operates.

The Audit Committee meets at least four times annually and comprises Independent Non-Executive Directors. Senior and Executive Management attend the Audit Committee meetings by invitation. The Chief Executive, Chief Finance Officer, Chief Risk Officer, Head of Internal Audit and a representative of the external auditor normally attend meetings.

The members of the Committee meet regularly with and without Senior and Executive Management and the internal and the external auditors. The Committee members ensure an independent and professional relationship is maintained with the auditors.

The Audit Committee's remit extends across the WPA Group and has oversight of Senior and Executive Management, internal audit and external audit along with any other assurance providers.

The Committee undertook an internal effectiveness review during the year. This concluded that the Committee is effective, and the small number of minor recommendations have been actioned or noted.

Work of the Audit Committee

The Audit Committee monitors the integrity of the financial statements and reviews any significant financial reporting judgements contained in them. In accordance with the formal Schedule of Matters Reserved for the Board, the Committee provides advice regarding the Annual Report and Accounts and the Solvency and Financial Condition Report (SFCR). The Committee has oversight of the SFCR before it is approved by the Board. The 2024 SFCR will be audited by PricewaterhouseCoopers LLP. The SFCR is published on the WPA website.

Corporate Governance continued

Audit Committee continued

The Audit Committee reviews the annual financial statements before submission to the Board to be satisfied that there are no significant unsettled issues between Management and the external auditor which would affect the truth and fairness of the statements, focusing particularly on:

- Critical accounting policies and practices, and any changes in them;
- Major judgemental areas;
- Clarity of disclosures;
- Significant adjustments resulting from the audit;
- Going concern assumption; and
- Compliance with accounting standards and other legal requirements.

The claims reserve is the most significant estimate in the financial statements. It provides for the ultimate cost of settling all claims incurred in the year which are not settled at the balance sheet date. The significance of the estimate means that it comes under close scrutiny by the Audit Committee at the time of reviewing the accounts, with the retrospective accuracy of the reserve subsequently discussed at points throughout the year.

In addition to the work outlined above, the Audit Committee reviewed and considered the valuation of illiquid investments held by the Association and the methodology for revenue recognition. The Committee are satisfied that the investment valuation method adopted by Management is appropriate.

Internal Audit

The Audit Committee monitors and reviews the internal audit function for the WPA Group. The internal audit function was outsourced to PwC until 31 December 2022, with an in-house function established in 2023.

Internal audit makes up part of the internal controls of the Association. The Committee reviews and approves the internal audit programme and subsequent reports to ensure that the function is independent, adequately resourced and has appropriate standing within the WPA Group.

For 2022, internal audits covered claims, personnel & payroll, distribution activities and regulation compliance. There were no pervasive issues identified in any of the reports.

The Committee is satisfied that the internal audit work undertaken by PwC made a positive contribution towards ensuring that the WPA Group has appropriate controls, governance and risk management processes in place. The objective findings and recommendations help to maintain the high business practice standards of the WPA Group.

External Audit

The Committee assists the Board in ensuring that the external audit is conducted in a thorough, objective and cost-effective manner. The Committee annually assesses the effectiveness of the audit process and the external auditor's independence and objectivity taking into account relevant law, regulation, the ethical standard and any other professional requirements. The nature and extent of any proposed non-audit work to be carried out by the external auditors requires the Committee's approval. Should the Committee authorise any non-audit services it would first have to satisfy itself that the proposed services do not impair the external auditor's objectivity or independence.

Audit Committee continued

The external audit was tendered during the year, with a view to changing auditor for the 2024 year end. The Company sought approval from the Financial Reporting Council to extend the tenure of the current audit firm, Deloitte from 10 to 11 years to ensure an effective selection process and to enable a less disruptive transition to the new insurance accounting standards IFRS 17 – Insurance contracts. A number of auditors were approached and PwC was selected to commence as external auditor from 1 January 2024.

During 2022, the only non-audit service undertaken by the external auditor was the assurance obtained on the Group's International Standard on Assurance Engagements report.

The Committee reviews the appointment and fees of the external auditor each year and confirmed that they do still continue to represent value for money. In conducting this review, audit quality was the Committee's primary concern and we do not have any concerns with the quality of the audit performed by Deloitte LLP. The Committee has recommended to the Board that a resolution be put before the members of the Association in a General Meeting to consider the re-appointment of Deloitte LLP as statutory auditor. The Committee holds a formal private meeting at least once a year with the internal and external auditors.

In summary, for 2022 the Committee recommended, and the Board was satisfied that both the internal and external auditors were effective.

Risk Committee

Robert Lee *MA FIA* *Chairman*

John Pugh *FCA*

Anne Obey *OBE FCA*

Rosalind Johnson *MA*

The Risk Committee meets at least four times annually and comprises Independent Non-Executive Directors; due to the availability of key personnel, the December meeting was held in January 2023. Senior and Executive Management attend Committee meetings by invitation. The Risk Committee is to meet at least annually in private session with the Chief Risk Officer, and separately with the Actuarial Function Holder and Head of Compliance.

The Risk Committee acts as a steward of the Risk Management Framework for the WPA Group and provides objective oversight of the risk management process with regard to risk identification, assessment, appetite, strategy and management. The Risk Committee has oversight of Senior and Executive Management and receives reports from the Compliance Monitoring Group, the Distribution Monitoring Group, the Operational Risk Team, the Security Advisory Committee and the Actuarial Committee.

The Risk Committee supports the Board in ensuring WPA remains compliant with relevant legislation, advises the Board on the appropriateness of the ORSA, the Risk Appetite Statements and the Regular Supervisory Report and promotes a risk awareness culture throughout the WPA Group. The Committee receives assurance from a variety of sources provided by both dedicated WPA staff and professional third-party organisations. The Board retains overall responsibility for internal control and the identification and management of business risk.

Corporate Governance continued

Risk Committee continued

Work of the Risk Committee

The Risk Committee is apprised of, and considers, strategic and emerging risks, for example the impact of any government or regulatory changes and has processes in place to assess and adapt to any such change. Where appropriate, the Committee will also hold specific deep dive sessions to allow for further discussion and review of the key risk areas or documentation.

Cyber security remains a key risk faced by all businesses and WPA is no exception. The Group has a dedicated Security Advisory Committee, an Executive Committee which reports to the Risk Committee on a regular basis. The Security Advisory Committee have external advisors to provide assistance to the Non-Executive Directors and provide independent challenge to the business. The Board is apprised of cyber security risks and continues to monitor and adapt to the threat presented by this ever-changing area.

There have been no ORSA trigger events during 2022. The ORSA was reported to the Committee and Board in March.

In line with the PRA's aim to ensure that operational resilience is a pillar of prudential supervision of equal importance to financial resilience, the Committee has ensured that operation resilience is a focus for the business and the Board. The Group's adherence to the ISO Standard on Business Continuity and its accreditation (certified by the British Standards Institute (BSI)) brings an effective discipline for planning for potentially disruptive events.

For 2022, the Risk Committee reported to the Board that it is has been satisfied that the risk management processes of the WPA Group continue to operate effectively.

Risk Management

The Board and Senior Management are responsible for the identification and evaluation of key risks applicable to the Group, whether from internal or external sources.

The assessment of risk is kept under regular review by the Risk Committee and includes strategic and corporate issues, insurance, operations, financial (including market, climate related, credit and liquidity), pensions and other risks related to the achievement of the Group's business objectives.

The implementation and management of the internal control and risk management programme has been delegated to the Chief Risk Officer. Control policies and procedures are clearly set out in the Group's Risk Management Framework which captures the risks faced by the business together with the related risk appetite, mitigating controls and the monitoring procedures that provide regular oversight and review. The Risk Management Framework reviews are captured in the ORSA and reported on a regular basis to the Board.

The Board is satisfied that the system of internal control and risk management is appropriate for the Group's needs.

Investment Committee

Peter Venables FCA *Chairman*
Nathan Irwin FCA
The Rt Hon The Earl of Cromer
Donna Eavis FCMA
Henry Kenyon FCA

The Investment Committee operates under a specific mandate from the Board, which includes clear guidelines based on the objectives of the Group and emphasis is placed on communicating these to all appointed investment managers. The overriding aim of the investment strategy is to comfortably maintain the Group's capital to meet regulatory requirements, and secondarily to preserve the real value of the portfolio.

Materiality for the Group is defined at just over £1 million and the Schedule of Matters Reserved for the Board, together with the Committee's Statement of Principles, provide an effective authority and reporting framework for the Committee.

Medical Advisory and Clinical Governance Committee

Jasper Gill FRCS MBA *Chairman and Chief Medical Officer*
Philip Barclay FRCA
John Chester FRCP FRCS
Alan Dunkley FRCS
Stephen Falk FRCR
Lee Lim DFFP
Indy Sian FRCOphth Cert LRS
Baljit Singh MA DPhil FRCS
Olivia Whiteside FRCS

The Medical Advisory and Clinical Governance Committee provides advice to the Board and to Senior Management on any medical matters related to private medical insurance. It advises on developments in medicine and medical treatments, on appropriate levels of benefit and related professional fees, on specialists' recognition and clinical governance in private practice and on rules applied to medical matters in the Group's insurance and administration contracts.

The Chief Medical Officer as Committee Chairman reports to the Board on a quarterly basis and provides his opinion on whether the business has continued to operate in a fair and ethical manner.

Corporate Governance continued

Nomination and Governance Committee

The Rt Hon The Earl of Cromer *Chairman*

Jasper Gill *FRCS MBA*

Nathan Irwin *FCA*

Henry Kenyon *FCA*

John Pugh *FCA*

Responsibility

The Nomination and Governance Committee leads the process for appointments to:

- The Board;
- Board Advisory Committees;
- Positions captured under the Senior Managers and Certification Regime; and
- Subsidiaries within the WPA Group including:
 - WPA Healthcare Practice Plc; and
 - WPA Protocol Plc.

During 2022, the Committee met on four occasions.

Members

As WPA has no share capital or shareholders, overarching governance is provided by members, each of whom has an individual liability limited to £100. In accordance with the Articles of Association the appointment of members is a matter for the Board upon the recommendation of the Nomination and Governance Committee and subject to final ratification by the members in a General Meeting. The Committee keeps member composition under review, using a criterion approach to future appointments.

During the year one member stood down and two members passed away. The Company recognises, with thanks, the years of attendance they have given. At the General Meeting, which was held with members in attendance by way of proxy through the Chairman, eleven members were re-appointed in accordance with the retirement provisions of the Articles of Association, and three additional members were appointed. There is a requirement for a minimum number of 40 members and with the changes in composition throughout 2022, the current number is 48.

Board Composition

In addition to appointments, the Committee is responsible for maintaining an orderly succession plan. Succession, for both Executive and Non-Executive appointments, is kept under review by the Committee. The Committee has an established Board Diversity and Inclusion Policy and takes this into account when considering appointments and dealing with succession. The Board Diversity and Inclusion Policy, reviewed annually, is published on the WPA website. In summary, skills, experience and knowledge are the principal factors taken into consideration to ensure that the purpose of the Company is preserved and furthered.

Appointments and Retirements

All the Directors listed on pages 17 to 20 served as Board members throughout 2022, with the exception of Andy Chapman who was appointed on 20 April 2022 and Andrew Haworth who resigned on 16 December 2022.

Board Advisory Committees

It is within the remit of the Committee to make recommendations regarding the composition of the Board's Advisory Committees. It does this with reference to the succession plan to ensure the appropriate skill and experience are present and demonstrated by each Committee. During 2022:

- A further three advisors joined the Medical Advisory and Clinical Governance Committee, to bolster the skills, knowledge and experience on medical matters.

These appointments were made in accordance with the succession plan.

Subsidiary Governance

The Committee has oversight of all subsidiaries within the WPA Group. Details of changes in subsidiary directors are captured in the subsidiary annual report and accounts.

Gender Balance

As at 31 December 2022 there were 350 employees: 68% female and 32% male. Of the top decile, by pay, of the business, comprising Executive Directors, including the Executive Team and Senior Managers, 47% are female and 53% male. A large proportion of direct reports to Senior Management are female and are considered within the succession plan to ensure a diverse pipeline.

WPA produces and publishes, on the WPA website, a Gender Pay Report annually in accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. WPA acknowledges that there is a gender pay gap, the primary reason being the effect of the Executive Directors of the Board currently being male.

WPA supports all individuals equally and is committed to developing a diverse and supportive work environment, where our employees can grow and develop to their full potential.

Other Governance Matters

The Board reviewed and approved the schedule of formal matters for its approval and the Statements of Principles and Terms of Reference for the Board and its sub-committees. The Statement of Principles have, in so far as is permitted by a company without shareholders, been closely aligned to the FRC's 2018 Code of Corporate Governance. The corporate governance section of the WPA website gives disclosure of WPA's culture, value, senior people and governance arrangements.

