



# Report and Accounts 2023

---

Western Provident Association Limited

For the year ended 31 December 2023



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 2023.

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.

# Contents

---

|   |   |
|---|---|
| <b>1</b><br>Chairman's Statement  | <b>34</b><br>Independent Auditor's Report |
| <b>2</b><br>Chief Executive's Review  | <b>43</b><br>Consolidated Statements      |
| <b>3</b><br>Strategic Report <ul style="list-style-type: none"><li>- Strategy</li><li>- Review of 2023</li><li>- Board of Directors</li><li>- Principal risks and uncertainties</li><li>- WPA and Section 172 of the Companies Act 2006</li></ul> | <b>46</b><br>Parent Company Statements    |
| <b>11</b><br>Directors' Report  | <b>48</b><br>Accounting Policies          |
| <b>15</b><br>Board of Directors and<br>Principal Officers   | <b>54</b><br>Notes to the Accounts        |
| <b>19</b><br>Board of Directors<br>Attendance Register 2023   |   |
| <b>20</b><br>System of Governance   |   |
| <b>22</b><br>Corporate Governance   |   |

# Chairman's Statement



The Rt Hon The Earl  
of Cromer

2023 was a year of significant development for WPA, reflective of the changing landscape of the UK Health market in both the private sector and the NHS.

The increasing backlogs in the NHS, exacerbated by the strike activity, have driven more people to seek healthcare in the private sector.

The impact for WPA has been twofold: customer numbers have increased by over 16% reflecting strong demand for health insurance; and across the customer base we have observed a 7.4% increase in the percentage of customers making a claim in a given month.

Inevitably in a year where claimant rates have increased by 7.4% we report a loss in the financial statements. Our response to the changing market dynamics has been measured and takes a long-term view, recognising that raising premiums to meet an increased level of claims activity cannot be achieved overnight.

The increase in claims activity is not a WPA phenomenon and is reflected in the industry level data published by Healthcode which shows a 12% increase in private hospital activity. This provides confidence that the premium increases experienced by WPA customers are commensurate with those being applied across the marketplace.

Despite the increase in claims activity we have been able to preserve the high level of service that underpins our reputation for providing a market leading customer experience. My thanks go to WPA's compassionate and empathetic team for their hard work and dedication. Particular thanks go to Henry Kenyon and John Chester who retired as Non-Executive Directors during the year, both of whom have served WPA for many years with distinction.

It is the nature of insurance to provide cover in times of change and years such as this demonstrate the importance of our commitment to a rock-solid capital base that can withstand such stresses – our capital coverage is 378% of the required regulatory level.

The business plans to return to equilibrium over the course of 2024 and it has been encouraging to observe progressive improvements quarter on quarter throughout 2023.

Financial results in a discrete year are important, but far more so is remembering WPA's purpose. Our purpose today, is the same as it was a year ago and the same as it was a century ago – to enable our customers to access the best possible healthcare. With the difficulties accessing healthcare in the NHS arguably there has never been a time in living memory where our purpose has been more fulfilled.

The Rt Hon The Earl of Cromer *Chairman*  
25 March 2024



# Chief Executive's Review

---



Nathan Irwin

2023 has been a year of dynamic change within the UK private health and health insurance markets with unprecedented activity levels. The backlogs within the NHS have continued to increase and the uncertainty caused by strike activity within the public sector has caused private health cover to be a substitute rather than complementary to the care received under the NHS.

Compared with 2022 we have observed a 7.4% increase in customers making a claim in a given month, a picture that is replicated across the UK health insurance market, with Healthcode reporting a 12% increase in insured activity in UK private hospitals. Inevitably with such an increase in claims the business reports a loss for 2023.

Our response to the higher claims levels is proving effective, balancing the need to raise premiums with the objective of retaining as many customers as possible. With the absence of profit from our strategic objectives, we are taking a measured approach to premium increases. It takes time to have the required effect, but it is encouraging that the insurance deficit for the second half of 2023 represented only 25% of the overall deficit, reflecting the improving financial position and one that is expected to return to equilibrium by the end of 2024.

Despite the increased claims pressure we have been able to maintain our market leading service standards. Our compassionate and empathetic team have been brilliant at responding to our customers' needs and deserve the thanks and recognition of the industry accolades that we have been awarded. The Which? Recommended Provider for private medical insurance and excellent Trustpilot ratings endorse our reputation for treating customers as we would wish to be treated ourselves.

It is this reputation that has been key to attracting new customers and it is pleasing that during 2023 lives covered increased by over 16% to 428,000. Our strategy for organic growth has proven successful and has been key in keeping operational costs under control, with the operating cost ratio improving from 23.4% to 22.4% in a period where inflation touched double digits for several months.

The insurance activities are underpinned by a prudent capital base that is deployed in a conservative investment portfolio. The investment portfolio returned a creditable 4.1% reflective of the very low risk asset allocation.

We have made excellent progress against our strategic objectives, with the successful launch of Complete Health, a contemporary retail product that has been well received by the marketplace.

During 2023 we have also built WPA Digital Health – an innovative product that is designed for employers to provide GP, musculoskeletal and mental health support to their people, who currently do not have the benefit of private health insurance.

Overall the outlook for WPA is encouraging; the UK needs an increasingly vibrant private healthcare sector and we play an important role as the discerning Health insurer with an unwavering commitment to putting our customers first.

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

**Nathan Irwin** *Chief Executive*

25 March 2024

# 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 2023.

---

## Strategy

WPA's strategy is threefold: to stay true to our purpose and ethos by enabling our customers to access the best possible healthcare and to treat others as we would wish to be treated ourselves; to fulfil our potential by providing excellent service, sustainable pricing and contemporary products through a trusted brand; and for the insurance business to return a positive contribution in the medium-term. 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.

For the business 2023 has been dominated by the high volume of claims, a reflection of the current situation of the NHS, both its waiting lists and the general public's ability to get an appointment to see a GP. This has a direct impact on our business, firstly through increased customer numbers, as individuals and employers look for ways to support future healthcare requirements; secondly through the volume of touch points with our customers as they search for appropriate healthcare providers to cater for their needs in a timely manner; and thirdly through the increased frequency of claims as this treatment takes place. Alongside the NHS issues, it is a year which has seen the Consumer Price Inflation (CPI) start in double digits, which drives up costs and consequently prices. The Income Statement reflects a strong increase in insurance revenue, from both sales and premium increases, as well as higher claims costs seen through the insurance service expenses from the volume of claims experienced.

---

## Review of 2023

From an investment perspective the high inflationary environment has provided low-risk investment opportunities at an interest rate of 5% or above. Where our investments in government debt and corporate bonds have matured in the year we have been able to reinvest the proceeds at these higher rates of return. The returns from equities, commodities and property has been mixed and reflects the fortunes of individual areas of the economy in light of its current circumstances.

One of the significant changes in the Report & Accounts is the introduction of IFRS 17 – Insurance Contracts. It impacts both the presentation of the financial statements and disclosures as well as changing the accounting treatment of some items. This has led to a restatement of the prior year which is fully explained in note 22.

The insurance revenue of £147.9m (2022: £129.4m) for the year reflects a full year of premium from our renewing customers, in addition to premium from new lives on cover. Customer numbers have increased in all areas of our business during the year, totalling a 16% net increase in lives covered.

Insurance service expenses of £157.2m (2022: £131.5m) have increased due to the higher frequency of claims, as well as growth in customer numbers. Looking at the detail behind the insurance service expenses figure, the business continues to use the claims ratio (claims/revenue) as a key performance indicator, which has increased to 84.1% (2022: 78.5%) as a result of the increased level of claims. Our claims authorisation levels remained high at 97.2% (2022: 97.7%) of properly presented claims.

Overall operating and administrative expenses have increased from £13.7m to £15.3m. This can be attributed to an increase in new business acquisition costs and the consequent uplift in headcount and variable costs to service our higher customer numbers.

Global investment markets continued to be challenging during 2023. Inflation was at a 40 year high towards the end of 2022 but has steadily decreased during 2023, in part as a result of the higher interest rates. Fears of recession have continued to put pressure on stock markets with performance being relatively flat over the first three quarters of the year, but the markets did see an increase in the final quarter of the year.

During the year we have reduced our exposure to equities and increased our investment in Gilts, in order to take advantage of the high interest rates available on government bonds, which are low risk and reduce volatility in the investment return.

The investment return for the year was 4.1%, marginally lower than our target return of CPI, which was 4.4%. 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, 2023 has produced an insurance service loss for the year of £9.4m whilst the investment portfolio has returned £7.2m, with other income and expenditure creating an overall loss of £11.2m before tax. The business remains well capitalised with a Solvency Capital Requirement coverage ratio of 378% – unaudited (2022: 402% – unaudited). The decrease in coverage is primarily as a result of expected growth in premiums year-on-year. The total available capital is £156.3m – unaudited (2022: £162.4m – unaudited).

# Strategic Report continued

## Review of 2023 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:

#### Earned Premiums

**£147.9m** (2022: £130.0m)

#### Combined operating ratio

**111.9%** (2022: 108.4%)

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

#### Solvency II SCR coverage (unaudited)

**3.8** (2022: 4.0)

Available regulatory capital divided by standard formula assessment.

#### Net investment return

**4.1%** (2022: -4.4%)

Return as a percentage of financial assets.

#### Claims authorised

**97.2%** (2022: 97.7%)

Percentage of properly presented claims authorised.

#### Customer Numbers

**427,786** (2022: 370,038)

#### Claims Ratio

**84.1%** (2022: 78.5%)

Ratio of net insurance claims to net insurance premium.

#### Insurance service result

**-£9.4m** (2022: -£2.1m)

Insurance revenue less insurance service expense

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 key areas which will have the most impact in future, and therefore focus areas for the business, are the UK economy and healthcare market.

For the insurance and administration parts of the business the threat of recession and political change provide a backdrop of instability against which to make decisions. The plan for the business is a return to equilibrium, in line with our objective of breaking even on the insurance business over the medium-term. For the coming year this strategy will be supported by the investment portfolio, which has been structured to take advantage of the higher interest rates provided by UK Government debt and high quality corporate bonds.

---

## Future outlook continued

This plan recognises our strong service quality and provides for continued modest growth in customer numbers, as employers work to retain staff through good benefit packages which include private medical insurance. The long NHS waiting lists and constraints around NHS GPs, dentists and therapists, mean that individuals increasingly see private healthcare as a necessity, rather than a luxury.