During the year the Nominations and Governance Committee discussed the succession plan for future non-executive directors and identified two future potential candidates.

The composition of the Medical Advisory and Clinical Governance Committee (MACGC) was enhanced with greater coverage of specialisms and geographies considered important. The MACGC are delighted to welcome three new members covering vascular, colorectal and ophthalmology.

Looking Forward

The Board expects to make new appointments in line with its succession plan over the coming year. The appointment of new candidates is planned in advance of directors retiring to allow adequate opportunity for handover and induction.

Corporate Governance continued

Remuneration Committee

Henry Kenyon *FCA Chairman*
The Rt Hon The Earl of Cromer
Jasper Gill *FRCS MBA*
John Pugh *FCA*

The Remuneration Committee's primary objective is to support and promote the culture, strategy and long-term success of WPA. The Remuneration Committee has delegated responsibility for determining the remuneration policy for:

- The Board – Executive Directors;
- Senior Management Positions including the Executive Team; and
- Subsidiaries within the WPA Group including:
 - WPA Healthcare Practice Plc; and
 - WPA Protocol Plc.

The Committee is comprised of Non-Executive Directors considered to be independent. The Chairman of the Board, who was considered independent upon appointment, is a member but is not Chairman of the Committee. The Committee is chaired by Mr Henry Kenyon, who served on the Remuneration Committee for more than 12 months before his appointment.

During 2022, the Committee met on three occasions.

The Committee undertook a review of the salaries and fees payable to Executive and Non-Executive Directors and made changes where appropriate.

Remuneration Policy

The Committee has established a Remuneration Policy and has delegated responsibility for setting the remuneration of Executive Directors and the Chair of the Board. Workforce remuneration is reviewed by the Committee along with the alignment of incentives and rewards with culture.

These factors are taken into consideration when setting the Executive Director Remuneration Policy.

The Committee reviews the Policy for the remuneration of Non-Executive Directors but does not set the remuneration or any element of the remuneration package of Non-Executive Directors. Non-Executive Director remuneration is approved by the Executive Directors, subject to final ratification of the members in a General Meeting.

The Committee ensures that no individual is involved in setting their own remuneration.

Executive Director and Senior Management Remuneration

The remuneration of Executive Directors is comprised of:

- Base salary – the core element of remuneration set to attract, fairly reward and retain Executive Directors and is reflective of their role and contribution.
- Short-term Incentive Plan – a plan designed to reward the successful delivery of the Company's strategy and major projects, based on a number of factors including customer satisfaction, risk management, quality metrics and financial results. Payments are based on performance and are always proportional and aligned to culture.

Remuneration Committee continued

- Long-term Incentive Plan – a plan making payments of a percentage of salary dependent upon the performance of the business over a four year period to recognise the long-term success of the Company including metrics around culture, ethos, reputation and financial stability.
- Pension contributions are set as a percentage of base salary.

The remuneration of Senior Management mirrors that of Executive Directors. In accordance with WPA's not-for-profit status, culture and ethos, bonus and incentive schemes are proportionate to base salary.

Recognising Excellence

The Remuneration Committee is committed to ensuring that excellence is recognised and that superior performance is rewarded by appropriate measures to avoid formulaic outcomes. Short-term incentives are reviewed regularly to ensure that the basis, targets and payments are fair, balanced and serve the needs of WPA.

Long-term Performance

The Remuneration Committee acts as the steward of the long-term incentive plan on behalf of the Board, including the making of any notional allocations and authorising the release of any payments at the end of the given allocation period as specified in the plan rules. The plan and its continuation are approved by the Board.

Employee Remuneration

Employees' base salary comprises the same elements as those for Executive Directors, albeit reflective of the role performed. The base salary was reviewed during 2022. A £1,000 increase was applied to all employees in March 2022 and 5% rise for non-directors on the first £50,000 of earnings in October 2022. This ensured that those on the lowest income received a pay rise commensurate with the cost of living and those earning a higher salary received a fair increase recognising the UK inflation position. All employees of WPA can qualify for a Partnership for Excellence Scheme which is a percentage of base salary paid at the end of the year set with regard to the performance of the Company.

Non-Executive Director Remuneration

The remuneration of Non-Executive Directors is set and approved by the Board (Non-Executive Directors abstaining) upon the recommendation of the Committee and is then subject to final ratification by the members of WPA in General Meeting. As WPA is a private company limited by guarantee, the members of WPA are not remunerated but they have a limited nominal liability. Non-Executive Director remuneration reflects the time commitment and responsibilities of the role. No share options in WPA or any other WPA Group company are included as part of the remuneration package. The Non-Executive Directors confirm, as part of their annual independence declaration that they:

- Do not participate in any performance related remuneration scheme;
- Only receive their Non-Executive Director and any associated Committee fee from WPA;
- Are not dependent on their income received from WPA.

Benefits

All staff, after a qualifying period are entitled to enrol themselves and their family members in the health and wellbeing benefits provided by WPA. WPA operates a Corporate Healthcare Trust and a cash plan product for staff and their families. All staff are provided with a defined contribution pension provision. Pension contributions are set in relation to basic salary only. In addition, the maternity and paternity provisions for employees were reviewed and upgraded, and a menopause policy was implemented. The Health & Wellbeing hub content has been enhanced to increase wellbeing at work through signposting.

Corporate Governance continued

Remuneration Committee continued

A salary sacrifice car scheme is available to all employees with two or more years' service. The scheme gives colleagues access to fully electric and plug-in vehicles with less than 75 g/km CO₂.

In line with the company car policy, all newly purchased company cars should be electric or hybrid.

Control clawback provisions for Executive Directors and Senior Management are extant with service contracts. The clawback provisions provide for three years of recovery in line with the short-tail nature of the insurance business.

Personnel Committee

Jasper Gill *FRCS MBA Chairman*
John Chester *FRCP FRCS Non-Executive*
Anne Obey *OBE FCA Non-Executive*
Tracy Sheen *MA FCIPD*
Neil Davidson *ACMA CMIIA*
Nathan Irwin *FCA*
Ellis Turley *Cert CII*
Sadie Watkins

The Personnel Committee met twice during 2022.

The Personnel Committee reviews and monitors the development and maintenance of effective human resource strategies. The Group has rigorous recruitment and selection procedures, coupled with induction, further training and regular assessments of all employees.

The Committee reviews human resource strategies and practices for compliance with current employment legislation, to ensure structured training in both business specific skills and, where appropriate, personal development. The Committee also has oversight of the Gender Pay Report and the Modern Slavery Statement.

Employees views are represented via the Employee Voice committee. The Employee Voice consists of elected staff members from across the business and service units who meet at least quarterly. The minutes are circulated to all staff members and received by the Personnel Committee, further, a representative of the Employee Voice attends the Personnel Committee.

For several years, we have undertaken an externally facilitated employee survey for the Group employees, recognising that employee engagement is fundamental to the on-going success of the Company. The employee Net Promoter Score, being the way of establishing the level of advocacy an employee has with their employing organisation, has remained outstanding at 42. To put the figures into context 20 to 40 is very good/excellent and 40 and above is outstanding. The results were reviewed in detail by the Personnel Committee, the Board and shared with all staff.

Independent Auditor's Report to the members of Western Provident Association Limited

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Western Provident Association Limited (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Statements of Financial Position;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated and Parent Company Statements of Cash Flows;
- the Accounting Policies I to III; and
- the related notes 1 to 22 (excluding the solvency capital disclosures in note 20.3, calculated in accordance with the Solvency II regime, which are marked as unaudited).

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Parent Company.

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

3. Summary of our audit approach

Key audit matters

The key audit matter that we identified in the current year was the valuation of insurance claims liabilities.

Within this report, key audit matters are identified as follows:

- ◊ Similar level of risk

Independent Auditor's Report continued

3. Summary of our audit approach continued

Materiality	The materiality that we used for the Group financial statements was £1.5m (2021: £1.4m) which was determined on the basis of 1.1% (2021: 1.1%) of Premium Receivable.
Scoping	Our group audit included the audit of trading subsidiaries in the United Kingdom, covering 99% (2021: 99%) of Group revenue, 99% (2021: 95%) of Group profit before tax and 99% (2021: 99%) of Group net assets. The audit of trading subsidiaries was performed by the group audit team.
Significant changes in our approach	There have been no significant changes in our approach since the prior period.

4. Conclusions relating to going concern

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

Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Assessing the sources of liquidity available to the Group;
- Reviewing the Group's Own Risk and Solvency Assessment ("ORSA") to support our understanding of the key risks faced by the Group, its ability to continue as a going concern, and understanding reverse stress tests;
- Evaluating correspondence between the Group and its regulators, the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA), to identify any items of interest which could potentially indicate either non-compliance with legislation or regulatory action held against the Group; and
- Assessing the appropriateness of the going concern disclosures.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1 Valuation of insurance claims liabilities

Key audit matter description

As set out in note 1(b) and III (a) to the financial statements, insurance claims liabilities include a claims outstanding amount of £11.45m at the end of 2022 compared to £11.98m at the end of the previous year.

Insurance reserving is an area of significant management judgement within the Group's financial statements and disclosures. There is estimation uncertainty involved in setting the development factor assumption used within the technical reserving model.

The long NHS waiting lists, backlogs of claims and increasing provider capacity has resulted in an increase in claims paid above pre-Covid levels for 2022, when compared to the prior period and after considering the increase in new business.

The entity uses a chain-ladder model ("CLM") to derive the best estimate technical reserves. Our key area of audit focus was the assumption that 6 months of claims paid data is appropriate to derive an accurate development factor within the technical reserving model. This is the main area of judgment in the CLM calculation and the development factor used by the Directors was selected on the basis that the most recent data is more indicative of claims trends.

There is a risk that the number of months of data the Directors use to determine the development factor is inappropriate given the volatile claims trends experienced in the period. We have performed risk assessment analytics and sensitivity analysis and find there to be a materially sensitive range of c£2.5m (excluding the risk margin) from the 4 year to the 4 month development factor based on the Directors' CLM from December 2022.

With the significant judgement involved in the calculation of the reserving CLM being the development factor, we have identified a fraud risk and a key audit matter in relation to the appropriateness of the development factor used within the model and the associated disclosure in the financial statements.

This key audit matter is also considered by the Audit Committee in their report on page 27.

Independent Auditor's Report continued

5.1 Valuation of insurance claims liabilities continued

How the scope of our audit responded to the key audit matter

- We have obtained an understanding of the relevant controls around the approach to setting the development factor assumption.
- We independently developed our own chain ladder model, and compared outputs, to test the accuracy of the output of the development factor assumption used.
- We analysed changes to the recent claims trends to challenge the appropriateness of the development factor assumption used and that it is reflective of the current environment.
- We performed a stand-back approach to assess the reasonableness of the development factor assumption used.
- We have assessed the appropriateness of the disclosures around the development factor assumption and associated estimation uncertainty as disclosed in accounting policy III (a).

Key observations

Through our procedures described above we identified that the development factor assumption used within the technical reserving model and the related disclosures are appropriate.

6. Our application of materiality

6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	£1.5m (2021: £1.4m)	£1.4m (2021: £1.3m)
Basis for determining materiality	1.1% of Premium Receivable (2021: 1.1%)	1.1% of Premium Receivable (2021: 1.1%)
Rationale for the benchmark applied	We have used premium receivable, as it reflects a key measure of the Group's size and activity. We also note that the Group's main trading entity, being the Parent Company, is limited by guarantee and, therefore, there are no shareholders monitoring profitability or dividend potential.	

6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent Company financial statements
Performance materiality	70% (2021: 70%) of Group materiality	70% (2020: 70%) of Parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: <ul style="list-style-type: none"> • Our risk assessment, including our assessment of the Group's control environment, and that we consider it appropriate to rely on controls over a significant number of business processes; and • The nature, volume and size of misstatements in the previous audit. 	

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £75k (2021: £68k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

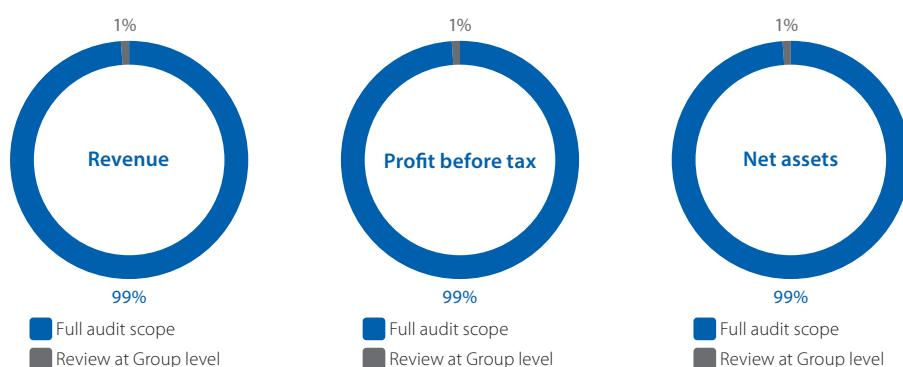
7. An overview of the scope of our audit

7.1 Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risk of material misstatement at the Group level. Audit work to respond to the risks of material misstatement was performed by the Group audit engagement team.