Changes to healthcare markets, particularly improvements in the NHS, are likely to be driven by political change and could have a significant impact on our business in the short- and medium-term. The impact will be on sales and premiums or claims depending upon the action taken. Inflation and interest rate changes are likely to provide opportunities in the medium-term and the investment portfolio is considered as part of the day-to-day operations of the business.

The UK is currently experiencing relatively high inflation levels. This provides the business with both opportunities and threats. The former is the increased return that Government instruments and corporate bonds can generate; whilst the latter is that business costs are increasing, most specifically employment costs. Ultimately this will be balanced by ensuring that the product pricing is appropriate.

Overall, the Board is positive about 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 15 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.

# Strategic Report continued

---

## Principal risks and uncertainties continued

### 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. Where appropriate 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.

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. Our business continuity plans include home working capability together with 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, by diversifying investments across a number of counterparties and by only investing in investment grade credit.

**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 which is an accepted risk and is not significant in the context of the wider group.

**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.

---

## Principal risks and uncertainties continued

### **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 through 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 company no longer has any material pension risk following the purchase of an annuity buy-in to secure the Scheme benefits in February 2024. The residual risk within the pension scheme is the credit risk of the insurer however as a UK insurer they are subject to stringent solvency requirements meaning the credit risk is low.

### **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. By 2026 we aim to reduce our scope 1 and 2 emissions by 50%. This is an important business goal, as well as being the right thing to do, and 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.

## Strategic Report continued

---

### Going concern

The Directors have carried out an evaluation of going concern including assessing whether the company is expected to be able to meet its obligations as they fall due and comply with its regulatory capital requirements over a period of at least 12 months from the date of signing these financial statements. This assessment has concluded 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.

The evaluation considered the strength of the Group's balance sheet, noting that the Group has demonstrable liquid resources of £134m (2022: £143.3m) in excess of liability requirements and that the regulatory solvency coverage stood at 378% – unaudited (2022: 402% – 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

In February 2024 the Trustees of the WPA defined benefit pension scheme (the 'Scheme'), for which the Group is the sponsoring employer, purchased an annuity buy-in with an insurance company for all the liabilities in the Scheme for an initial cost of £28.1m. It is not currently possible to quantify the resulting surplus in the Scheme as although the initial price for the annuity buy-in has been agreed there is a requirement for data cleansing, including GMP equalisation which will alter the final cost of the annuity.

Other than above 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 users to 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 9.9 years. We recognise that the strength of the Group is in the employees and by fostering closer teamwork we can continually improve the business. An external third party company was engaged to carry out a Group staff survey, the results of this recognise WPA as a very good place to work evidenced by a Net Promoter Score of 33. 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% (2022: 82.8%) of invoices within 30 days. The approval of any material business relationship is a matter reserved for the Board.

### Key Decisions

As with 2022, the key business decisions in 2023 were determining the level at which premiums are increased to cover the increase in level of claims and costs.

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*  
25 March 2024

# 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 liability insurance on behalf of the Directors and Officers. 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 2023 no political donations were made, or expenditure incurred (2022: none).

---

## 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. The Company meetings cover updates on 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 34% of the workforce have chosen to utilise part-time working and overall, 44% of the workforce have taken advantage of flexible hours arrangements.

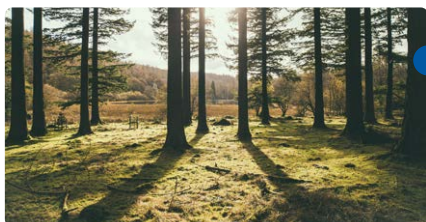
---

## 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 continued through to 2023 which continued to 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, 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. WPA is also independently certified by the British Standards Institute to ISO14001, the Environmental Management Standard which provides a framework for setting the organisation's environmental objectives and commitment to continual improvement. This includes a commitment to the prevention of pollution locally, regionally and globally.

WPA has specific environmental objectives and targets which include maintaining energy consumption of electricity to no more than the average of the previous two years, taking into consideration seasonal trends; reducing the usage of paper and waste production by at least 1% each year; purchasing at least 85% of paper from responsible sources; reducing CO2 emissions from electricity and pool cars by at least 1% per year; and maintaining the ISO 14001 Environmental Management Standard.



To meet these objectives and targets there are a number of projects – completed last year, on-going and in the near future. These projects include the installation of energy efficient boilers; upgrading office lighting with the latest LED lamp technology; ensuring all company cars are fully electric or hybrid, with a lease scheme available for staff on the same basis; and recently the approval to install solar panels at the main office and business continuity sites.

In line with the streamlined energy and carbon reporting requirements, energy usage and emissions of the Company during the year have been included in the table below. The emissions have been calculated using the emission factors from the UK Government's GHG conversion factors for Company reporting.

|   | 2023    |                             | 2022    |                             |
|---|---------|-----------------------------|---------|-----------------------------|
|   | KWh     | C02e                        | KWh     | C02e                        |
| Gas                                       | 513,317 | 87.3                        | 590,039 | 98.3                        |
| Electricity                               | 717,291 | 148.5                       | 745,102 | 144.1                       |
| Business travel                           | n/a     | 20.7                        | n/a     | 27.8                        |
| Intensity ratio 'tonnes per £m of income' | n/a     | 2.08tC02e per £1m of income | n/a     | 1.61tC02e per £1m of income |



Included with Electricity is the recharging of electric and plug-in hybrid vehicles. Electric and hybrid (plug-in and non-plug-in) vehicles make up 89% of the WPA vehicle fleet (2022: 73%).

## 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 2023 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

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. During 2022 the Group ran an external audit tender. For the audit of the 2024 Report & Accounts the proposed Group auditors will be PwC LLP.

A resolution to appoint PwC LLP as auditor to the Group will be proposed at the Annual General Meeting.

---

## 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 International Accounting Standards as adopted by the UK. 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.

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*

25 March 2024

## Board of Directors and Principal Officers

---

### Non-Executive Chairman



**The Rt Hon The Earl of Cromer**

Aged 77

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.

---

### Independent Non-Executive



**John Pugh FCA Senior Non-Executive**

Aged 73

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 65

Andy was appointed to the Board in April 2022 having previously been the Chief Executive of The Exeter for the previous 16 years 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.



**Jasper Gill FRCS MBA Chief Medical Officer**

Aged 50

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 73

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 66

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 has experience of Actuarial Committees both in the UK and overseas.

---

## Independent Non-Executive continued



**Anne Obey** *OBE FCA*

Aged 61

Anne was appointed to the Board in October 2020 and Chair of the Audit Committee in 2023. 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.



**Camilla Pierrepont**

Aged 42

Camilla was appointed to the Board in June 2023. Camilla is the Chief Strategy Officer and Head of Investor Relations at Taylor Maritime and has over 20 years' experience in various strategy and investment roles.

---

## Chief Executive



**Nathan Irwin** *FCA*

Aged 44

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 61

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.



**Brian Goodman** *BSc (Hons) Corporate*

Aged 61

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.



**James Searle** *Chief Operating Officer*

Aged 46

Jim joined the Board in May 2023, Jim has been at WPA for 7 years, first as Chief Information Officer and then, for the last 3 years, as Chief Operating Officer. Previously, Jim was a partner at the consultancy company Control Risks and, before that, an officer in the Army.

## Board of Directors and Principal Officers continued

### Executive Directors continued



**Mark Southern** *Sales and Marketing Director*

Aged 46

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.

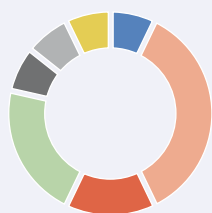


**Peter Venables** *FCA Chief Risk Officer*

Aged 41

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
- IT
- Legal
- Medical

### Director and Principal Officer Position Changes

John Chester retired from the Board on 29 March 2023.

James Searle was appointed as an Executive Director on 11 May 2023.

Camilla Pierrepoint was appointed as an independent Non-Executive Director on 27 June 2023.

Henry Kenyon retired from the Board on 1 January 2024.

### Board Changes

There were no other changes to the composition of the Board during 2023 and up to the date of signing.

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 54

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.

### Company Secretary



**Kimberley Bell** *LLB (Hons)*

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

---

Directors and Officers of  
subsidiaries not listed above

**Theresa Attree *Cert CII***  
**Jenna Bishop *Cert CII***  
**Jeremy Blackman *Cert CII***  
**Neil Davidson *ACMA, CMIIA***  
**Deborah Goodman *FCCA***  
**Neville Kavarana *MBA***  
**Russell Moore**  
**Lakshmi Seelam**  
**Denize Spierenburg *Cert CII***  
**Ruth Tancock *Cert CII***  
**Katy Trowell *Cert CII***  
**Ellis Turley *Cert CII***