Based on that assessment, we focused our group audit scope on the United Kingdom trading subsidiaries which are consolidated into the financial statements. These were subject to a full scope audit, executed at levels of materiality applicable to each individual entity in the range £68k to £1.4m (2021: £70k to £1.3m). Our group audit included the audit of trading subsidiaries in the United Kingdom, covering 99% of Group revenue (2021: 99%), 99% of Group profit before tax (2021: 95%) and 99% of Group net assets (2021: 99%). The Group Engagement Partner is also the Audit Partner for the Group's UK trading subsidiaries.

At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full audit.



Independent Auditor's Report continued

7.2 Our consideration of the control environment

We have identified the key IT systems relevant to the audit of the Group to be the general ledger system and sole policy administration system. We planned to rely on the IT controls associated with these systems and thus we obtained an understanding of relevant IT controls. We worked with our IT specialists to test the operating effectiveness of the general IT controls (GITC's). We were able to rely on GITC's over both the general ledger system and policy administration system.

Furthermore, we planned to take controls reliance in relation to the following business cycles:

- Premiums
- Claims
- Administration Income
- Commissions
- Investments

We obtained an understanding of and assessed the operating effectiveness of the relevant controls by performing walkthroughs of key business cycles detailing the key risks, internal controls, information used in a control (IUC) and information produced by the entity (IPE). We were able to rely on controls in relation to the business cycles listed above with the exception of investments.

7.3 Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's operations and subsequent impact on its financial statements. The Group sets out its assessment of the potential impact on page 10 of the Annual Report.

We have held discussions with the Group to understand the Directors:

- process for identifying affected operations, including the governance and controls over this process, and the subsequent effect on the financial reporting for the Group;
- long-term strategy to respond to climate change risks as they emerge; and
- assessment of the physical and transition risk to the business and assessed that there is no material impact to the financial statements arising from climate change. This has been disclosed in the Strategic Report on page 10 of the Annual Report.

Our work has involved:

- assessing the completeness of the physical and transition risks identified and considered in the Group's climate risk assessment; and
- considering whether information included in the climate related disclosures in the Annual Report were materially consistent with the financial statements and our knowledge obtained in the audit.

8. Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the 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.

9. Responsibilities of Directors

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

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

10. 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.

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

11. Extent to which the audit was considered 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.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, the Directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, real estate, financial instruments, pensions, and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation of insurance claims liabilities.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, pensions legislation, and tax legislation.

Independent Auditor's Report continued

11.1 Identifying and assessing potential risks related to irregularities continued

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's operating licence, PRA and FCA regulations including regulatory solvency requirements.

11.2 Audit response to risks identified

As a result of performing the above, we identified the valuation of insurance claims liabilities as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, the PRA and the FCA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists including tax, real estate, financial instruments, pensions and IT specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

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

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

13. Matters on which we are required to report by exception

13.1 Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

13.2 Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1 Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 3 July 2013 to audit the financial statements for the year ending 31 December 2013 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 10 years, covering the years ending 31 December 2013 to 31 December 2022.

14.2 Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

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



Tom Noble *FCA Senior statutory auditor*

For and on behalf of Deloitte LLP

Statutory Auditor

Bristol, United Kingdom

29 March 2023

Consolidated Statements

1 Consolidated Income Statement for the year ended 31 December	Note	2022 (£'000)	2021 (£'000)
Net insurance premium	II(a)		
– Premium receivable	1(a)	138,022	120,935
– Change in unearned premium provision		<u>(7,128)</u>	<u>(2,848)</u>
Net insurance premium		130,894	118,087
Administration income	2	<u>3,054</u>	<u>2,545</u>
Net administration income		3,054	2,545
Net insurance and administration income		133,948	120,632
Investment return	3	(7,257)	3,930
Total income		126,691	124,562
Net insurance claims	II(d)		
Claims paid: Gross amount	1(b), 4(a)	(109,953)	(95,608)
Change in provision for claims	1(b)	<u>535</u>	<u>(1,395)</u>
Net insurance claims		(109,418)	(97,003)
Operating and administrative expenses	4(a)	(34,902)	(29,255)
Investment management expenses		(33)	(7)
Corporate Social Responsibility donations	4(b)	(11)	(2)
Total expenses		(144,364)	(126,267)
Loss on ordinary activities before tax	5	(17,673)	(1,705)
Tax on loss on ordinary activities	6	4,298	(454)
Loss for the financial year		(13,375)	(2,159)
2 Consolidated Statement of Other Comprehensive Income for the year ended 31 December	Note	2022 (£'000)	2021 (£'000)
Post-employment actuarial (loss)/gain, net of tax	17	(3,016)	2,052
Currency translation differences, net of tax		<u>(42)</u>	<u>(32)</u>
Other comprehensive income		(3,058)	2,020
Total comprehensive expense for the year		(16,433)	(139)

3 Consolidated Statement of Financial Position as at 31 December	Note	2022 (£'000)	2021 (£'000)
Assets			
Non-current assets			
Post-employment benefits	17	10,538	14,931
Deferred tax	7	2,700	–
Intangible assets	9	1,067	545
Property, plant and equipment	10	4,956	5,376
Investment property	11	3,169	3,332
Deferred acquisition costs	1(c)	7,698	6,938
Financial assets	12	170,681	189,563
		<u>200,809</u>	<u>220,685</u>
Current assets			
Trade and other receivables			
– Receivables arising out of direct insurance operations	13	53,814	46,810
– Corporation tax recoverable		578	668
– Other receivables		1,651	180
– Prepayments and accrued income		1,405	1,331
Cash and cash equivalents		<u>5,931</u>	<u>5,329</u>
		63,379	54,318
Total assets		264,188	275,003
Equity and liabilities			
Equity			
Reserves		174,336	190,769
Non-current liabilities			
Post-employment benefits	17	406	628
Derivative financial instruments		146	901
Deferred tax	7	–	2,705
		<u>552</u>	<u>4,234</u>
Current liabilities			
Insurance contract liabilities			
– Provision for unearned premiums	1(a)	61,243	54,115
– Claims outstanding	1(b)	11,445	11,980
Trade and other payables			
– Payables arising out of direct insurance operations		5,974	5,657
– Other payables		10,638	8,248
		<u>89,300</u>	<u>80,000</u>
Total equity and liabilities		264,188	275,003

Consolidated Statements continued

4 Consolidated Statement of Changes in Equity for the year ended 31 December	Note	Retained earnings	Currency translation differences	Reserves
		(£'000)	(£'000)	(£'000)
At 1 January 2021		191,023	(115)	190,908
Loss for the year		(2,159)	–	(2,159)
Other comprehensive income				
– Post-employment actuarial gain, net of tax	17	2,052	–	2,052
– Currency translation differences, net of tax		–	(32)	(32)
At 31 December 2021		190,916	(147)	190,769
Loss for the year	11(a)	(13,375)	–	(13,375)
Other comprehensive income				
– Post-employment actuarial loss, net of tax	17	(3,016)	–	(3,016)
– Currency translation differences, net of tax		–	(42)	(42)
At 31 December 2022		174,525	(189)	174,336


5 Consolidated Statement of Cash Flows for the year ended 31 December	Note	2022 (£'000)	2021 (£'000)
Cash flows from operating activities			
Cash used by operations	14	(6,917)	(3,233)
Net tax paid		(266)	(733)
Net tax recovered		328	908
Purchase of financial assets		(106,493)	(180,155)
Receipts from financial assets		115,591	181,551
Net cash from/(used in) operating activities		2,243	(1,662)
Cash flows from investing activities			
Purchase of intangible assets		(996)	(276)
Purchases of property, plant and equipment		(487)	(277)
Proceeds from sales of property, plant and equipment		66	27
Net cash used in investing activities		(1,471)	(526)
Cash flows from financing activities			
Payment of lease liabilities		(143)	(149)
Payment of interest on lease liabilities		(39)	(23)
Net cash used in financing activities		(182)	(172)
Net increase/(decrease) in cash and cash equivalents		644	(2,360)
Cash and cash equivalents at beginning of year		5,329	7,721
Currency translation differences		(42)	(32)
Cash and cash equivalents at end of year		5,931	5,329

Parent Company Statements

1 Parent Company Statement of Financial Position as at 31 December	Note	2022 (£'000)	2021 (£'000)
Assets			
Non-current assets			
Post-employment benefits	17	10,538	14,931
Deferred Tax	7	2,700	–
Investments in Group undertakings	8	934	934
Intangible assets	9	569	545
Property, plant and equipment	10	4,575	5,154
Deferred acquisition costs	1(c)	7,698	6,938
Financial assets	12	170,681	189,536
		<u>197,695</u>	<u>218,065</u>
Current assets			
Trade and other receivables			
– Receivables arising out of direct insurance operations	13	53,814	46,810
– Amounts owed by Group undertakings	19	5,139	4,925
– Corporation tax recoverable		260	447
– Other receivables		1,428	156
– Prepayments and accrued income		1,276	1,139
Cash and cash equivalents		<u>2,414</u>	<u>1,719</u>
		64,331	55,196
Total assets		262,026	273,261
Equity and liabilities			
Equity			
Reserves		173,416	189,988
Non-current liabilities			
Post-employment benefits	17	406	628
Derivative financial instruments		146	901
Deferred tax	7	–	2,705
		<u>552</u>	<u>4,234</u>
Current liabilities			
Insurance contract liabilities			
– Provision for unearned premiums	1(a)	61,243	54,115
– Claims outstanding	1(b)	11,445	11,980
Trade and other payables			
– Payables arising out of direct insurance operations		5,974	5,657
– Other payables		<u>9,396</u>	<u>7,287</u>
		88,058	79,039
Total equity and liabilities		262,026	273,261

The Company is domiciled, incorporated and registered in England under number 00475557.

The accounts on pages 45 to 78 were approved by the Board of Directors on 29 March 2023 and were signed on its behalf by:



The Rt Hon The Earl of Cromer *Chairman*



Nathan Irwin *Chief Executive*



Donna Eavis *Chief Finance Officer*

Parent Company Statements continued

2 Parent Company Statement of Changes in Equity for the year ended 31 December	Note	Retained earnings (£'000)	Currency translation differences (£'000)	Reserves (£'000)
At 1 January 2021		187,630	–	187,630
Profit for the year		306	–	306
Other comprehensive income				
– Pension scheme actuarial gain, net of tax	17	2,052	–	2,052
At 31 December 2021		189,988	–	189,988
Loss for the year		(13,556)	–	(13,556)
Other comprehensive income				
– Pension scheme actuarial loss, net of tax	17	(3,016)	–	(3,016)
At 31 December 2022		173,416	–	173,416

3 Parent Company Statement of Cash Flows for the year ended 31 December	Note	2022 (£'000)	2021 (£'000)
Cash flows from operating activities			
Cash used by operations	14	(9,722)	(5,392)
Tax paid		–	(460)
Tax recovered		187	805
Purchases of financial assets		(106,493)	(180,155)
Receipts from financial assets		115,591	181,551
Net used in operating activities		(437)	(3,651)
Cash flows from investing activities			
Purchase of intangible assets		(498)	(276)
Purchases of property, plant and equipment		(240)	(262)
Proceeds from sales of property, plant and equipment		65	27
Dividend received from subsidiaries		1,850	4,350
Net cash from investing activities		1,177	3,839
Cash flows from financing activities			
Payment of lease liabilities		(31)	(38)
Payment of interest on lease liabilities		(14)	(7)
Net cash used in financing activities		(45)	(45)
Net increase in cash and cash equivalents		695	143
Cash and cash equivalents at beginning of year		1,719	1,576
Cash and cash equivalents at end of year		2,414	1,719

Accounting Policies

I. Basis of presentation

The Group and Parent Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and decisions by the IFRS Interpretations Committee (IFRIC) as issued by the IASB. As permitted by Section 408 of the Companies Act 2006, no income statement of the Parent Company is presented. The presentation and functional currency of these financial statements is pounds Sterling.

II. Basis of accounting

These consolidated financial statements are prepared on the going concern basis in accordance with the Companies Act 2006 and IFRS as defined by IAS 1. They have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, financial assets and financial liabilities (including derivative instruments) at fair value through income. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in III Significant estimates and judgements.

The consolidated accounts incorporate the accounts of the Company and its subsidiaries, drawn up to 31 December 2022. Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Group. The Group has consistently applied its accounting policies to all periods presented in these consolidated financial statements. The principal accounting policies are set out below.

(a) Income

Premiums receivable relate to the premiums on contracts inception during the year, irrespective of whether they relate in part to a later accounting period. Premiums exclude taxes and levies based thereon. All premiums receivable relate to medical insurance and are written in the United Kingdom, Channel Islands or the Isle of Man. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired term of policies in force at the year-end date, calculated on a basis expected to match the expected related claims risk profile. Net insurance premium income represents income earned during the year.

Premium receivables include premiums relating to policies inception during the year where the premium may be due at the balance sheet date or not due until the following year.

Administration income represents amounts receivable under healthcare administration contracts with corporate clients. The Group applies IFRS 15 'Revenue from contracts with customers', whereby the revenue value is determined by the transaction price within the terms of the contract, with each element of the transaction price allocated to a performance obligation of treatment administration which may occur up to six months after the end of the service contract; all of which can be measured through elapsed time.

The administration income contracts are considered to be similar in characteristics and are typically 12 months in duration and are therefore not disaggregated. All groups are UK based and therefore facing the same economic factors.

The performance obligation of administration of treatment is carried out as and when treatment is received.

Administration income is due in advance of the performance obligation, a six month tail for the administration of treatment incurred during the service contract is applied, the tail is calculated as the average maximum period to settle all claims relating to the service contract.

(b) Acquisition costs

Acquisition costs, representing direct and indirect expenses, are deferred and amortised over the period in which the related premiums are earned as per note ii (a).

(c) Unexpired risks

Provision is made for unexpired risks if claims, related expenses and deferred acquisition costs are expected to exceed unearned premium after taking into account future investment income on the unearned premium. No such provision is required at the balance sheet date (2021: £nil).

(d) Claims

Claims incurred represent the total cost of treatment received by policyholders during the financial year. Claims incurred comprise claims and related expenses in respect of treatment paid in the year and changes in provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years.

Insurance payables include notified payments due to policyholders and medical providers which have not been settled at the year-end.

(e) Claims outstanding

Provision is made at the year-end for the ultimate cost of settling all claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not reported. The estimated cost of claims includes direct and indirect expenses to be incurred in settling claims.

The value of claims paid prior to the balance sheet date and the average claims settlement period during the year, by product, is projected to estimate the total costs of outstanding claims, including claims incurred but not reported. Allowance is made for changes or uncertainties, which may create distortions in the underlying statistics, or changes in the business, which may cause the cost of unsettled claims to increase or reduce.

Accounting Policies continued

Provision for direct and indirect expenses in settling claims is calculated by applying the proportion of claims outstanding to total claims paid during the year to the total claims handling costs incurred.

A primary aim of the Company is to ensure that the provision for outstanding claims is adequate to meet all such costs. The provision is monitored regularly to ensure that no pattern of adverse run-off deviation emerges. However, given the inherent uncertainty in establishing provision for claims, it is likely that the final outcome will prove to be different from the original liability established.

(f) Reinsurance

Reinsurance premiums payable relate to contracts entered into during the year. Reinsurers' share of unearned premiums relate to the unexpired part of the policy in force at the balance sheet date.

The provision for outstanding claims is calculated gross of any anticipated reinsurance recoveries. Amounts recoverable from reinsurers are recognised on a consistent basis as per the gross underwritten risk. Amounts notified to reinsurers are included within reinsurance receivables. Amounts expected to be recoverable from reinsurers in respect of claims incurred but not reported are included in reinsurance claims outstanding.

If reinsurance contracts are deemed as a non-IFRS 4 insurance contract as a result of insufficient insurance risk and the interdependence between the primary and reinsurance contracts, the insurance and reinsurance contracts are treated as one contract and the net value is reported under administration income on the Income Statement.

(g) Leases

The Group applies IFRS 16 which requires operating leases to be treated the same as finance leases with the exception of some short-term leases and leases of low value assets. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use. This results in previously recognised operating leases being treated as 'right of use assets' and the corresponding, finance lease liabilities being recorded in other payables on the Consolidated Statement of Financial Position.

Right of use assets are property rental and IT hardware, shown within property, plant and equipment and the corresponding lease liabilities within other payables. Right of use assets are initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses. The lease liabilities are initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liabilities are adjusted for interest and lease payments.

On the statement of cash flows, lease payments are split into a principal and interest portion and presented as financing and operating cash flows respectively.

(h) Financial assets and liabilities

The Group has chosen to apply the optional temporary exemption from IFRS 9 Financial Instruments, as detailed in notes 21 and 22.

Assets in the investment portfolio whose values are reflected in the financial statements at market value are categorised as 'fair value through profit and loss' (FVTPL), therefore changes in their valuation are taken straight to the Income Statement. Those assets acquired with the intention of being held to maturity are separately categorised as such and carried at amortised cost, less allowances for impairment, using the effective interest rate method. Trade and other payables/receivables are recognised at cost, less allowances for impairment, which are expected to equate to their fair value. Gains or losses on fair value through profit and loss assets held at the balance sheet date are recorded in unrealised investment gains or losses; those disposed of during the year are recorded in realised investment gains or losses.

Fair value through profit and loss assets that are traded in an active market are valued at bid price on the last stock exchange trading day of the year. The fair value of other financial assets for which there is no quoted market price is determined by a variety of methods including net asset values provided by fund administrators. Directly held unlisted equities are valued at cost less impairment in line with the requirements of IAS 39 when there is no reliable indicator for fair value, such as a readily available market price, observable equity transactions, current net asset value, peer companies that could be used as proxies, general market trends of the issuer's industry or other economic information. Directly held listed equities that are not actively traded are held at fair value, based on a range of inputs including the weighted average cost of shares issued, recent market transactions and company specific information. Dividends on equity investments and other investment income are accounted for when receivable.

From time to time the Company holds futures and options derivative instruments and forward currency contracts. These securities are held to hedge exposures in equity markets, assets or transactions denominated in foreign currencies. All derivatives are recognised at fair value through profit and loss.

(i) Cash and cash equivalents

Cash and cash equivalents comprise operational cash held in bank accounts and cash in hand.

(j) Investments in Group undertakings

In the Statement of Financial Position for the Parent Company, investments in Group undertakings are stated at cost or at deemed cost, less allowance for impairment, for those held at the date of transition to IFRS. Where a subsidiary undertaking Statement of Financial Position reports a net liability position, provision is made against any inter-company balances due only to the extent that they are deemed irrecoverable.

(k) Foreign currencies

The results and financial position of overseas subsidiaries are translated at the average exchange rate throughout the year and at the closing position date respectively. All resulting exchange rate differences are recognised as a separate component of equity.

(l) Intangible assets

Intangible assets are capitalised and amortised by equal annual instalments over their estimated useful lives, which for software assets is two years, less allowances for impairment. The software assets comprise all directly attributable costs necessary to enable the asset to be used within the business. Amortisation is shown within operating and administrative expenses on the Income Statement.

(m) Property, plant and equipment

All properties held at the balance sheet date that are not treated as investment property are occupied by the Company and other Group companies. The properties are held as freehold or with a leasehold interest and are revalued annually. Increases in the carrying amount, greater than the value at the transition date, arising on revaluation of land and buildings are credited to the revaluation surplus in reserves. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other changes in carrying value are charged to the Income Statement. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the Income Statement and depreciation based on the asset's original cost, net of any related deferred income tax, is transferred from the revaluation surplus to retained earnings. It is the Group's practice to maintain these properties to a high standard with the costs of maintenance charged to the Income Statement. Plant and equipment are held at cost less depreciation.

Tangible assets are capitalised and depreciated by equal annual instalments over their estimated useful lives. The periods generally applicable are:

Buildings	= 50 years
Furniture and fittings	= 6 years
Motor vehicles	= 4 years
Computer equipment	= 3 years

(n) Investment property

Investment property is valued annually by the Directors and at least triennially by independent specialists. Investment property is held at fair value unless not reliably determinable when under construction, in which case the investment property is measured at cost until the fair value becomes reliably determinable or construction is completed.

(o) Tax

Current tax is payable based on taxable profit for the year and tax rates which are enacted as at the balance sheet date.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

(p) Post-employment benefits

The Group has a defined benefit pension scheme (the 'Scheme'), which closed to future accrual on 31 December 2015, and also makes contributions to Group Personal Pensions. The net pension asset or liability recognised in the Statement of Financial Position is the fair value of the Scheme's assets less the present value of the Scheme's liabilities.

The pension cost for the Scheme is analysed between current service cost, past service cost and net return on pension scheme. Past service costs, relating to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits, are recognised in the Income Statement on a straight-line basis over the period in which the increases in benefits vest. The interest charge and interest income are recognised on a net basis and shown within the investment return.

The actuarial gains and losses which arise from a valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are taken to the Statement of Comprehensive Income for the period, net of the attributable deferred taxation. Deferred tax arises due to timing differences between accounting treatment and tax treatment. Contributions to Group Personal Pensions are recognised through the Income Statement when due.

Provision is made for the present value of expected costs of providing medical insurance to former employees.

Accounting Policies continued

III. Significant estimates and judgements

(a) Key sources of estimation uncertainty

Claims Reserve. The provision for claims outstanding requires an estimate of the future payments that will be made in respect of treatments incurred prior to the balance sheet date, together with the estimated cost of claims handling expenses. The primary assumption in developing the estimate relates to the pattern of claims paid which are expected to be consistent with recently observed experience and trends. The process of claims reserving involves selecting a reserving methodology and an appropriate look back period on which to base the best estimate of the future payments for incurred claims.

The model used is the chain ladder methodology, which is weighted towards more recent development patterns. There is significant uncertainty and judgement required, and an overriding assumption that the past provides a reasonable basis for future payment patterns and judgement is required in determining the data and patterns that are appropriate. In order to reduce the risk that the best estimate reserves is insufficient to cover the future claims run-off, a statistically determined risk margin is held which aims to provide confidence that the reserves are sufficient.

There are a number of variables within the claims reserve calculation as mentioned in (e) of the accounting policies. The calculation of the best estimate is based on data from the chain ladder report. It is possible to adjust the volume of data, which is averaged, based on timespan, used within the chain ladder report. The shortest-term timespan under consideration was four months and the longest was four years, this produced a range (non-linear) of best estimates from £8.3m to £10.7m (2021: £9.9m to £12.8m). In 2022 a six months timespan was deemed appropriate due to treatment availability and payment patterns during the year (2021: 1 year timespan).

Property valuation. The valuation of properties is based on a range of assumptions and estimates, with reference to empirical experience of the local property market. The properties have been valued by independent valuers as at 31 December 2022, or valued by the Directors. The fair value of the investment properties held by the Group was determined using methodology based on recent market transactions of similar properties which have been adjusted for the specific characteristics of the properties. The valuation techniques include inputs for the investment properties that are unobservable. Sensitivity analysis for the property valuation is shown in note 10.

Investment valuation. When the Group has held collective investment funds containing unlisted equities, or held unlisted equities directly, the valuations are undertaken by management and where appropriate are based on the information provided by the relevant investment managers. Directly held listed equities that are not actively traded are held at fair value, based on a range of estimates and inputs including the weighted average cost of shares issued, recent market transactions and company specific information. Where appropriate, cost less impairment is used as the basis for the fair value.

Pension valuation. There are a number of assumptions associated with the valuation of the Pension Scheme, as detailed in note 17.

Deferred tax asset. The asset is recognised on the basis that there is an expectation of future taxable profits.

(b) Critical accounting judgements

Pension Scheme. The recognition of the Scheme asset under IFRIC 14 requires that the Company has an unconditional right to a refund. In the event that the Scheme is wound up at the point in time when all pensions' payments have reached their natural conclusion the Company would have the right to a refund under the Scheme's Trust deed and rules and thus the Company is mandated to recognise the Scheme asset. The Directors have sought external advice as to whether the trustee approval of the transfer of any surplus to the Company represents a condition that would permit the asset ceiling to be applied, the conclusion reached being that the processes in place do not represent such a condition under IFRIC 14. The Directors have concluded that this judgement is the correct accounting treatment under IFRIC 14.

Reinsurance. The reinsurance coverage is limited to two facultative policies, which have been reclassified in these financial statements as a non-IFRS 4 insurance contract as a result of insufficient insurance risk and the interdependence between the primary and reinsurance contracts.