---

Chief Actuary

**Donna Eavis *FCMA***

---

Statutory Auditor

**Deloitte LLP**

---

Bankers

**National Westminster Bank Plc**

---

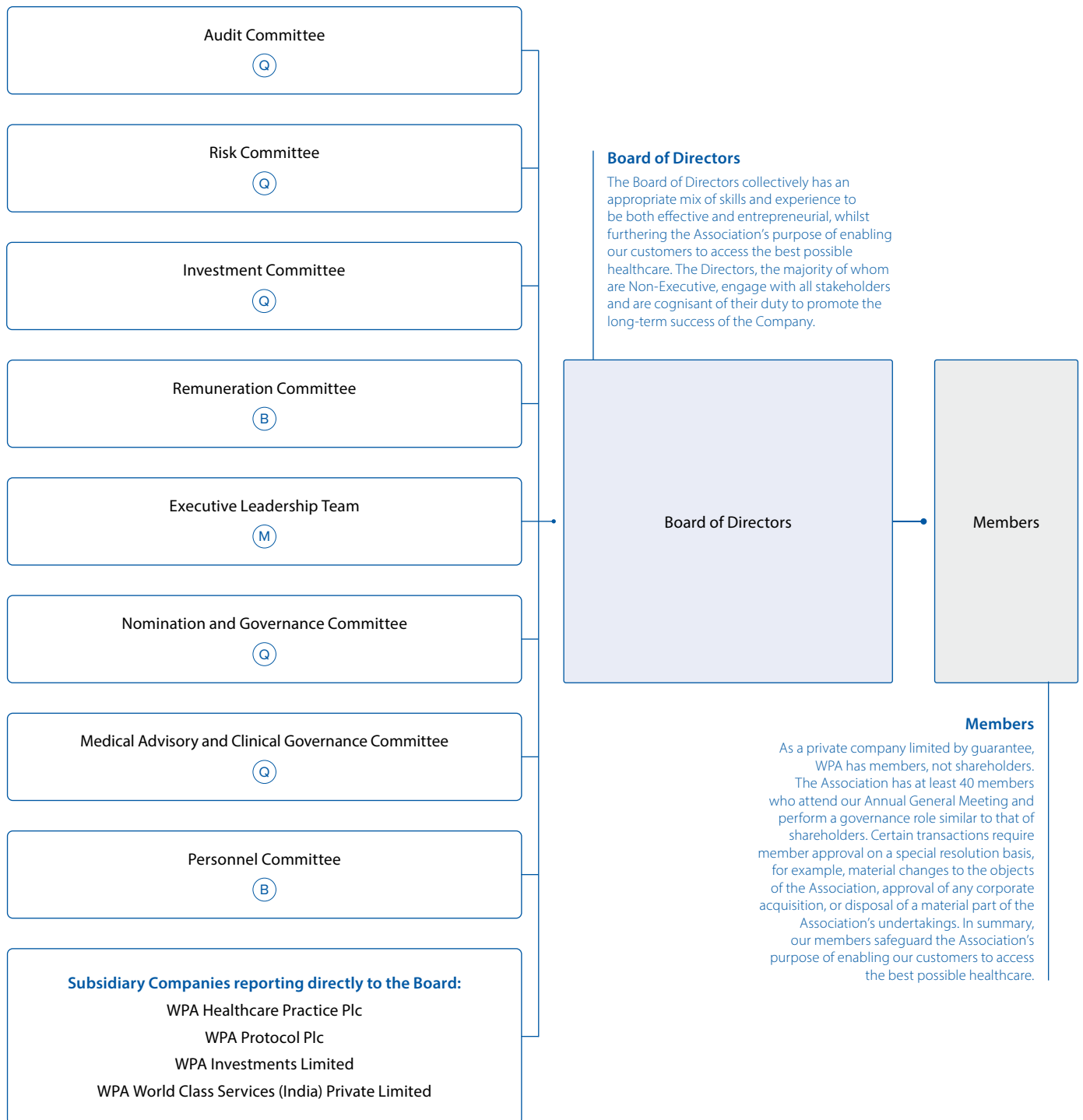
Committee Members

For Committee composition, please see the relevant Committee within the Corporate Governance section from page 22 onwards.

## Board of Directors Attendance Register 2023

|  | Board excluding AGM | Audit  | Risk   | Remuneration | Nomination and Governance |
|--|---------------------|--------|--------|--------------|---------------------------|
| <b>Executive</b>                               |                     |        |        |              |                           |
| Nathan Irwin                                   | 6 of 6              | –      | –      | 2 of 2       | 4 of 4                    |
| Rod Bramston                                   | 6 of 6              | –      | –      | –            | –                         |
| Brian Goodman                                  | 6 of 6              | –      | –      | –            | –                         |
| James Searle<br>(appointed 11 May 2023)        | 4 of 4              | –      | –      | –            | –                         |
| Mark Southern                                  | 6 of 6              | –      | –      | –            | –                         |
| Peter Venables                                 | 6 of 6              | –      | –      | –            | –                         |
| <b>Non-Executive</b>                           |                     |        |        |              |                           |
| Lord Cromer                                    | 6 of 6              | –      | –      | 2 of 2       | 4 of 4                    |
| Andy Chapman                                   | 6 of 6              | –      | –      | 2 of 2       | –                         |
| John Chester<br>(resigned 29 March 2023)       | 2 of 2              | –      | –      | –            | –                         |
| Jasper Gill                                    | 6 of 6              | –      | –      | 2 of 2       | 4 of 4                    |
| Rosalind Johnson                               | 6 of 6              | –      | 4 of 4 | –            | –                         |
| Henry Kenyon                                   | 6 of 6              | –      | –      | 2 of 2       | 4 of 4                    |
| Rob Lee  | 6 of 6              | 4 of 4 | 4 of 4 | –            | –                         |
| Anne Obey                                      | 6 of 6              | 4 of 4 | 4 of 4 | 1 of 1       | –                         |
| Camilla Pierrepont<br>(appointed 27 June 2023) | 3 of 3              | 2 of 2 | –      | –            | –                         |
| John Pugh                                      | 6 of 6              | 4 of 4 | 4 of 4 | 2 of 2       | 4 of 4                    |

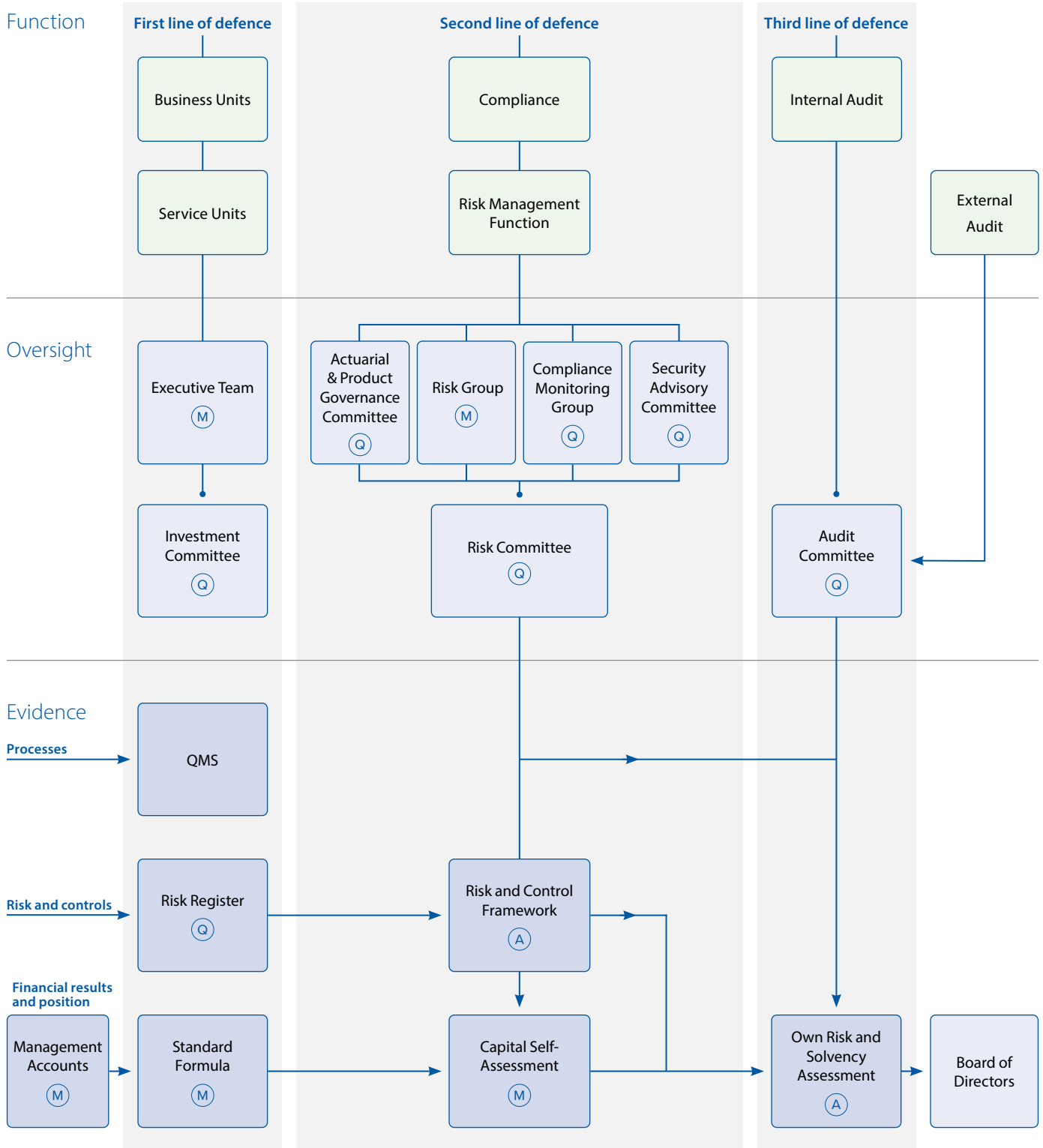
# System of Governance



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

# 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 Board notes the FRC has recently released the UK Corporate Governance Code 2024 and intends to review in 2024.

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 the two Non-Executive Directors that are members of the defined benefit 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. The Board considers a mix of tenure aids the effectiveness of the Board.

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 2023:

- Whilst all meetings have been held in person, the Board retained the flexibility to meet virtually when required as permitted under the Association's Articles of Association. The ability to meet virtually also extends to the various Advisory Committees as required.
- 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 20. 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 external 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.

In the subsequent years, the Board has conducted internal effectiveness reviews of both the Board and the Advisory Committees.

---

## Audit Committee

**Anne Obey *OBE FCA*** *Chair (from September 2023)*

**John Pugh *FCA*** *Chair (until September 2023)*

**Robert Lee *MA FIA***

**Camilla Pierrepont**

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 regularly meet privately with the internal and external auditors and have informal meetings with Senior and Executive Management throughout the course of the year. The Committee members ensure that an independent and professional relationship is maintained with the auditors.

The Audit Committee's remit extends across the WPA Group and includes 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 with recommendations noted and completed within the year. Recommendations included the production of a detailed, annual compliance review against the Committee's Statement of Principles; and additional, informal meetings to be scheduled to ensure the Committee members remained up-to-date with IFRS 17 and other relevant projects.

### **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 to the Board regarding approval of the Annual Report and Accounts and the Solvency and Financial

## Corporate Governance continued

---

### Audit Committee continued

Condition Report (SFCR), following the Committee's detailed review of both reports. The 2024 SFCR will be audited by PricewaterhouseCoopers LLP. The SFCR is published on the WPA website.

The Audit Committee reviews the annual financial statements before submission to the Board 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 Committee discusses reports provided by the external auditor to ensure that there are no material unresolved issues which could affect the truth and fairness of the financial statements.

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, as well as reviewing the outturn of claims from the previous year at points throughout the year to assess whether changes to methodologies or processes may be required.

In addition to the work outlined above, the Audit Committee oversaw the full implementation of IFRS 17 (Insurance Contracts) and IFRS 9 (Financial Instruments) within the 2023 Report & Accounts. The Committee is satisfied that the methodology and disclosures adopted by Management are appropriate.

#### Internal Audit

The Audit Committee monitors the effectiveness of, and reviews the results of work carried out by, the internal audit function for the WPA Group. The internal audit function was brought in-house at the beginning of 2023, with a new Head of Internal Audit appointed in quarter 1 and the team fully resourced within the year.

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

During 2023 internal audits covered claims, implementation of new requirements under the Consumer Duty regulation, operational resilience, distribution activities and aspects of regulatory compliance, cyber security and business continuity. There were no pervasive issues identified in any of the reports.

The Committee is satisfied that the internal audit work undertaken 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

---

## Audit Committee continued

taking into account relevant law, regulation and the Financial Reporting Council's Ethical Standard for Auditors. 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 satisfy itself that the proposed services do not impair the external auditor's objectivity or independence.

The only non-audit service undertaken during 2023 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.

During 2022 the Committee carried out an external audit tender, as required by regulation. The Committee has recommended to the Board that a resolution be put before the members of the Association at the Annual General Meeting to consider the appointment of PricewaterhouseCoopers LLP as statutory auditor for the 2024 Report & Accounts.

The Committee holds a formal private meeting at least once a year with the internal and external auditors.

In summary, for 2023 the Committee recommended, and the Board was satisfied that both the internal and external auditors were effective.

---

## Risk Committee

**Robert Lee** *MA FIA Chair*

**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; 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/Head of Compliance, and separately with the Actuarial Function Holder.

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 Regulatory Compliance Group, the Distribution Monitoring Group, the Risk Group, 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 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 2023. 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 alongside compliance with the regulatory requirements for operational resilience.

For 2023, 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** *Chair*  
**Nathan Irwin FCA**  
**The Rt Hon The Earl of Cromer**  
**Donna Eavis FCMA**  
**Henry Kenyon FCA**  
**Andrew Pye FCCA**

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

The Medical Advisory and Clinical Governance Committee is made up of consultants and specialists who provide 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** *Chair*

**Jasper Gill** *FRCS MBA*

**Nathan Irwin** *FCA*

**Henry Kenyon** *FCA (retired on 01 January 2024)*

**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.

During 2023, 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.

At the General Meeting, which was held with members in attendance and via proxy through the Chairman, sixteen members were re-appointed in accordance with the retirement provisions of the Articles of Association, and five additional members were appointed. There is a requirement for a minimum number of 40 members and with the changes in composition throughout 2023, the current number is 52.

### 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 2023, with the exception of James Searle who was appointed on 11 May 2023 and Camilla Pierrepont who was appointed on 27 June 2023.

In addition, John Chester retired from the Board on 29 March 2023. The Company recognises, with thanks, the years of service John gave in both his roles as the former Chief Medical Officer of the Company and as a Non-Executive Director.

Henry Kenyon retired from the Board on 1 January 2024. During his time at WPA, Henry undertook the roles of Deputy Chairman, Chair of the Remuneration Committee and Chairman of the Group's health insurance intermediary, WPA Healthcare Practice Plc. The Company would like to thank Henry for his years of service.

### **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 2023:

- An additional advisor joined the Medical Advisory and Clinical Governance Committee, to bolster the skills, knowledge and experience on medical matters.
- Anne Obey was appointed as Chair of the Audit Committee from September, with Camilla Pierrepont also joining the Audit Committee.
- Andy Chapman joined the Remuneration Committee and became chair in January 2024.

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 2023 there were 353 employees: 68% female and 32% male. Management comprising Executive Directors, including the Executive Team and Senior Managers, are split 51% female and 49% 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 (Terms of Reference) for 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 has identified two future potential candidates.

The composition of the Medical Advisory and Clinical Governance Committee (MACGC) was enhanced with an additional member and the MACGC are delighted to welcome a new member covering general practice.

### **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 Chair (until 01 January 2024)*

**Andy Chapman** *Chair (from 01 January 2024)*

**The Rt Hon The Earl of Cromer**

**Jasper Gill** *FRCS MBA*

**Anne Obey** *OBE FCA*

**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 Chair of the Committee. Throughout the year, the Committee was chaired by Henry Kenyon, who served on the Remuneration Committee for more than 12 months before his appointment. Henry Kenyon retired on 01 January 2024, and Andy Chapman was appointed as Chair of the Remuneration Committee, having served as a member of the Committee since January 2023.

During 2023, the Committee met on two 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 2023. A 5% increase on the first £50,000 of earnings, was applied to all employees in April 2023. 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 along with the menopause policy were kept under review. The Health & Wellbeing hub content is continually enhanced to increase wellbeing at work through signposting.

A salary sacrifice car scheme is available to all employees with two or more years' service.

## Corporate Governance continued

---

### Remuneration Committee continued

The scheme gives colleagues access to fully electric and plug-in vehicles with less than 75 g/km CO<sub>2</sub>.

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 Chair*

**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 2023.

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 ongoing 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 is 'very good' with a score of 33. To put the figures into context a score between 20 to 40 is very good. 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 2023 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;
- 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 material accounting policy information; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, for the Company financial statements, 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 matter

The key audit matter that we identified in the current year was:

- IFRS 17 Transition – Level of Aggregation

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

 Newly identified

#### Materiality

The materiality that we used for the Group financial statements was £1.8m (2022: £1.5m) which was determined on the basis of 1.2% of insurance revenue (2022: 1.1% of premium receivable).

# Independent Auditor's Report continued

---

## 3. Summary of our audit approach continued

---

### Scoping

Our Group audit included the audit of trading subsidiaries in the United Kingdom, covering 99% (2022: 99%) of Group revenue, 99% (2022: 99%) of Group profit before tax and 99% (2022: 99%) of Group net assets. The audit of trading subsidiaries was performed by the Group audit engagement team.

### Significant changes in our approach

Due to the implementation of IFRS 17 from 1 January 2023, we have changed the basis of how we determine materiality to insurance revenue under IFRS 17, rather than premium receivable under IFRS 4.

In 2022, we identified a key audit matter relating to the valuation of insurance claims liabilities; the reserve is no longer materially sensitive to the development factor assumption which was the focus of the key audit matter and, therefore, it has been removed for the 2023 year-end audit.

---

## 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 IFRS 17 Transition – Level of Aggregation

---

### Key audit matter description

IFRS 17 'Insurance Contracts' became effective from 1 January 2023, replacing IFRS 4 'Insurance Contracts'. The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts which are significantly different to those required under IFRS 4.

As a result, comparative financial information has been restated from 1 January 2022, with the fully retrospective adoption of IFRS 17 resulting in a decrease in net assets by £4.8m upon transition. The standard is complex and has required significant management judgement and interpretation in its application.

The transition to IFRS 17 is considered a key audit matter due to the pervasive financial reporting impact and the significant judgements made by management in its application. This has had a corresponding impact on audit effort. The key accounting judgement, as identified in accounting policy III (b) on page 53, is regarding the level of aggregation at the portfolio level. A portfolio comprises of insurance contracts subject to similar risks and managed together. Disclosures are required at the portfolio level and therefore this judgement has a significant impact on the presentation of the notes that accompany the financial statements. Management have concluded that contracts should be aggregated into one portfolio, being health insurance, as they are subject the same principal risks and managed together.

This key audit matter is discussed in the Audit Committee's report, on page 25, and in the accounting policies to the financial statements.

---

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

We performed the following audit procedures for the purposes of understanding and challenging key judgements and assumptions. Our key procedures performed to address the key audit matter included the following:

- Assessed management's accounting policy and methodology papers for compliance with the standard, involving our IFRS 17 accounting specialists where required.
- Obtained an understanding of the relevant controls implemented for both the restated balances and business processes impacted by the transition to IFRS 17.
- Performed incremental audit procedures over the restated comparative figures under IFRS 17.
- Inspected contract terms and management information to assess the application of level of aggregation requirements to the insurance contracts issued by the Group, including the risks associated with different products and how these are managed.
- Evaluated the revised financial statement disclosures against the requirements of IFRS 17.

---

### Key observations

We considered the IFRS 17 level of aggregation adopted to be reasonable and in compliance with the standard.

# Independent Auditor's Report continued

## 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  |
|--|--|--|
| <b>Materiality</b>                         | £1.8m (2022: £1.5m)  | £1.7m (2022: £1.4m)  |
| <b>Basis for determining materiality</b>   | 1.2% of insurance revenue (2022: 1.1% of premium receivable)   | 1.2% of insurance revenue (2022: 1.1% of premium receivable), capped at 95% of Group materiality |
| <b>Rationale for the benchmark applied</b> | 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           |
|--|---|---|
| <b>Performance materiality</b>                                     | 70% (2022: 70%) of Group materiality  | 70% (2022: 70%) of Parent Company materiality |
| <b>Basis and rationale for determining performance materiality</b> | <p>In determining performance materiality, we considered the following factors:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• The nature, volume and size of misstatements in the previous audit.</li> </ul> |   |

### 6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £90k (2022: £75k), 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.

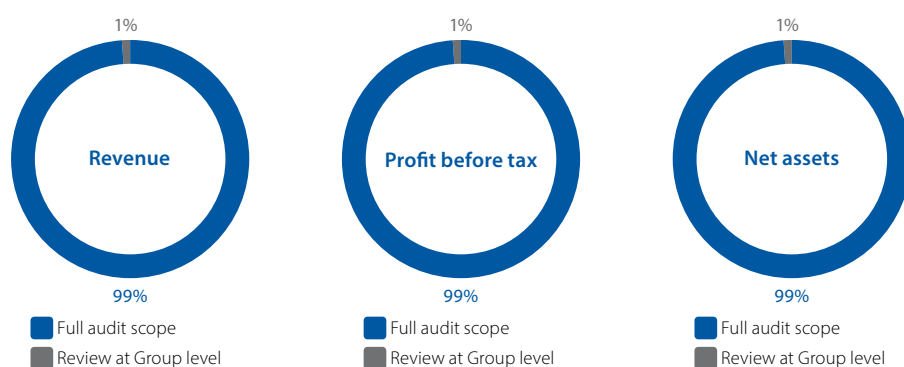
## 7. An overview of the scope of our audit

### 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 UK 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 £58k to £1.7m (2022: £68k to £1.4m). Our Group audit included the audit of trading subsidiaries in the United Kingdom, covering 99% of Group revenue (2022: 99%), 99% of Group profit before tax (2022: 99%) and 99% of Group net assets (2022: 99%). The Group Engagement Partner is also the engagement 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.