Notes to the Accounts

for the year ended 31 December 2022

1 Disclosures for insurance contracts	2022 (£'000)	2021 (£'000)
(a) Movement in unearned premiums		
Balance at 1 January	54,115	51,267
Premiums written in the year	138,022	120,935
Premiums earned during the year	(130,894)	(118,087)
Balance at 31 December	61,243	54,115
(b) Movement in provision for claims		
Balance at 1 January	11,980	10,585
Movement in claims incurred in prior years	(3,571)	(3,162)
Claims incurred in the current year	112,989	100,165
Claims paid during the year	(109,953)	(95,608)
Balance at 31 December	11,445	11,980
(c) Movement in deferred acquisition costs		
Balance at 1 January	6,938	4,996
Movement in the year	760	1,942
Balance at 31 December	7,698	6,938
2 Administration income		
Other income represents non-insurance income for services provided to third parties.		
3 Investment return		
Dividend income	625	1,134
Interest received	1,182	360
Rental income from investment property	213	213
(Losses)/gains on exchange rate movements	(3,195)	230
	(1,175)	1,937
Net gains on realisation of investments	3,555	503
Unrealised investment (losses)/gains	(9,784)	1,327
Revaluation of investment property	(119)	–
	(7,523)	3,767
Net interest on pension scheme	266	163
Total investment return	(7,257)	3,930

Notes to the Accounts continued

4 Net operating expenses	2022 (£'000)	2021 (£'000)
(a) Other operating and administrative expenses		
Acquisition costs	17,154	15,008
Change in deferred acquisition costs	(760)	(1,942)
Administrative expenses	27,380	23,067
FSCS levy	487	363
Gross operating expenses	44,261	36,496
Claims handling expenses, shown within Claims paid	(9,359)	(7,241)
Net operating expenses	34,902	29,255
(b) Corporate Social Responsibility donations		
Donations to other charitable activities	11	2
Total donations to benevolent and charitable activities	11	2

5 Loss on ordinary activities before tax	2022 (£'000)	2021 (£'000)
Loss on ordinary activities before tax is stated after:		
Property revaluation	(436)	(130)
Amortisation	(474)	(360)
Depreciation on property, plant and equipment	(448)	(543)
Profit on disposal of property, plant and equipment	43	15
Auditor remuneration, inclusive of VAT, for:		
– Audit of the financial statements, Company £282,000 (2021: £205,000)	(331)	(246)
Non-audit fees		
– Other assurance work	(77)	(40)
Lease interest	(137)	(125)

Non-audit fees represent 18% of total audit fees (2021: 12%).

6 Tax

	2022 (£'000)	2021 (£'000)
(a) Analysis of (credit)/charge in year		
UK corporation tax at 19.00% (2021: 19.00%)	–	–
Adjustment for prior periods	–	(9)
Overseas tax	27	26
Total current tax	27	17
Deferred tax (note 7)		
– Origination and reversal of timing differences	(4,306)	(519)
– Movement on post-employment benefits	(19)	(25)
– Change in tax rate	–	981
Total deferred tax	(4,325)	437
Tax (credit)/charge for the current year	(4,298)	454

The principal rate of UK corporation tax was 19% for the financial year 2022.

(b) Factors affecting the tax (credit)/charge for the year

A reconciliation of the tax charge for the year to the charge that would result from applying the standard UK corporation tax rate to the profit before tax is given below:

	2022 (£'000)	2021 (£'000)
Loss before tax	(17,673)	(1,705)
Notional credit at UK corporation tax rate of 19.00% (2021: 19.00%)	(3,358)	(324)
Franked investment income not taxable	(119)	(215)
Permanent timing differences	119	43
Items outside the scope of UK tax	(35)	(23)
Tax relating to overseas subsidiaries	27	26
Changes in tax rates	(876)	981
Adjustment to prior periods' tax	–	(9)
Deferred tax: prior year	(56)	(25)
Tax on loss on ordinary activities	(4,298)	454

Notes to the Accounts continued

(c) Factors that may affect future tax charges

The principal rate of UK corporation tax was 19% for the financial year 2022 (2021: 19%). The main rate of corporation tax is set to increase to 25% from 1 April 2023. There are no other factors affecting future charges.

(d) Analysis of tax credit relating to components of other comprehensive income	2022 (£'000)			2021 (£'000)		
	Before tax	Tax credit	After tax	Before tax	Tax charge	After tax
Currency translation differences	(42)	–	(42)	(32)	–	(32)
Movement on pension scheme	(4,095)	1,079	(3,016)	2,092	(40)	2,052
Other comprehensive income	(4,137)	1,079	(3,058)	2,060	(40)	2,020

All tax credits relate to deferred tax.

7 Deferred tax

Group	Pension scheme	Trading losses	Post-employment medical benefits	Other	Total
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
At 1 January 2021	(2,510)	–	146	183	(2,181)
Movement in provision recognised in Income Statement	(1,184)	428	(34)	306	(484)
Movement in provision recognised in other comprehensive income	40	–	–	–	(40)
At 31 December 2021	(3,734)	428	112	489	(2,705)
Movement in provision recognised in Income Statement	20	4,602	(72)	(224)	4,326
Movement in provision recognised in other comprehensive income	1,079	–	–	–	1,079
At 31 December 2022	(2,635)	5,030	40	265	2,700
Company					
At 1 January 2021	(2,510)	–	146	183	(2,181)
Movement in provision recognised in Income Statement	(1,184)	428	(34)	306	(484)
Movement in provision recognised in other comprehensive income	(40)	–	–	–	(40)
At 31 December 2021	(3,734)	428	112	489	(2,705)
Movement in provision recognised in Income Statement	20	4,602	(72)	(224)	4,326
Movement in provision recognised in other comprehensive income	1,079	–	–	–	1,079
At 31 December 2022	(2,635)	5,030	40	265	2,700

The Board approved 3-year plan shows expected medium-term investment returns which form the basis for the recognition of this asset.

If the freehold property was sold at its current market value there would be a capital loss of £5,760,000 (2021: £5,360,000). There is a deferred tax asset of £1,440,000 (2021: £1,019,000) related to this capital loss, which has not been recognised, because there is no intention to sell the asset. Deferred tax on the pension scheme surplus or deficit is provided at the rate it is anticipated that it will reverse.

The main rate of corporation tax is set to increase to 25% from 1 April 2023. There are no other factors that may affect future tax charges.

8 Investment in Group undertakings

2022 (£'000) 2021 (£'000)

Shares at cost 934 934

WPA Ltd is the ultimate Parent Company and controlling party of the Group. The following companies are directly and wholly owned subsidiaries of the ultimate Parent Company, except for WPA Investments (Development) Limited, which is directly and wholly owned by WPA Investments Limited and therefore indirectly owned by the Parent Company. All are included within the consolidation. Each company is registered in England at the offices of WPA Ltd, under the number shown against each one and has capital comprising £1 ordinary shares in issue, except where shown otherwise:

Name of subsidiary undertaking	Nature of business	Notes
WPA Healthcare Practice Plc	Insurance intermediary company (No. 07320330) (capital comprising £5 ordinary shares in issue)	
WPA Investments Limited	Investment company (No. 02591944)	
WPA Protocol Plc	Claims and administration services company (No. 02755175)	
WPA World Class Service (India) Private Ltd*	Data processing company (No. U72400KA2007PTC041954) (a company registered in India with capital comprising INR10 ordinary shares)	The registered office is Bengaluru, Karnataka, India.
WPA Health Trustee Limited	Trustee company (No. 04562414)	Exempt from preparing individual accounts under S394a of the Companies Act 2006.
WPA Pension Trustees Limited	Trustee company (No. 04710981)	Exempt from filing individual accounts under S448a of the Companies Act 2006.
Delos IT Solutions Limited	Dormant company (No. 10458139)	Exempt from preparing individual accounts under S394a of the Companies Act 2006.
Self-Pay Limited	Dormant company (No. 04174987)	Exempt from preparing individual accounts under S394a of the Companies Act 2006.
Stoploss Insurance Services Limited	Dormant company (No. 03831968)	Exempt from preparing individual accounts under S394a of the Companies Act 2006.
WPA Insurance Services Limited	Dormant company (No. 02593389)	Exempt from preparing individual accounts under S394a of the Companies Act 2006.
WPA Investments (Development) Limited	Dormant company (No. 02593390)	Exempt from preparing individual accounts under S394a of the Companies Act 2006.
WPA Property Services Limited	Dormant company (No. 11110094)	Exempt from preparing individual accounts under S394a of the Companies Act 2006.
XS Health Limited	Dormant company (No. 03926481)	Exempt from preparing individual accounts under S394a of the Companies Act 2006.
XS Insurance Services Limited	Dormant company (No. 03783854)	Exempt from preparing individual accounts under S394a of the Companies Act 2006.

*31 March accounting year-end in line with fiscal regulations in India.

All subsidiaries held at the IFRS transition date are accounted for in accordance with IFRS 1, using deemed cost. The deemed cost was the value reported in the accounts in accordance with UK GAAP. All other subsidiaries are held at cost. At 31 December 2022 none of the subsidiaries were past due or impaired (2021: none past due or impaired).

Notes to the Accounts continued

9 Intangible assets

Group	Software (£'000)
Cost or valuation	
At 1 January 2021	3,258
Additions	276
At 31 December 2021	3,534
Additions	996
At 31 December 2022	4,530
Amortisation	
At 1 January 2021	2,629
Provided in the year	360
At 31 December 2021	2,989
Provided in the year	474
At 31 December 2022	3,463
Net book value at 31 December 2021	545
Net book value at 31 December 2022	1,067

Company	Software (£'000)
Cost or valuation	
At 1 January 2021	3,258
Additions	276
At 31 December 2021	3,534
Additions	498
At 31 December 2022	4,032
Amortisation	
At 1 January 2021	2,629
Provided in the year	360
At 31 December 2021	2,989
Provided in the year	474
At 31 December 2022	3,463
Net book value at 31 December 2021	545
Net book value at 31 December 2022	569

10 Property, plant and equipment	Freehold property	Furniture and fittings	Computer equipment	Motor vehicles	Right of use assets	Total
Group	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Cost or valuation						
At 1 January 2021	5,091	2,384	2,455	516	807	11,253
Additions	–	143	124	–	10	277
Disposals	–	(133)	(57)	(51)	–	(241)
Revaluation	(130)	–	–	–	–	(130)
At 31 December 2021	4,961	2,394	2,522	465	817	11,159
Additions	–	66	44	113	264	487
Disposals	–	(28)	(3)	(102)	–	(133)
Revaluation	(436)	–	–	–	–	(436)
At 31 December 2022	4,525	2,432	2,563	476	1,081	11,077
Depreciation						
At 1 January 2021	876	2,079	2,063	232	219	5,469
Provided in the year	45	96	196	85	121	543
Elimination in respect of disposals	–	(134)	(57)	(38)	–	(229)
At 31 December 2021	921	2,041	2,202	279	340	5,783
Provided in the year	(37)	93	180	83	129	448
Elimination in respect of disposals	–	(28)	(2)	(80)	–	(110)
At 31 December 2022	884	2,106	2,380	282	469	6,121
Net book value at 31 December 2021	4,040	353	320	186	477	5,376
Net book value at 31 December 2022	3,641	326	183	194	612	4,956

Note 10 continues overleaf...

Notes to the Accounts continued

Company	Leasehold property	Furniture and fittings	Computer equipment	Motor vehicles	Right of use assets	Total
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Cost or valuation						
At 1 January 2021	5,076	2,206	2,259	477	456	10,474
Additions	–	145	117	–	–	262
Disposals	–	(134)	(57)	(52)	–	(243)
Revaluation	(130)	–	–	–	–	(130)
At 31 December 2021	4,946	2,217	2,319	425	456	10,363
Additions	–	58	69	113	–	240
Disposals	–	(26)	(4)	(102)	–	(132)
Revaluation	(437)	–	–	–	–	(437)
At 31 December 2022	4,509	2,249	2,384	436	456	10,034
Depreciation						
At 1 January 2021	876	1,902	1,924	224	76	5,002
Provided in the year	45	92	177	82	33	429
Elimination in respect of disposals	–	(128)	(56)	(38)	–	(222)
At 31 December 2021	921	1,866	2,045	268	109	5,209
Provided in the year	(37)	95	190	78	34	360
Elimination in respect of disposals	–	(26)	(4)	(80)	–	(110)
At 31 December 2022	884	1,935	2,231	266	143	5,459
Net book value at 31 December 2021	4,025	351	274	157	347	5,154
Net book value at 31 December 2022	3,625	314	153	170	313	4,575

Leases are held using the revaluation method under IFRS 16. The Parent Company leases its office premises from WPA Investments Limited on a long leasehold agreement. The rental income is on a fixed payment basis and the remaining lease term runs until 2116. The contractual obligation to keep and maintain the property in a good, tenable state of decorative repair remains with the Parent Company. The other right of use assets include: the rent of the business continuity property, the remaining lease term runs until 2029; the rental of property for WPA World Class Service (India) Private Ltd on a three year lease, and equipment for WPA Healthcare Practice Plc, also on a three year lease.