### 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 obtained an understanding of relevant IT controls and worked with our IT specialists to test the general IT controls (GITC's). We were able to rely on GITC's over the general ledger system. Furthermore, we obtained an understanding of relevant controls around IFRS 17 transition, insurance revenue, claims expense, commission expense, and claim reserves, administration income, and 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 8 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.

# Independent Auditor's Report continued

---

## 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](http://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 that are 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 assets advisory, 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.

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.

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 did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

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 and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

# Independent Auditor's Report continued

---

## 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 11 years, covering the years ending 31 December 2013 to 31 December 2023.

### 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

25 March 2024

# Consolidated Statements

| <b>Consolidated Income Statement for the year ended 31 December</b> | <b>Note</b> | <b>2023</b>     | <b>2022</b>          |
|---|-------------|-----------------|----------------------|
|   |             | (£'000)         | Restated*<br>(£'000) |
| Insurance revenue   | 1           | 147,868         | 129,424              |
| Insurance service expenses  | 1           | (157,248)       | (131,515)            |
| <b>Insurance service result</b>                                     |             | <b>(9,380)</b>  | <b>(2,091)</b>       |
| Administration income   | 2           | 6,327           | 4,561                |
| Net investment income   | 3           | 7,195           | (7,257)              |
| <b>Net insurance, Administration and investment result</b>          |             | <b>4,142</b>    | <b>(4,787)</b>       |
| Other operating and administrative expenses                         | 4(a)        | (15,268)        | (13,775)             |
| Investment management expense                                       |             | (38)            | (33)                 |
| Corporate Social Responsibility donations                           | 4(b)        | (10)            | (11)                 |
| <b>Loss before income tax</b>                                       |             | <b>(11,175)</b> | <b>(18,606)</b>      |
| Income tax  | 6           | 3,000           | 4,528                |
| <b>Loss for the year</b>  |             | <b>(8,175)</b>  | <b>(14,078)</b>      |

| <b>Consolidated Statement of Comprehensive Income for the year ended 31 December</b> | <b>Note</b> | <b>2023</b>    | <b>2022</b>          |
|--|-------------|----------------|----------------------|
|  |             | (£'000)        | Restated*<br>(£'000) |
| <b>Loss for the financial year</b>   |             | <b>(8,175)</b> | <b>(14,078)</b>      |
| Remeasurements of post-employment benefit obligations, net of tax                    | 17          | (1,000)        | (3,016)              |
| Currency translation differences, net of tax   |             | (38)           | (85)                 |
| <b>Total comprehensive income for the year</b>                                       |             | <b>(9,213)</b> | <b>(17,179)</b>      |

\*Full details of the restatement are included in note 24 – prior year restatement

## Consolidated Statement of Financial Position

|                                     |      | 31-Dec<br>2023 | 31-Dec<br>2022<br>Restated* | 01-Jan<br>2022<br>Restated* |
|-------------------------------------|------|----------------|-----------------------------|-----------------------------|
|                                     | Note | (£'000)        | (£'000)                     | (£'000)                     |
| <b>Assets</b>                       |      |                |                             |                             |
| <b>Non-current assets</b>           |      |                |                             |                             |
| Post-employment benefits            | 17   | 8,997          | 10,538                      | 14,931                      |
| Deferred tax                        | 7    | 7,996          | 4,524                       | -                           |
| Intangible assets                   | 9    | 1,481          | 1,067                       | 545                         |
| Property, plant and equipment       | 10   | 4,505          | 4,956                       | 5,376                       |
| Investment property                 | 11   | 2,762          | 3,169                       | 3,332                       |
| Financial assets                    | 12   | 166,186        | 170,681                     | 189,563                     |
|                                     |      | <u>191,927</u> | <u>194,935</u>              | <u>213,747</u>              |
| <b>Current assets</b>               |      |                |                             |                             |
| Corporation tax recoverable         |      | 169            | 578                         | 668                         |
| Other receivables                   |      | 739            | 1,651                       | 180                         |
| Prepayments and accrued income      |      | 1,447          | 1,405                       | 1,331                       |
| Cash and cash equivalents           |      | 5,806          | 5,931                       | 5,329                       |
|                                     |      | <u>8,161</u>   | <u>9,565</u>                | <u>7,508</u>                |
| <b>Total assets</b>                 |      | <b>200,088</b> | <b>204,500</b>              | <b>221,255</b>              |
| <b>Equity and liabilities</b>       |      |                |                             |                             |
| <b>Equity</b>                       |      |                |                             |                             |
| Reserves                            |      | 159,596        | 168,809                     | 185,988                     |
| <b>Non-current liabilities</b>      |      |                |                             |                             |
| Post-employment benefits            | 17   | 144            | 406                         | 628                         |
| Derivative financial instruments    |      | 12             | 146                         | 901                         |
| Deferred tax                        | 7    | -              | -                           | 1,111                       |
|                                     |      | <u>156</u>     | <u>552</u>                  | <u>2,640</u>                |
| <b>Current liabilities</b>          |      |                |                             |                             |
| Insurance contract liabilities      | 2    | 33,912         | 28,921                      | 28,423                      |
| Other payables                      |      | 6,424          | 6,218                       | 4,204                       |
| Current tax liabilities             |      | -              | -                           | -                           |
|                                     |      | <u>40,336</u>  | <u>35,139</u>               | <u>32,627</u>               |
| <b>Total equity and liabilities</b> |      | <b>200,088</b> | <b>204,500</b>              | <b>221,255</b>              |

\*Full details of the restatement are included in note 24 – prior year restatement

## Consolidated Statements continued

| <b>Consolidated Statement of Changes in Equity<br/>for the year ended 31 December 2023</b> | <b>Note</b> | <b>Retained<br/>earnings</b> | <b>Currency<br/>translation<br/>differences</b> | <b>Reserves</b> |
|--|-------------|------------------------------|---|-----------------|
|  |             | (£'000)                      | (£'000)   | (£'000)         |
| <b>At 1 January 2022 as originally stated</b>  |             | 190,916                      | (147)   | 190,769         |
| Restatement  |             | (4,781)                      | –   | (4,781)         |
| <b>At 1 January 2022 as restated</b>   |             | 186,135                      | (147)   | 185,988         |
| Restated loss for the year   |             | (14,078)                     | –   | (14,078)        |
| <b>Other comprehensive income</b>  |             |                              |   |                 |
| – Post-employment actuarial loss, net of tax   | 17          | (3,016)                      | –   | (3,016)         |
| – Currency translation differences, net of tax   |             | –                            | (85)  | (85)            |
| <b>At 31 December 2022</b>   |             | 169,041                      | (232)   | 168,809         |
| Loss for the year  | II(a)       | (8,175)                      | –   | (8,175)         |
| Other comprehensive income   |             |                              |   |                 |
| – Post-employment actuarial loss, net of tax   | 17          | (1,000)                      | –   | (1,000)         |
| – Currency translation differences, net of tax   |             | –                            | (38)  | (38)            |
| <b>At 31 December 2023</b>   |             | <b>159,866</b>               | <b>(270)</b>                                    | <b>159,596</b>  |

| <b>Consolidated Statement of Cash Flows for the year ended 31 December 2023</b> | <b>Note</b> | <b>2023 (£'000)</b> | <b>2022 (£'000)<br/>Restated</b> |
|---|-------------|---------------------|----------------------------------|
| <b>Cash flows from operating activities</b>                                     |             |                     |                                  |
| Cash used by operations   | 14          | (6,755)             | (6,874)                          |
| Net tax paid  |             | (51)                | (266)                            |
| Net tax recovered   |             | 413                 | 328                              |
| Purchase of financial assets  |             | (129,444)           | (106,493)                        |
| Receipts from financial assets  |             | 137,316             | 115,591                          |
| <b>Net cash from operating activities</b>                                       |             | <b>1,479</b>        | <b>2,286</b>                     |
| <b>Cash flows from investing activities</b>                                     |             |                     |                                  |
| Purchase of intangible assets   |             | (706)               | (996)                            |
| Purchases of property, plant and equipment                                      |             | (636)               | (487)                            |
| Proceeds from sales of property, plant and equipment                            |             | –                   | 66                               |
| <b>Net cash used in investing activities</b>                                    |             | <b>(1,342)</b>      | <b>(1,417)</b>                   |
| <b>Cash flows from financing activities</b>                                     |             |                     |                                  |
| Payment of lease liabilities  |             | (224)               | (143)                            |
| Payment of interest on lease liabilities  |             | –                   | (39)                             |
| <b>Net cash used in financing activities</b>                                    |             | <b>(224)</b>        | <b>(182)</b>                     |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                     |             | <b>(87)</b>         | <b>687</b>                       |
| Cash and cash equivalents at beginning of year                                  |             | 5,931               | 5,329                            |
| Currency translation differences  |             | (38)                | (85)                             |
| <b>Cash and cash equivalents at end of year</b>                                 |             | <b>5,806</b>        | <b>5,931</b>                     |