The property was valued on 31 December 2021 at open market value for existing use by independent valuers Hartnell Taylor Cook, Chartered Surveyors and Valuers, in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual. Valuations include simplifying assumptions and was revalued on 31 December 2022 by the Directors. The fair value of the property was determined using a methodology based on recent market transactions of similar properties, which have been adjusted for the specific characteristics of the property held by the Group. If the property had not been revalued they would have been included at the historical cost of £9,402,000 and cost less depreciation of £3,638,000 (2021: £3,826,000).

The Level 3 fair value measurement used for properties are those that are derived from a valuation technique that include inputs for the asset that are unobservable. A 5% increase in market value would result in an increase of £182,000; a 5% decrease in market value would have the opposite impact.

Depreciation is shown in operating and administrative expenses.

11 Investment property

Investment property is measured at fair value, determined using methodology based on recent market transactions of similar properties, which have been adjusted for the specific characteristics of the property held by the Group. The valuation technique includes inputs for the investment properties that are unobservable.

Rental income from investment property of £0.2m (2021: £0.2m) was received in the year, shown in note 3; maintenance costs from rental property generating rental income were £14K for the year (2021: costs of £26K). The property was valued on 31 December 2022 by Knight Frank, Chartered Surveyors and Valuers, in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual. Investment property is categorised as level three within the fair value hierarchy.

Group	2022 (£'000)	2021 (£'000)
At 1 January	3,332	3,374
Amortisation of lease incentive	(42)	(42)
Change in fair value	(121)	–
At 31 December	3,169	3,332

12 Financial assets

	Carrying value	
Group and Company	2022 (£'000)	2021 (£'000)
Fair value through profit and loss		
Equity	–	300
Collective investment funds – Equities	42,677	66,071
Collective investment funds – Bonds	–	9,984
Collective investment funds – Money market funds	17,400	2,400
Forward currency contracts	5	191
Deposits with credit institutions at floating rates	16,139	25,981
Cash collateral	1,436	1,080
Held to maturity		
Government issued securities	57,500	57,395
Debt and other fixed income securities	35,524	26,161
	170,681	189,563

Forward currency contracts were taken out during the year to hedge against part of the exposure to US Dollars, Japanese Yen and Euros in the investment portfolio. The contracts held at the year end had a maturity date of 31 January 2023. Contracts in a loss position, totalling £145,000 in 2022 (2021: £901,000) are shown separately as a liability. The cash collateral represents the initial margin supporting the forward currency contracts and is settled daily in line with the derivatives.

Notes to the Accounts continued

13 Receivables arising from direct insurance operations

As at 31 December 2022 premium due but not received amounted to £1,048,000 (2021: £384,000). A provision for impairment of £70,000 was made as at 31 December 2022 (2021: £32,000). The premium not yet due relates to policies that are paid by instalments where the relevant due dates are in the future. A provision for lapses of £126,000 (2021: £162,000) is maintained to recognise that some contracts are cancelled after renewal documentation has been issued. All receivables are due within twelve months. A number of policies are sold via intermediaries, but all premiums are payable directly to the Company.

Group and Company	2022 (£'000)	2021 (£'000)
Premium due	1,048	384
Premium not yet due	52,933	46,323
Allowance for bad and doubtful debts	(196)	(194)
Prepayments to corporate client fund accounts	29	297
	53,814	46,810

Movement in provision for impairment and lapses in the above receivables:

Group and Company	2022 (£'000)	2021 (£'000)
At 1 January	194	166
– Amounts credited to Income Statement	(124)	(134)
– Amounts written off	126	162
At 31 December	196	194

All provisions relate to the current year. Provisions for bad and doubtful debts are recognised on an incurred loss basis. Specific provision is made for known delinquencies. A collective provision is made for inherent defaults incurred, but not observed, at the balance sheet date on the basis of past experience.

14 Notes to the Statement of Cash Flows

Group	2022 (£'000)	2021 (£'000)
Loss before tax	(17,673)	(1,705)
Adjustments for:		
– Amortisation	516	402
– Depreciation	448	543
– Profit on disposal of property, plant and equipment	(43)	(15)
– Adjustment for lease (IFRS 16)	182	172
– Pension scheme admin costs	342	398
– Net interest on pension scheme	(266)	(163)
– Decrease on revaluation of property, plant and equipment	436	130
– Decrease on revaluation of investment property	121	–
– Increase in deferred acquisition costs	(760)	(1,942)
– Unrealised investment losses/(gains)	9,784	(1,327)
Operational cash flows before movements in working capital	(6,913)	(3,507)
Increase in receivables arising out of direct insurance operations	(7,004)	(5,911)
(Increase)/decrease in other receivables	(1,471)	228
(Increase)/decrease in prepayments and accrued income	(74)	302
Increase in insurance liabilities	6,593	4,243
(Decrease)/increase in derivative financial instruments	(755)	774
Increase in payables arising out of direct insurance operations	317	266
Increase in other payables	2,390	372
Cash used by operations	(6,917)	(3,233)

Company	2022 (£'000)	2021 (£'000)
(Loss)/profit before tax	(17,882)	793
Adjustments for:		
– Amortisation	474	360
– Depreciation	360	429
– Profit on disposal of property, plant and equipment	(43)	(6)
– Adjustment for leases (IFRS 16)	45	45
– Pension scheme admin costs	342	398
– Net interest on pension scheme	(266)	(163)
– Decrease on revaluation of property, plant and equipment	437	130
– Increase in deferred acquisition costs	(760)	(1,942)
– Dividend from subsidiaries	(1,850)	(4,350)
– Unrealised investment (gains)/losses	9,784	(1,327)
Operational cash flows before movements in working capital	(9,359)	(5,633)
Increase in receivables arising out of direct insurance operations	(7,004)	(5,911)
Increase in amounts owed by Group undertakings	(214)	(284)
(Increase)/decrease in other receivables	(1,272)	33
(Increase)/decrease in prepayments and accrued income	(137)	441
Increase in insurance liabilities	6,593	4,243
(Decrease)/increase in derivative financial instruments	(755)	774
Increase in payables arising out of direct insurance operations	317	266
Increase in other payables	2,109	679
Cash used by operations	(9,722)	(5,392)

Notes to the Accounts continued

15 Employee information

	Group		Company	
	2022	2021	2022	2021
Average number of persons (including Executive Directors) employed on permanent contracts	366	309	311	264
Monthly average FTE (including Executive Directors) employed on permanent contracts	328	281	275	238
	2022 (£'000)	2021 (£'000)	2022 (£'000)	2021 (£'000)
Staff costs: Wages and salaries	14,456	13,096	13,953	12,649
Social security costs	1,610	1,311	1,587	1,289
Other pension costs	1,085	958	1,050	925
	17,151	15,365	16,590	14,863

16 Directors' emoluments

	2022 (£'000)	2021 (£'000)
– Salary/fees	2,086	2,024
– Pension related benefits	293	294
– Benefits-in-kind	49	44
– Amounts payable under short-term incentive plans	228	307
– Amounts payable under long-term incentive plans	162	177
Aggregate emoluments	2,818	2,846
Highest paid Director		
– Salary	394	393
– Pension related benefits	78	79
– Benefits-in-kind	2	2
– Amounts payable under short-term incentive plans	79	110
– Amounts payable under long-term incentive plans	57	57
Aggregate emoluments for highest paid Director	610	641

There were fifteen Directors in the year (2021: fifteen), of which five received remuneration under long-term incentive plans (2021: six) and six received pension related benefits (2021: six). A payment was made for compensation for loss of office totalling £202k which included amounts in lieu of notice, together with accrued short-term and long-term incentive bonuses.

17 Post-employment benefits

The Company has a defined benefit scheme (the Scheme) in the UK which is funded and the assets of which are held in separate trustee administered funds. The Scheme was closed to new entrants on 1 April 2004 and closed to future accrual on 31 December 2015.

The asset recognised in the consolidated Statement of Financial Position in respect of the Scheme is the fair value of Scheme assets less the present value of the defined benefit obligation at the end of the financial reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate to the terms of the related pension liability. The latest statutory triennial actuarial valuation of the Scheme as at 31 December 2018 demonstrated that the minimum funding requirement was adequately covered at the time. The liabilities reflected in these accounts as at 31 December 2022 reflect the benefits set out in the ongoing formal actuarial valuation.

To develop the expected long-term rate of return on assets assumption, the Company considers the current level of expected return on risk-free investments (primarily government bonds), the historical level of risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return on asset for each asset class is then weighted by the actual asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

In October 2018, the UK High Court ruled that defined benefits schemes should equalise pension benefits for men and women in relation to Guaranteed Minimum Pensions (GMPs). This is relevant to all UK defined benefit schemes with benefits earned between May 1990 and April 1997, including the Company Scheme. The Scheme Actuary has estimated the impact of equalising GMPs for the Scheme to be an increase of 1% of the Scheme liabilities; this is reflected in the liabilities shown below in both 2021 and 2022.

The major assumptions used by the actuary were:	2022	2021
Rate of increase of pensions in payment	3.36%	3.24%
Discount rate	4.75%	1.80%
Inflation assumption – RPI	3.50%	3.35%
– CPI	3.40%	2.85%
Members taking maximum lump sum	No allowance	75%
Proportions married	**	85%
Expected return on Scheme assets	4.75%	1.80%

**Different tables for males and females. For male members it is assumed that 75% are married at age 60, tapering down to 60% at age 85, 39% at age 90. For female members it is assumed that 68% are married at age 60, tapering down to 24% at age 85 and 11% at age 90.

The weighted average duration of the defined benefit obligations is 15.5 years (2021: 20 years).

A 0.25% increase in the assumption made for discount rate would, in isolation, have decreased the valuation of Scheme liabilities by £954,000; a 0.25% reduction would have increased Scheme liabilities by a like amount. The assumptions for salary and pension increases are directly linked to inflation. A 0.25% increase in the inflation assumption would, in isolation, have increased Scheme liabilities by £613,000; a 0.25% decrease would have decreased the valuation of Scheme liabilities by a like amount. If mortality assumptions were to increase by one year this would increase the Scheme liabilities by £665,000. If the proportions married were to increase by 10% this would increase the Scheme liabilities by £370,000, a 10% decrease would decrease the Scheme liabilities by the same amount.

Weighted average life expectancy for mortality tables used to determine benefit obligations at:	2022		2021	
	Male	Female	Male	Female
Member age 60 (current life expectancy)	27.0	29.7	27.8	30.7
Member age 45 (life expectancy at age 60)	28.9	31.1	30.1	32.9

Scheme assets:	2022 (£'000)	2021 (£'000)
Gilts	34,884	58,686
Other	430	234
Total market value of assets	35,314	58,920
Actuarial value of liabilities	(24,776)	(43,989)
Scheme asset	10,538	14,931
Related deferred tax liability	(2,635)	(3,734)
Net Scheme asset	7,903	11,197

The Scheme asset is the gross Scheme asset, the related deferred tax liability results in a net Scheme asset of £7,903,000 (2021: £11,197,000).

The gilt assets are considered to be fair value level 1.

Note 17 continues overleaf. . .

Notes to the Accounts continued

Analysis of net interest cost on the Scheme included within investment return (note 3)	2022 (£'000)	2021 (£'000)
Expected return on Scheme assets	1,039	757
Interest on Scheme liabilities	(773)	(594)
Net interest on the Scheme	266	163

Statement of Changes in Equity	2022 (£'000)	2021 (£'000)
Return on plan assets (excluding interest income)	(22,198)	(1,716)
Changes in assumptions	17,881	3,808
Actuarial (loss)/gain recognised	(4,317)	2,092
Related deferred tax charge	1,079	(40)
Changes in equity	(3,238)	2,052

Movement in value of the Scheme during the year		
Change in benefit obligation	2022 (£'000)	2021 (£'000)
Present value of benefit obligation at beginning of year	43,989	47,987
Interest cost	773	594
Actuarial changes		
– Effect of changes in financial assumptions	(17,093)	(3,489)
– Effect of demographic adjustments	(1,441)	–
– Effect of experience adjustments	653	(182)
Benefits paid	(2,105)	(921)
Present value of benefit obligations at end of year	24,776	43,989

Change in Scheme assets	2022 (£'000)	2021 (£'000)
Fair value of Scheme assets at beginning of year	58,920	61,198
Interest income	1,039	757
Return on Scheme assets (excluding interest income)	(22,198)	(1,716)
Benefits paid and transfers out	(2,105)	(921)
Scheme administration cost	(342)	(398)
Fair value of Scheme assets at end of year	35,314	58,920

History of assets and liabilities	2022 (£'000)	2021 (£'000)
Total market value of assets	35,314	58,920
Present value of Scheme liabilities	(24,776)	(43,989)
Scheme surplus	10,538	14,931

History of experience gains and losses	2022	2021
Return on Scheme assets	(62.9%)	2.9%
Experience gains/(losses) on Scheme liabilities	0.0%	0.0%

As the Scheme closed to future accrual on 31 December 2015, the Company made no normal contributions during the year (2021: no normal contributions). During the year the Company made no special contributions to the Scheme (2021: no special contributions to the Scheme).

For employees meeting the eligibility conditions, the Company operates a Group Personal Pension (GPP). The GPP provides the auto-enrolment solution for the Company and provides improved levels of contribution above the auto-enrolment requirements for staff with greater than five years of service. During the year contributions of £1,507,000 (2021: £1,369,000) were made to defined contribution schemes.

Group and Company	Pension Scheme surplus (£'000)	Post-employment medical provision (£'000)
At 1 January 2021	13,211	(763)
Movement in the year	1,720	135
At 31 December 2021	14,931	(628)
Movement in the year	(4,393)	222
At 31 December 2022	10,538	(406)

Free or discounted medical insurance cover has been provided for retired employees. The provision is the estimated future cost of claims in excess of anticipated premiums. The costs of the cover are taken directly to the Income Statement and the provision required is updated annually. Given the inherent uncertainty in establishing the provision for claims, it is likely that the final outcome will prove to be different to the original liability established. The key assumptions underpinning the post-employment medical benefit provision are the net increase of future claims in excess of premiums of 1.6% (2021: 1.6%) and the discount rate of 4.75% (2021: 1.80%). Mortality assumptions are taken from the S3PA tables with CMI 2020 projections and 1.5% pa long-term rate (2021: S3PA tables CMI 2015 projections and 1.5% pa long-term rate).

18 Commitments and contingent liabilities

	2022 (£'000)		2021 (£'000)	
	Group	Company	Group	Company
The future aggregate minimum lease payments under non-cancellable leases are as follows:				
– Within one year	137	45	125	45
– Between one and five years	300	180	131	180
– After five years	89	116	134	161
	526	341	390	386

The Group has leased a building to provide business continuity capabilities. Lease payments are on a fixed payment basis and no arrangements have been entered into for contingent payments. The remaining lease term runs until December 2029.

The Parent Company has guaranteed the liabilities of its dormant subsidiaries (including trustee companies) listed at Note 8, permitting them to be exempt from preparing and filing their accounts at Companies House. The Parent Company has confirmed that it will meet the current liabilities of WPA Investments Limited, for at least the next eighteen months, in the event that the company is unable to meet them itself.

Notes to the Accounts continued

19 Related parties

a) Transactions with subsidiaries

The transactions between the Company and its subsidiaries are presented below. All transactions and balances with Group entities are eliminated on consolidation. All balances with trading subsidiaries are unsecured and there are no terms and conditions relating to them. Debts of dormant subsidiaries are guaranteed by the Parent Company.

Transactions in the year:	2022 (£'000)	2021 (£'000)
Administration charge by WPA Limited	(12,720)	(11,345)
Administration charge to WPA Limited	13,269	11,679
	549	334
Balances outstanding:		
Gross receivable by WPA Limited	5,313	5,011
Gross payable by WPA Limited	(174)	(86)
	5,139	4,925

The balances outstanding relate to recharges for staff, general overheads, other services and intercompany financing arrangements provided.

b) Key management compensation

Key management personnel include all Parent Company Executive and Non-Executive Directors.

	2022 (£'000)	2021 (£'000)
– Salary/fees	2,086	2,051
– Pension related benefits	293	29
– Benefits-in-kind	49	44
– Amounts payable under short-term incentive plans	228	307
– Amounts payable under long-term incentive plans	162	177
Aggregate emoluments	2,818	2,873

Key management personnel purchased WPA insurance policies on an arm's length basis with premium payments of £721 in the year (2021: £616).

c) Other related parties

During the year there were no donations made by the Company to the WPA Benevolent Foundation Limited (the Foundation), a company limited by guarantee and affiliated to the Group (2021: no donations). The objective of the Foundation is the promotion of good health in young people through supporting project and working with communities and special-interest groups in the South West. The Company leases, on an arm's length basis, a property owned by the Foundation and paid lease costs in the year of £63,000 (2021: £63,000). Lord Cromer is a Director of the WPA Benevolent Foundation Limited.

The Company holds investments with a value of £9,064,000 (2021: £9,811,000) in the Pedder Street Asia Absolute Return Fund, a Hong Kong based Fund of which Lord Cromer is the chairman of the board of directors; the Company holds 11% (2021: 11%) of the fund.

The Company holds investments with a value of £1,615,000 (2021: £1,599,000) in The Far East Value Fund, an Asian collective investment fund of which Lord Cromer is one of the directors. The Company holds 8% (2021: 8%) of the fund.

20 Risk management

20.1 Financial risk management

The activities of the Group expose it to a variety of financial risks - market risk (including exchange rate, interest rate and price risks), credit risk and liquidity risk. The overall risk management programme of the Group focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the financial performance of the Group.

The Board has a formally approved statement of its Risk Appetite. The Investment Committee monitors the management of investment assets to ensure that they meet the aims and objectives set out in the statement of Risk Appetite; the investment managers report regularly to the Investment Committee to enable it to fulfil this role.

a) Market risk

The Group's primary market risk exposure is through the portfolio of collective investment funds, whose underlying assets are equities. From a solvency perspective the impact of market risk is eliminated through holding low risk investments, typically UK Government stocks and Treasury Bills, which meet solvency and current liabilities requirements. Equity risk is managed through the Investment Committee's careful selection of investment managers who have a sound track record and expertise in their chosen sector or geography. The portfolio is well diversified to protect against adverse market movements in any one segment.

The geographical equity exposure of the portfolio in collective investment equity funds at 31 December 2022 and 2021 were:

Geographical equity exposure	Number of funds	2022 (£'000)	Number of funds	2021 (£'000)
UK	5	9,077	5	30,780
Europe	–	–	1	2,988
US	6	8,864	3	4,738
Asia	5	14,709	5	18,382
Global	7	10,027	5	9,183
	23	42,677	19	66,071

The principal financial assets held at 31 December 2022 and 2021, analysed by their fair value hierarchy levels were:

		2022 (£'000)	2021 (£'000)
Level 1	Deposits with credit institutions at floating rates	16,139	25,981
	Collective investment funds – Equities	30,191	50,730
	Collective investment funds – Bond funds	–	9,984
	Collective investment funds – Money market funds	17,400	2,400
	Cash collateral	1,436	1,080
Level 2	Forward currency contracts	5	191
	Collective investment funds – Equities	12,486	15,341
Level 3	Equity	–	300
At amortised cost			
Level 1	Government issued securities	57,500	57,395
	Debt and other fixed income securities	35,524	26,161
		170,681	189,563

Government issued securities, deposits with credit institutions at fixed rates, debt and other fixed income securities, loans and receivables and trade receivables are recognised on the balance sheet at amortised cost. The fair value of trade receivables and deposits with credit institutions at fixed rates are considered to be equivalent to the amortised cost. Whilst all the investments in the portfolio are susceptible to movements in interest rates, to a greater or lesser extent, the most directly affected are the fixed income and Government issued securities. The Group has 31 (2021: 9) direct corporate bond holdings and holdings in UK Government stocks and UK Treasury Bills. These instruments are intended to be held to maturity and thus these are held at amortised cost totalling £93m within these financial statements. The estimated fair value of these instruments is £89m.

Notes to the Accounts continued

	Available for sale Unquoted equities	
	2022 (£'000)	2021 (£'000)
Reconciliation of Level 3 fair value measurements of financial assets:		
Balance at 1 January	300	3,950
Total losses recognised	(300)	(3,650)
Balance at 31 December	–	300

Fair value hierarchy

Level 1: Valued using unadjusted quoted prices in active markets for identical financial instruments. This category includes actively traded listed equity shares, money market funds, exchange-traded derivatives and UK Government stocks.

Level 2: Values are provided by the investment manager using techniques based significantly on observed market data, including net asset values. This level also includes over-the-counter derivatives.

Level 3: Valued using techniques incorporating information other than observable market data.

The level 3 equity represents a directly held equity that was listed in 2022. The equity is not actively traded on its exchange. The equity is held at fair value, based on a range of estimates and inputs including the weighted average cost of shares issued, recent market transactions and company specific information.

The underlying investments in equities, the majority of which are listed on recognised exchanges, are directly exposed to price risk, although this risk is mitigated to some extent by holding a diversified portfolio of funds.

The investment portfolio has exposure to foreign currencies through collective investment schemes invested in equities not denominated in Sterling and through holding US Dollars. Forward currency contracts were taken out during the year to hedge against the majority of this exposure. For some Asian currencies, US Dollar forward contracts were used as a proxy to hedge the exposure. The Group holds small current account bank balances in Indian Rupees, which are primarily held for working capital purposes. The Group has a regular need to purchase Rupees to meet the operating expenses of WPA World Class Service Limited.

The largest single equity market to which the Company has exposure is the UK equity market. Using the FTSE 100 as a proxy for the UK equity portfolio, if this index were to fall by 200 points, the impact on asset values would be a reduction of £240,000 (2021: £840,000). If all equity values were to fall by 5% this would reduce asset values by £2,130,000 (2021: £3,320,000).

(b) Credit risk

Credit risk is defined to be the potential for loss that can occur as a result of impairment in the creditworthiness of an issuer or counterparty or a default by an issuer or counterparty on its contractual obligations. Credit risk also extends to encompass the exposure that the Group has to third parties, in particular to customers and to providers of reinsurance in the event that they are unable to meet their obligations. All debts due to the Group are reviewed each month and full provision is made for those debts which are considered to be bad and partial provision for those considered to be doubtful, in accordance with IAS 39. Therefore, no financial instruments or debts were past due or impaired at 31 December 2022 (2021: none were past due or impaired).

Credit risk limits are intended to constrain the exposure to individual counterparties and issuers, types of counterparties and issuers, countries and types of financing collateral.

The Group assesses the creditworthiness of existing and potential customers, and institutional counterparties and determines Group-wide credit risk limits within an agreed risk framework. In addition, the Group reviews and monitors portfolio and other credit risk concentrations. Through the investment managers, the Group also performs ongoing monitoring of credit quality and investment-limit compliance to manage and mitigate credit risk. The Investment Committee sets limits on the exposure to an individual counterparty or issuer taking due account of the probability of it failing to fulfil its contractual obligations.

The Group manages its exposure to policyholder debtors through regular credit control procedures coupled with a stringent policy of holding claims payments until any overdue amounts are received from policyholders.

The largest single counterparty exposure is the UK Government stock of £57.5m. The maximum duration of UK Government stock held at amortised cost is seven years from the balance sheet date.

[Note 20 continues on opposite page...](#)

(c) Liquidity risk

Liquidity risk relates to the management of the cash flow of the Group. Since the Group has no ability to raise equity funding externally, on account of its legal structure, liquidity risks relate principally to the Group being unable to liquidate an asset in a timely manner at a reasonable price. Such risks are therefore primarily concerned with the construction of the investment portfolio. The Group has no plans to raise capital through the issuance of loan notes nor does it rely on premium income to meet the current outgoings of the business, including claims.

Due to the construction of the investment portfolio and its highly liquid nature, liquidity risk is not regarded as a significant issue. Controls are in place to ensure that the situation does not deteriorate to a position where it could become such. As at the year end the Group held sufficient liquid assets to cover current liabilities.

The following table analyses the financial liabilities of the Group, the majority of which will be settled within twelve months, with £1,359,000 of other payables settled later than twelve months (2021: £1,445,000). The amounts disclosed in the table are the contractual undiscounted cash flows, with estimates for goods and services received at the balance sheet date but not invoiced.