# Parent Company Statements

| Parent Company Statement of Financial Position | Note | 31-Dec<br>2023<br>(£'000) | 31-Dec<br>2022<br>Restated*<br>(£'000) | 01-Jan<br>2022<br>Restated*<br>(£'000) |
|--|------|---------------------------|--|--|
| <b>Assets</b>                                  |      |                           |  |  |
| <b>Non-current assets</b>                      |      |                           |  |  |
| Post-employment benefits                       | 17   | 8,997                     | 10,538                                 | 14,931                                 |
| Deferred Tax                                   | 7    | 7,996                     | 4,524                                  | -                                      |
| Investments in Group undertakings              | 8    | 934                       | 934                                    | 934                                    |
| Intangible assets                              | 9    | 538                       | 569                                    | 545                                    |
| Property, plant and equipment                  | 10   | 4,281                     | 4,575                                  | 5,154                                  |
| Financial assets                               | 12   | 166,185                   | 170,681                                | 189,563                                |
|  |      | <u>188,931</u>            | <u>191,821</u>                         | <u>211,127</u>                         |
| <b>Current assets</b>                          |      |                           |  |  |
| Amounts owed by group undertakings             |      | 5,027                     | 5,139                                  | 4,925                                  |
| Corporation tax recoverable                    |      | -                         | 260                                    | 447                                    |
| Other receivables                              |      | 606                       | 1,428                                  | 156                                    |
| Prepayments and accrued income                 |      | 1,314                     | 1,276                                  | 1,139                                  |
| Cash and cash equivalents                      |      | 2,146                     | 2,414                                  | 1,719                                  |
|  |      | <u>9,093</u>              | <u>10,517</u>                          | <u>8,386</u>                           |
| <b>Total assets</b>                            |      | <b>198,024</b>            | <b>202,338</b>                         | <b>219,513</b>                         |
| <b>Equity and liabilities</b>                  |      |                           |  |  |
| <b>Equity</b>                                  |      |                           |  |  |
| Reserves                                       |      | 159,143                   | 167,944                                | 185,207                                |
| <b>Non-current liabilities</b>                 |      |                           |  |  |
| Post-employment benefits                       | 17   | 144                       | 406                                    | 628                                    |
| Derivative financial instruments               |      | 12                        | 146                                    | 901                                    |
| Deferred tax                                   | 7    | -                         | -                                      | 1,111                                  |
|  |      | <u>156</u>                | <u>552</u>                             | <u>2,640</u>                           |
| <b>Current liabilities</b>                     |      |                           |  |  |
| Insurance contract liabilities                 | 2    | 33,912                    | 28,921                                 | 28,423                                 |
| Other payables                                 |      | 4,813                     | 4,921                                  | 3,243                                  |
| Current tax liabilities                        |      | -                         | -                                      | -                                      |
|  |      | <u>38,725</u>             | <u>33,842</u>                          | <u>31,666</u>                          |
| <b>Total equity and liabilities</b>            |      | <b>198,024</b>            | <b>202,338</b>                         | <b>219,513</b>                         |

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

The accounts on pages 43 to 78 were approved by the Board of Directors on 25 March 2024 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

| Parent Company Statement of Changes in Equity<br>for the year ended 31 December 2023 | Note | Retained<br>earnings<br>(£'000) | Currency<br>translation<br>differences<br>(£'000) | Reserves<br>(£'000) |
|--|------|---------------------------------|---|---------------------|
| <b>At 1 January 2022 as originally stated</b>  |      | 189,988                         | –   | 189,988             |
| Restatement  |      | (4,781)                         | –   | (4,781)             |
| <b>At 1 January 2022 as restated</b>   |      | 185,207                         | –   | 185,207             |
| Restated loss for the year   |      | (14,247)                        | –   | (14,247)            |
| <b>Other comprehensive income</b>  |      |                                 |   |                     |
| Pension scheme actuarial loss, net of tax  | 17   | (3,016)                         | –   | (3,016)             |
| <b>At 31 December 2022</b>   |      | 167,944                         | –   | 167,944             |
| Loss for the year  |      | (7,801)                         | –   | (7,801)             |
| <b>Other comprehensive income</b>  |      |                                 |   |                     |
| Pension scheme actuarial loss, net of tax  | 17   | (1,000)                         | –   | (1,000)             |
| <b>At 31 December 2023</b>   |      | <b>159,143</b>                  | –   | <b>159,143</b>      |

| Parent Company Statement of Cash Flows<br>for the year ended 31 December 2023 | Note | 2023<br>(£'000) | 2022<br>(£'000)<br>Restated |
|---|------|-----------------|-----------------------------|
| <b>Cash flows from operating activities</b>                                   |      |                 |                             |
| Cash used by operations   | 14   | (9,631)         | (9,737)                     |
| Tax recovered   |      | 259             | 187                         |
| Purchases of financial assets   |      | (129,444)       | (106,493)                   |
| Receipts from financial assets  |      | 137,316         | 115,591                     |
| <b>Net cash used in operating activities</b>                                  |      | (1,500)         | (452)                       |
| <b>Cash flows from investing activities</b>                                   |      |                 |                             |
| Purchase of intangible assets   |      | (261)           | (498)                       |
| Purchases of property, plant and equipment                                    |      | (636)           | (240)                       |
| Proceeds from sales of property, plant and equipment                          |      | –               | 65                          |
| Dividend received from subsidiaries   |      | 2,215           | 1,850                       |
| <b>Net cash from investing activities</b>                                     |      | 1,318           | 1,177                       |
| <b>Cash flows from financing activities</b>                                   |      |                 |                             |
| Payment of lease liabilities  |      | (86)            | (30)                        |
| <b>Net cash used in financing activities</b>                                  |      | (86)            | (30)                        |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                   |      | (268)           | 695                         |
| Cash and cash equivalents at beginning of year                                |      | 2,414           | 1,719                       |
| <b>Cash and cash equivalents at end of year</b>                               |      | <b>2,146</b>    | <b>2,414</b>                |

# Accounting Policies

---

## I. Basis of presentation

The Group and Parent Company financial statements have been prepared in accordance with UK adopted International Accounting Standards ('UK adopted IAS'). 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 UK adopted IAS as defined by International Accounting Standard 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 profit and loss. The preparation of financial statements in conformity with UK adopted IAS 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 financial statements incorporate the financial statements of the Company and its subsidiaries, drawn up to 31 December 2023. 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, updated for the application of new and amended accounting standards as set out in (a). The principal accounting policies are set out below.

### (a) New and amended accounting standards

Other than the adoption of International Financial Reporting Standard 17: Insurance contracts ('IFRS 17') and International Financial Reporting Standard 9: Financial Instruments ('IFRS 9') as explained in more detail below no new or amended accounting standards have had a material impact on these financial statements.

#### IFRS 17 Insurance Contracts

In May 2017, IFRS 17 was issued as a replacement to IFRS 4 and sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts. The 2017 standard has been subject to various amendments issued between its initial release in 2017 and 2021.

IFRS 17 has been implemented through the full retrospective approach whereby the prior year balances have been restated as though IFRS 17 applied at that time. A reconciliation between the previously stated balances and the balances accounted for under IFRS 17 is included in note 22.

The Group has elected to use the premium allocation approach ('PAA') for measuring insurance contracts under the new standard. The key accounting principles under the PAA approach are as follows:

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- a. the liability for incurred claims ('LIC'); and
- b. the liability for remaining coverage ('LRC').

The LIC is the provision for the ultimate cost of settling all claims incurred but not settled by the balance sheet date, including the cost of claims incurred but not reported. The LIC also includes the estimated costs directly attributable to servicing and settling the claims plus a risk adjustment for non financial risk.

On initial recognition the LRC is the amount of premiums, if any, received at initial recognition. On subsequent measurement the LRC is:

- a. increased for premiums received in the period; and
- b. decreased for the amounts of premiums recognised as insurance revenue for the services provided in the period.

If a group of insurance contracts becomes onerous, the LRC is increased to include a loss component which is calculated as the difference between the current LRC and the fulfilment cash flows ('FCF'). The FCF consists of the future expected claims, the costs associated with administering the contracts and claims and a risk adjustment for non financial risk. The loss component is immediately recognised in insurance service expenses. Subsequently, the loss component is amortised and remeasured in line with the realisation of the FCF over the remaining coverage period of the contracts to which it relates.

On implementation of IFRS 17, a number of significant judgements have been made. The key considerations are set out below.

#### Out of scope contracts

Under IFRS 4 it was concluded that contracts which had a back to back reinsurance agreement did not expose the company to significant insurance risk and therefore did not meet the requirement to be accounted for as insurance contracts. This assessment has been re-performed under IFRS 17 and it has been concluded that the contracts continue to be out of the scope of the standard as the significant insurance risk criteria is still not met. These contracts are therefore accounted for under IFRS 15: Revenue from contracts with customers.

## Accounting Policies continued

---

### 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 the coverage period is one year or less. The Group has adopted the PAA model for all contracts on the basis that substantially all the contracts have a coverage period of 12 months or less, with the value of contracts which have a coverage period of 12 months being highly immaterial and therefore accounting for these contracts under PAA does not result in a materially different liability to that under full measurement basis.

### Level of aggregation

The Standard defines a portfolio of insurance contracts as 'Insurance contracts subject to similar risks and managed together'. The Group sells health insurance and whilst there are a number of different health insurance products offered to customers, the products have similar risks which are managed together and therefore the company has a single portfolio of insurance contracts.

For the purposes of assessing onerous contracts the portfolio is disaggregated. The portfolio is disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) with each cohort aligning with the financial year. Internally the business is split into retail, small corporate and large corporate and this level of analysis provides the unit of account for assessing (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts.

### Discounting

When applying the premium allocation approach, discounting is optional if cashflows are expected to be settled within a 12 month period of being incurred. On the basis that only an immaterial level of claims are not settled within 12 months of being incurred and premiums are received within 12 months of the contract, discounting has not been applied to either the LIC or LRC.

### Onerous contracts

Under the PAA methodology it is assumed that no contracts are onerous at initial recognition unless facts and circumstances indicate an onerous contract exists. Where such facts and circumstances indicated that an onerous contract exist, a detailed review is performed. There are no facts or circumstances that indicate that any groups of insurance contracts are onerous on initial recognition and no groups of insurance contracts were identified as being onerous on adoption of the standard.

### Restatements

The consolidated net assets of the group on transition to IFRS 17 on 1 January 2022 were reduced by £4.8m. The reduction in net assets was driven by:

- The removal of deferred acquisition expenses which are being expensed as incurred under IFRS 17.
- A change in the timing of premium recognition for certain products where revenue for those products has had to be separated under IFRS 17.
- The tax impact of the above changes.

Full details of the restatement are included in note 24 – prior year restatement.

### IFRS 9 Financial Instruments

IFRS 9 was effective for periods commencing on or after 1 January 2018, however insurance companies were permitted to defer the implementation of the standard to align with the effective date of IFRS 17. As a result IFRS 9 has been adopted with effect from 1 January 2023 in line with the adoption of IFRS 17. IFRS 9 replaces IAS 39 as the standard for accounting for financial instruments. The key changes impacting the company as a result of the new standard are as follows:

- No change in the initial or subsequent measurement of Investment assets.
- Other financial assets including investments accounted using amortised cost are now subject to impairment assessment based on expected credit loss.