	2022 (£'000)	2021 (£'000)
Payables arising from direct insurance operations	5,974	5,657
Provision for outstanding claims	11,445	11,980
Other payables	10,638	8,248
	28,057	25,885

20.2 Insurance risk management

Medical insurance is short-tail business and thus the ultimate claims outcome of each year can be predicted with reasonable accuracy at the end of each accounting period. Adverse claims frequency or severity could result in short-term claims costs exceeding premium levels. Management regularly review underwriting ratios and take action as necessary to ensure that results within a financial year are aligned to the medium-term strategy of break-even across the insurance portfolio. Policies' terms and premium rates are reviewed at least annually or more frequently where performance deviates from expectations. Contracts with major hospital networks are negotiated annually and when our customers require complex medical treatment we work with the healthcare providers to ensure that our policyholders obtain value for money. The financial strength of the business does not necessitate an extensive reinsurance arrangement. The reinsurance coverage during the year was limited to two facultative policies, which is shown in these financial statements as a non-IFRS 4 insurance contract, as a result of the interdependence between the primary and reinsurance contracts.

20.3 Capital risk management

The Company is a not-for-profit organisation, which does not have to satisfy the appetite of shareholders for returns. The capital of the business is represented by the net assets of the Group of £174m as at the year end (2021: £191m).

As a consequence of its legal structure, the Group has no recourse to external capital and therefore internally generated capital is of paramount importance. There is no significant dissipation of capital through major infrastructure projects: the Group owns the freehold to its office building and expenditure on capital projects is closely controlled. There are ongoing requirements to replace and upgrade IT equipment and other assets, but the costs of these additions are met out of regular cash flow. The Group has no plans for any significant capital expenditure in the foreseeable future.

The Board receive regular management information updates on the capital position when measured against the Solvency II Standard Formula and have approved the holistic risk management approach as captured in the ORSA. As at 31 December 2022 the Group's solvency coverage against the standard formula assessment was 402% (unaudited) (2021: 369%). Further information can be found in the Solvency & Financial Condition Report on the website – wpa.org.uk.

Notes to the Accounts continued

21 Future accounting developments

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and (in some cases) had not yet been issued by the IASB:

- IFRS 9** Financial instruments – classification and measurement.
- IFRS 17** Insurance contracts.
- IAS 1** Presentation of financial statements, amendment regarding classification of liabilities as current or non-current.

IFRS 9 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The Group applies the temporary exemption from IFRS 9 Financial instruments, as defined in the amendment 'Initial Application of IFRS 17 and IFRS 9 – Comparative Information' issued by the IASB in December 2021. The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17 and is aimed at avoiding temporary accounting mismatches between financial assets and insurance contract liabilities. This amendment allows an entity to defer the implementation of IFRS 9 if its activities are predominantly connected with insurance. As a result, the Group will continue to apply IAS 39, Financial Instruments: Recognition and Measurement in its financial statements until the reporting period beginning on 1 January 2023.

The Group concluded that it qualified for the temporary exemption from IFRS 9 because its activities are predominantly connected with insurance. The Group's percentage of its gross liabilities connected with insurance relative to its total liabilities at 31 December 2015 was 99%. Liabilities connected with insurance comprise the liabilities arising from contracts within the scope of IFRS 4 for a total amount of £55.3m, liabilities from non-derivative investment contracts measured as at FVPL for a total amount of £0.3m and liabilities that arise as the insurer fulfils obligations arising from contracts within the scope of IFRS 4 and non-derivative investment contract liabilities measured at FVPL (e.g., liabilities for other payables directly associated with those obligations) for a total amount of 4.2m.

Since the balance sheet date there has been no significant change in activities of the Group that requires reassessment of the use of the temporary exemption from IFRS 9.

The Group's percentage of its gross liabilities from contracts within the scope of IFRS 4 relative to its total liabilities at 31 December 2015 was 99% which is in excess of the 90% threshold required by IFRS 4. Refer to note 22 for further detail.

In May 2017, IFRS 17 'Insurance contracts' was issued as a replacement of IFRS 4 and sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts within scope of IFRS 17.

In December 2021 the IASB issued 'Initial Application of IFRS 17 and IFRS 9 – Comparative Information' (Amendment to IFRS 17). The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. The Group has opted to apply this transition option and will apply both IFRS 17 and IFRS 9 from the reporting period starting 1 January 2023.

During 2022, software relating to IFRS 17 has been purchased which ensures we are equipped to fulfil the requirements. Senior management have increased their understanding and awareness of IFRS 17 through training and external advice. The focus has been on decisions for the key areas of judgement:

1. Out of scope contracts:

Assuming that the two contracts with associated reinsurance contracts, which were out of scope for IFRS 4, will continue to be out of scope under IFRS 17, we would not expect any material change to the figures.

2. The level of aggregation:

All the insurance business is managed in the same way, with the same pricing policies and benefits structure. Assuming we aggregate at a similar level to current reporting, we would not expect any material change to the figures.

3. Choice of accounting model:

IFRS 17 requires a current measurement model where estimates are remeasured each reporting period. An optional, simplified premium allocation approach (PAA) is permitted where contracts are of one year or less and applying the simplified approach would not differ materially from the application of the general measurement model (GMM). The Group will adopt the PAA model on the basis that it writes insurance contracts with a coverage period of one year and pays claims within six months from the date they are incurred. The PAA model is similar in nature to the Group's existing measurement basis.

4. The treatment of acquisition cashflows:

The Group anticipate taking the option to spread the acquisition cashflows over the term of the policy, this is similar in approach to the current deferred acquisition cost, therefore the treatment of fulfilment cashflows is likely to approximate to the current methodology.

5. The risk of adjustment:

The current chain ladder model for claims reserving has a 75% confidence risk margin built in, which the Group will continue to use for this purpose.

6. Transition method:

The Group will adopt the retrospective transition approach.

There is not expected to be a significant change in the measurement basis however the presentation and disclosure requirements of IFRS 17 will differ considerably compared to the current approach.

The other standards in issue but not yet effective are not expected to significantly impact the Group.

22 IFRS 9 deferral

The Group applies the temporary exemption from IFRS 9 Financial instruments, as defined in the amendment "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – IFRS 4 amendments" issued by the IASB in September 2016. This amendment allows an entity to defer the implementation of IFRS 9 if its activities are predominantly connected with insurance. In December 2021 the IASB issued 'Initial Application of IFRS 17 and IFRS 9 – Comparative Information' (Amendment to IFRS 17). As a result, the Group will continue to apply IAS 39, Financial Instruments: Recognition and Measurement in its financial statements until the reporting period beginning on 1 January 2023.

The Group performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2015.

The Group concluded that it qualified for the temporary exemption from IFRS 9 because its activities are predominantly connected with insurance. The Group's percentage of its gross liabilities connected with insurance relative to its total liabilities at 31 December 2015 was 99%. Liabilities connected with insurance comprise the liabilities arising from contracts within the scope of IFRS 4 for a total amount of £55.3m, liabilities from non-derivative investment contracts measured as at FVTPL (Fair Value through Profit and Loss) (for a total amount of £0.3m and liabilities that arise as the insurer fulfils obligations arising from contracts within the scope of IFRS 4 and non-derivative investment contract liabilities measured at FVTPL (e.g., liabilities for other payables directly associated with those obligations) for a total amount of 4.2m.

During 2022 and 2021, there has been no significant change in activities of the Company that requires reassessment of the use of the temporary exemption from IFRS 9.

The Company's percentage of its gross liabilities from contracts within the scope of IFRS 4 relative to its total liabilities at 31 December 2015 was 99% which is in excess of the 90% threshold required by IFRS 4.

The table below presents an analysis of the fair value of the classes of financial assets as at the end of the reporting period. The financial asset classes are divided into three categories:

- (i) **SPPI (Solely Payments of Principal Interest):** assets of which cash flows represent solely payments of principal and interest on an outstanding principal amount, but are not meeting the definition of held for trading in IFRS 9, or are not managed on a fair value basis; and,
- (ii) **Fair Value Option:** assets that follow the fair value option at initial recognition and carried at FVTPL (Fair Value through Profit and Loss); and,
- (iii) **Other (at FVTPL):** all financial assets other than those specified in SPPI and Fair Value Option, financial assets:
 - (a) with contractual terms that do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;
 - (b) that meet the definition of held for trading in IFRS 9; or,
 - (c) that are managed and whose performance are evaluated on a fair value basis.

Notes to the Accounts continued

	Solely Payments of Principal and Interest	Fair Value Option	Other (at FVTPL)	Total
	(£'000)	(£'000)	(£'000)	(£'000)
Fair values as at 31 December 2021				
Debt securities	83,556	–	–	83,556
Equity securities	–	–	300	300
Loans and receivables	–	–	47,658	47,658
Collective investment schemes – Equities	–	–	66,071	66,071
Collective investment schemes – Bonds	–	–	9,984	9,984
Collective investment schemes – Money market funds	–	–	2,400	2,400
Derivatives	–	–	191	191
Cash collateral	–	–	1,080	1,080
Cash and cash equivalents	–	–	31,310	31,310
Total financial assets	83,556	–	158,994	242,550
Fair values as at 31 December 2022				
Debt securities	93,024	–	–	93,024
Equity securities	–	–	–	–
Loans and receivables	–	–	56,043	56,043
Collective investment schemes – Equities	–	–	42,677	42,677
Collective investment schemes – Bonds	–	–	–	–
Collective investment schemes – Money market funds	–	–	17,400	17,400
Derivatives	–	–	5	5
Cash collateral	–	–	1,436	1,436
Cash and cash equivalents	–	–	22,070	22,070
Total financial assets	93,024	–	139,631	232,655
Change in fair value				
Debt securities	9,468	–	–	9,468
Equity securities	–	–	(300)	(300)
Loans and receivables	–	–	8,385	8,385
Collective investment schemes – Equities	–	–	(23,394)	(23,394)
Collective investment schemes – Bonds	–	–	(9,984)	(9,984)
Collective investment schemes – Money market funds	–	–	15,000	15,000
Derivatives	–	–	(186)	(186)
Cash collateral	–	–	356	356
Cash and cash equivalents	–	–	(9,240)	(9,240)
Total financial assets	9,468	–	(19,363)	(9,895)

For financial assets whose cash flows represent SPPI, excluding any financial assets that meet the definition of held for trading in IFRS 9, or that are managed and whose performance is evaluated on a fair value basis, the table below provides information on credit risk exposure (rated by Standard & Poors). The financial assets are categorised by asset class with a carrying amount measured in accordance with IAS39 measurement requirements (in the case of financial assets measured at amortised cost, before adjusting for any impairment allowances).

	Debt securities	Equity securities	Loans and receivables	Collective investment schemes – Equities	Collective investment schemes – Bonds	Collective investment schemes – Money market funds	Derivatives	Cash collateral	Cash and short-term deposits	Total
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
As at 31 December 2021										
AAA	–	–	–	–	–	2,400	–	–	–	2,400
AA	57,395	–	–	–	–	–	–	–	1,012	58,407
A	9,456	–	–	–	–	–	–	–	18,195	27,651
BBB	16,705	–	–	–	–	–	–	–	6,066	22,771
Without external rating	–	300	47,658	66,071	9,984	–	191	1,080	6,037	131,321
	83,556	300	47,658	66,071	9,984	2,400	191	1,080	31,310	242,550
As at 31 December 2022										
AAA	–	–	–	–	–	17,400	–	–	–	17,400
AA	57,500	–	–	–	–	–	–	–	1	57,501
A	14,908	–	–	–	–	–	–	–	12,544	27,452
BBB	20,616	–	–	–	–	–	–	–	6,074	26,690
Without external rating	–	–	56,043	42,677	–	–	5	1,436	3,451	103,612
	93,024	–	56,043	42,677	–	17,400	5	1,436	22,070	232,655

For assets that do not have low credit risk as determined by the Group and of which cash flows represent SPPI, excluding any financial assets that meet the definition of held for trading in IFRS 9, or that are managed and whose performance is evaluated on a fair value basis, the table below provides the credit risk exposure from the financial assets held by the Group. The financial assets are categorised by asset class with a carrying amount and fair value measured in accordance with IAS 39 measurement requirements.

As at 31 December 2022	Carrying amount (£'000)	Fair Value (£'000)
Debt securities	93,024	89,020

Our standards are high

On an annual basis we are independently audited by the BSI certification body for four internationally recognised standards. These reflect our service excellence provided to our customers, whether big global employers, medium sized businesses or the many thousands of UK individuals and families.

Quality Management : ISO 9001:2015

The internationally recognised Standard for Quality Management systems placing emphasis on achieving customer satisfaction and continual improvement.

Business Continuity Management : ISO 22301:2012

A management system to restore our ability to supply critical services to an agreed level following a disruption to service.

Environmental Management : ISO 14001:2015

The internationally recognised Standard for Environmental Management systems – one of the highest benchmarks in environmental management and best practice.

Information Security Management : ISO 27001:2013

The benchmark for protecting valuable and sensitive customer information.



Western Provident Association Limited

Rivergate House | Blackbrook Park | Taunton | Somerset | TA1 2PE
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