Expected credit losses (ECLs) are recognised for all financial assets held at amortised cost and reflect the difference between the contractual cash flows of the instrument and the cash flows expected to be received. ECLs are recognised on the following basis:

- 12-month ECLs are recognised from the initial recognition and reflect the portion of lifetime expected credit losses that would result from default events that are possible within 12 months after the reporting date.
- Lifetime ECLs are recognised in the event of a significant increase in credit risk (SICR) since initial recognition and reflect expected credit losses over the expected life of the financial instrument.

A simplification has been applied to apply lifetime ECL for all other receivables.

There was no impact on the net assets of the group on the adoption of IFRS 9.

The accounting policies for the recognition and measurement of financial assets and liabilities have been amended for the adoption of IFRS 9.

---

**(b) Insurance revenue**

Insurance revenue is accounted for under the premium allocation approach (PAA) and therefore represents the premiums due to the company in relation to the contracts in force. Where an insurance contract includes a distinct component for the administration of claims where there is no insurance risk the fees charged for this service have been recognised as administration income rather than under insurance revenue. The premiums are either recognised over the passage of time of the contract on a straight line basis or in line with the release of the service expense, if the release of service expenses is expected to be significantly different to the passage of time, dependent on the nature of the obligation under the contract. All premiums relate to medical insurance and are written in the United Kingdom, Channel Islands or the Isle of Man.

Groups of insurance contracts are recognised from the earliest of the following dates:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group becomes due (in the absence of a contractual due date, this is deemed to be when the first payment is received)
- The date when a group of contracts becomes onerous

An insurance contract is derecognised when, and only when, the contract is:

- Extinguished (when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- The contract is modified and meets the requirement under IFRS 17 to be derecognised and recognised as a new contract.

**(c) Administration income**

Administration income represents amounts receivable under healthcare administration contracts with corporate clients and fees for administering claims in relation to insurance contracts where there is no insurance risk in relation to the administration and there is a distinct administration fee. 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. The revenue is recognised in line with the performance obligations under the contract which is the administration of claims. The administration of claims is performed evenly over period of the contract and as a result the revenue is recognised over the passage of time. As the administration of claims can occur after the end of the contract, a proportion of the revenue is also recognised after the end of the contract.

**(d) Acquisition costs**

Acquisition costs, representing direct and indirect expenses directly attributable to the sale of new insurance business, are expensed as incurred as permitted under IFRS 17. This is a change to the accounting policy on adoption of IFRS 17 as previously these costs were capitalised and recognised over the length of the contract.

**(e) Insurance service expenses**

Insurance service expenses include the following:

- Claims incurred;
- Expenses incurred which are directly attributable to insurance services;
- A proportion of company overhead needed to support the servicing of insurance contracts;
- Acquisition cash flows as incurred;
- Changes that relate to past service (i.e. changes in the Liability for incurred claims); and
- Changes that relate to future service (i.e. changes in the loss component).

Claims incurred represent the total cost of treatment received by policyholders during the financial year. Claims incurred comprise claims in respect of treatment paid in the year and changes in provisions for outstanding claims, including provisions for claims incurred but not reported.

Expenses incurred which are directly attributable to insurance services represent expenses which have been incurred by the business in relation to administration of policies and claims handling.

**(f) Insurance liabilities****(i) Liability for incurred claims (LIC)**

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 LIC also includes the estimated costs directly attributable to servicing and settling the claims plus a risk adjustment.

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. A risk adjustment is applied to the LIC to make allowance for non financial risk. The risk adjustment is based on a confidence level calculation with the calculation being performed to achieve a 75th percentile confidence level.

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.

## Accounting Policies continued

---

A primary aim of the Company is to ensure that the LIC 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.

### (ii) Liability for remaining coverage (LRC)

On initial recognition the LRC is the amount of the premiums, if any, received at initial recognition. For subsequent periods the LRC represents the proportion of premiums received in the year that relate to the unexpired term of policies in force at the year-end date, either as a result of the passage of time or based on the timing of the release of the insurance service expense depending on the contract.

Insurance premium tax ("IPT") payable is also included in the LRC balance.

For onerous contracts the LRC includes a loss component which is equal to the loss expected to be incurred when projecting forward the risk adjusted future cashflows. The LRC is required to include a risk adjustment where a loss component is recognised with the risk adjustment being based on a confidence level calculation and calculated using a 75th percentile confidence level.

### (g) Leases

The Group applies IFRS 16. 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. Where a lease exists the lease is recognised as a 'right of use asset' with the recognition of a corresponding lease liability 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, being the present value of any lease commitments and dilapidation provisions less residual value, and subsequently measured at cost less accumulated depreciation on a straight line basis less impairment losses. The lease liabilities are initially measured at present value of the lease payments that are not paid at that date discounted by the rate implicit in the lease. 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

Financial assets and liabilities are accounted for under IFRS 9. 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 recognised in 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 allowance for expected credit losses (ECL) using the effective interest rate method. Trade and other payables/receivables are recognised at amortised cost less an allowance for ECL. 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.

FVTPL 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, and recent transactions. 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.

The Group assesses on a forward-looking basis the ECL associated with debt instrument assets carried at amortised cost. An allowance for such losses is recognised at each reporting date. The measurement of the ECL reflects reasonable and supportable information that is available without undue cost or effort at the reporting date above past events, current conditions and forecasts of future economic conditions.

### (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 between two and five years depending on the asset, 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 independent specialists. Investment property is held at fair value.

**(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

**Liability for incurred claims (LIC).** The calculation of the LIC requires an estimate of the future payments that will be made in respect of treatments incurred prior to the balance sheet date which have not yet been notified, together with the estimated cost of expenses directly attributable to servicing those claims and contracts. 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. A risk adjustment is included in the calculation of the LIC to account for the uncertainty about the amount and timing of the cash flows under the insurance contracts.

There are a number of variables within the claims reserve calculation as detailed 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 two years, this produced a range (non-linear) of best estimates from £12.3m to £13.2m (2022: £10.7m to £11.2m). In 2023 a one year timespan was deemed appropriate due to treatment availability and payment patterns during the year (2022: 6 months timespan).

**Liability for remaining coverage (LRC) for onerous contracts.** Where a portfolio is assessed as being onerous the liability for remaining coverage is calculated by estimating the fulfilment cashflows (i.e. the future expected premiums, claims and associated directly attributable expenses) for the remainder of the contract including an allowance for a risk adjustment for non financial risk using a confidence level approach. The primary assumptions in developing the estimate relate to the future expected claims and directly attributable expenses. Claims are calculated by applying the expected future loss ratio to future known premiums. The directly attributable expenses are calculated by applying the percentage of actual claims handling costs to the total claims in the year to the forecast claims.

**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. 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.

**Pension valuation.** There are a number of assumptions associated with the valuation of the 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 do not fall under the scope of IFRS 17 as the contracts do not contain sufficient insurance risk due to the interdependence between the primary and reinsurance contracts.

**Level of aggregation.** IFRS 17 requires insurance contracts to be broken down into portfolios where each portfolio represents a collection of contracts which have similar risks and are managed together. An assessment has been made of the insurance policies sold by the group and it has been concluded that although different products are sold, all products are related to health insurance and are therefore subject to similar risks which the company manages together across the products and as a result it has been concluded that there is a single portfolio of contracts.

# Notes to the Accounts

for the year ended 31 December 2023

## 1 Disclosures for insurance contracts

2023 (£'000) 2022 (£'000)

### (a) Insurance contract assets and liabilities

|                                |               |               |
|--------------------------------|---------------|---------------|
| Insurance contract assets      | -             | -             |
| Insurance contract liabilities | 33,912        | 28,921        |
| <b>Balance at 31 December</b>  | <b>33,912</b> | <b>28,921</b> |

### (b) Reconciliation of the liability for remaining coverage and the liability for incurred claims

|  | 2022                     |                |                                   |  |           |
|--|--------------------------|----------------|-----------------------------------|--|-----------|
|  | LRC                      | LRC            | LIC                               | LIC                                    | Total     |
|  | Excluding loss component | Loss component | Present value of future cashflows | Risk adjustment for non financial risk |           |
|  | (£'000)                  | (£'000)        | (£'000)                           | (£'000)                                | (£'000)   |
| <b>Opening insurance contract liability</b>              | 12,860                   | -              | 14,849                            | 714                                    | 28,423    |
| <b>Insurance revenue</b>                                 | (129,424)                | -              | -                                 | -                                      | (129,424) |
| <b>Insurance service expenses</b>                        |                          |                |                                   |  |           |
| Incurring claims and directly attributable expenses      | -                        | -              | 127,656                           | 205                                    | 127,861   |
| Changes that relate to past service - adjustments to LIC | -                        | -              | 3,654                             | -                                      | 3,654     |
| Losses on onerous contracts or reversal of those losses  | -                        | -              | -                                 | -                                      | -         |
| <b>Insurance service expense</b>                         | -                        | -              | 131,310                           | 205                                    | 131,515   |
| <b>Insurance service result</b>                          | (129,424)                | -              | 131,310                           | 205                                    | 2,091     |
| <b>Cash flows</b>  |                          |                |                                   |  |           |
| Premiums received  | 130,977                  | -              | -                                 | -                                      | 130,977   |
| Claims and other directly attributable expenses paid     | -                        | -              | (132,570)                         | -                                      | (132,570) |
| <b>Total cash flows</b>                                  | 130,977                  | -              | (132,570)                         | -                                      | (1,593)   |
| <b>Closing insurance contract liability</b>              | 14,413                   | -              | 13,589                            | 919                                    | 28,921    |

## Notes to the Accounts continued

|  | 2023                        |                   |  |   |           |
|--|-----------------------------|-------------------|--|---|-----------|
|  | LRC                         | LRC               | LIC  | LIC   | Total     |
|  | Excluding loss<br>component | Loss<br>component | Present<br>value of<br>future<br>cashflows | Risk<br>adjustment<br>for non<br>financial risk |           |
|  | (£'000)                     | (£'000)           | (£'000)                                    | (£'000)   | (£'000)   |
| <b>Opening insurance contract liability</b>              | 14,413                      | –                 | 13,589                                     | 919   | 28,921    |
| <b>Insurance revenue</b>                                 | (147,868)                   | –                 | –  | –   | (147,868) |
| <b>Insurance service expenses</b>                        |                             |                   |  |   |           |
| Incurring claims and directly attributable expenses      | –                           | –                 | 158,705                                    | (569)   | 158,136   |
| Changes that relate to past service - adjustments to LIC | –                           | –                 | (888)                                      | –   | (888)     |
| Losses on onerous contracts or reversal of those losses  | –                           | –                 | –  | –   | –         |
| <b>Insurance service expense</b>                         | –                           | –                 | 157,817                                    | (569)   | 157,248   |
| <b>Insurance service result</b>                          | (147,868)                   | –                 | 157,817                                    | (569)   | 9,380     |
| <b>Cash flows</b>  |                             |                   |  |   |           |
| Premiums received  | 150,272                     | –                 | –  | –   | 150,272   |
| Claims and other directly attributable expenses paid     | –                           | –                 | (154,661)                                  | –   | (154,661) |
| <b>Total cash flows</b>                                  | 150,272                     | –                 | (154,661)                                  | –   | (4,389)   |
| <b>Closing insurance contract liability</b>              | 16,817                      | –                 | 16,745                                     | 350   | 33,912    |

All contracts have been accounted for under the full retrospective approach on transition.

### 2 Administration income

Other income represents non-insurance income for services provided to third parties. At the year end £30k (2022: £44k) was due in relation to administration income and of the income received £1.24m (2022: £1.05m) was deferred to be recognised in line with the performance obligation.

### 3 Investment return

|  | 2023 (£'000) | 2022 (£'000) |
|--|--------------|--------------|
| Dividend income                                  | 2,088        | 625          |
| Interest received                                | 2,610        | 1,182        |
| Rental income from investment property           | 213          | 213          |
| Gains/(losses) on exchange rate movements        | 1,520        | (3,195)      |
|  | 6,431        | (1,175)      |
| Net (losses)/gains on realisation of investments | (1,219)      | 3,555        |
| Unrealised investment gains/(losses)             | 1,857        | (9,784)      |
| Revaluation of investment property               | (365)        | (119)        |
|  | 6,704        | (7,523)      |
| Net interest on pension scheme                   | 491          | 266          |
| <b>Total investment return</b>                   | 7,195        | (7,257)      |

| <b>4 Net operating expenses</b>   | <b>2023 (£'000)</b> | <b>2022 (£'000)<br/>Restated</b> |
|---|---------------------|----------------------------------|
| <b>(a) Other operating and administrative expenses</b>                                      |                     |                                  |
| Administrative expenses including acquisition costs   | 32,694              | 29,782                           |
| Commission  | 15,081              | 13,460                           |
| FSCS levy   | 367                 | 487                              |
| Gross operating expenses  | 48,142              | 43,729                           |
| Expenses directly attributable to insurance contracts included in insurance service expense | (32,874)            | (29,954)                         |
| <b>Net operating expenses</b>   | <b>15,268</b>       | <b>13,775</b>                    |

|  |           |           |
|--|-----------|-----------|
| <b>(b) Corporate Social Responsibility donations</b>           |           |           |
| Donations to the WPA Benevolent Foundation Limited             | –         | –         |
| Donations to other charitable activities                       | 10        | 11        |
| <b>Total donations to benevolent and charitable activities</b> | <b>10</b> | <b>11</b> |

| <b>5 Loss on ordinary activities before tax</b>                         | <b>2023 (£'000)</b> | <b>2022 (£'000)<br/>Restated</b> |
|---|---------------------|----------------------------------|
| <b>Loss on ordinary activities before tax is stated after:</b>          |                     |                                  |
| Property revaluation  | (821)               | (436)                            |
| Amortisation  | (292)               | (474)                            |
| Depreciation on property, plant and equipment                           | (694)               | (448)                            |
| Profit/(loss) on disposal of property, plant and equipment              | 40                  | (43)                             |
| Auditor remuneration, inclusive of VAT, for:                            |                     |                                  |
| – Audit of the financial statements (Company £495,000) (2022: £282,000) | (560)               | (331)                            |
| Non-audit fees  |                     |                                  |
| – Other assurance work  | (80)                | (77)                             |
| Lease interest  | (16)                | (14)                             |

## Notes to the Accounts continued

| 6 Tax  | 2023<br>(£'000) | 2022<br>(£'000)<br>Restated |
|--|-----------------|-----------------------------|
| <b>(a) Analysis of (credit)/charge in year</b>   |                 |                             |
| UK corporation tax at 23.5% (2022: 19.00%)       | –               | –                           |
| Adjustment for prior periods                     | –               | –                           |
| Overseas tax                                     | 51              | 27                          |
| Total current tax                                | 51              | 27                          |
| Deferred tax (note 7)                            |                 |                             |
| – Origination and reversal of timing differences | (3,086)         | (4,535)                     |
| – Movement on post-employment benefits           | 35              | (20)                        |
| – Change in tax rate                             | –               | –                           |
| Total deferred tax                               | (3,051)         | (4,555)                     |
| <b>Tax credit for the current year</b>           | <b>(3,000)</b>  | <b>(4,528)</b>              |

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. For the financial year ended 31 December 2023, the current weighted averaged tax rate was 23.5%. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements

### (b) Factors affecting the tax credit 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:

|  | 2023<br>(£'000) | 2022<br>(£'000)<br>Restated |
|--|-----------------|-----------------------------|
| <b>Loss before tax</b>   | <b>(11,175)</b> | <b>(18,606)</b>             |
| Notional credit at UK corporation tax rate of 23.5% (2022: 19.00%) | (2,626)         | (3,535)                     |
| Franked investment income not taxable                              | (492)           | (119)                       |
| Permanent timing differences                                       | 293             | 119                         |
| Items outside the scope of UK tax                                  | (20)            | (35)                        |
| Tax relating to overseas subsidiaries                              | 51              | 27                          |
| Changes in tax rates   | (160)           | (929)                       |
| Deferred tax: prior year   | (46)            | (56)                        |
| <b>Tax on loss on ordinary activities</b>                          | <b>(3,000)</b>  | <b>(4,528)</b>              |

### (c) Factors that may affect future tax charges

The principal rate of UK corporation tax increased from 19% 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**

|                                   | 2023 (£'000)   |            |                | 2022 (£'000) Restated |              |                |
|-----------------------------------|----------------|------------|----------------|-----------------------|--------------|----------------|
|                                   | Before tax     | Tax credit | After tax      | Before tax            | Tax charge   | After tax      |
| Currency translation differences  | (38)           | –          | (38)           | (85)                  | –            | (85)           |
| Movement on pension scheme        | (1,421)        | 421        | (1,000)        | (4,095)               | 1,079        | (3,016)        |
| <b>Other comprehensive income</b> | <b>(1,459)</b> | <b>421</b> | <b>(1,038)</b> | <b>(4,180)</b>        | <b>1,079</b> | <b>(3,101)</b> |

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 2022  | (3,734)        | 2,022          | 112                              | 489        | (1,111)      |
| Movement in provision recognised in Income Statement           | 20             | 4,832          | (72)                             | (224)      | 4,556        |
| Movement in provision recognised in other comprehensive income | 1,079          | –              | –                                | –          | 1,079        |
| At 31 December 2022 (restated)                                 | (2,635)        | 6,854          | 40                               | 265        | 4,524        |
| Movement in provision recognised in Income Statement           | (35)           | 3,129          | (4)                              | (39)       | 3,051        |
| Movement in provision recognised in other comprehensive income | 421            | –              | –                                | –          | 421          |
| <b>At 31 December 2023</b>                                     | <b>(2,249)</b> | <b>9,983</b>   | <b>36</b>                        | <b>226</b> | <b>7,996</b> |

**Company**

|  |                |              |           |            |              |
|--|----------------|--------------|-----------|------------|--------------|
| At 1 January 2022  | (3,734)        | 2,022        | 112       | 489        | (1,111)      |
| Movement in provision recognised in Income Statement           | 20             | 4,832        | (72)      | (224)      | 4,556        |
| Movement in provision recognised in other comprehensive income | 1,079          | –            | –         | –          | 1,079        |
| At 31 December 2022 (restated)                                 | (2,635)        | 6,854        | 40        | 265        | 4,524        |
| Movement in provision recognised in Income Statement           | (35)           | 3,129        | (4)       | (39)       | 3,051        |
| Movement in provision recognised in other comprehensive income | 421            | –            | –         | –          | 421          |
| <b>At 31 December 2023</b>                                     | <b>(2,249)</b> | <b>9,983</b> | <b>36</b> | <b>226</b> | <b>7,996</b> |

If the freehold property was sold at its current market value there would be a capital loss of £6,410,000 (2022: £5,760,000). There is a deferred tax asset of £1,597,000 (2022: £1,440,000) 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 is provided at the rate it is anticipated that it will reverse.

At the balance sheet date, the Group has a deferred tax asset of £330,455 (2022: £239,205) in respect of contingent capital losses on investment property. This asset has not been recognised on the basis that the company is not expected to generate future profits from an asset against which these losses could be offset.

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. For the financial year ended 31 December 2023, the current weighted averaged tax rate was 23.5%. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

## Notes to the Accounts continued

### 8 Investment in Group undertakings

2023 (£'000)

2022 (£'000)

Shares at cost 934 934

WPA Ltd is the ultimate Parent Company 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 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)<br>(capital comprises £5 ordinary shares in issue)  |   |
| WPA Investments Limited                      | Investment company (No. 02591944)   |   |
| WPA Protocol Plc                             | Claims and administration services company<br>(No. 02755175)  |   |
| WPA World Class Service (India) Private Ltd* | Data processing company<br>(No. U72400KA2007PTC041954)<br>(a company registered in India with capital comprising INR10 ordinary shares) |   |
| 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.

## 9 Intangible assets

|   | <u>Software</u> | <u>Total</u> |
|---|-----------------|--------------|
| <b>Group</b>                              | (£'000)         | (£'000)      |
| Cost or valuation                         |                 |              |
| At 1 January 2022                         | 3,534           | 3,534        |
| Additions                                 | 996             | 996          |
| At 31 December 2022                       | 4,530           | 4,530        |
| Additions                                 | 706             | 706          |
| <b>At 31 December 2023</b>                | <b>5,236</b>    | <b>5,236</b> |
| Amortisation                              |                 |              |
| At 1 January 2022                         | 2,989           | 2,989        |
| Provided in the year                      | 474             | 474          |
| At 31 December 2022                       | 3,463           | 3,463        |
| Provided in the year                      | 292             | 292          |
| <b>At 31 December 2023</b>                | <b>3,755</b>    | <b>3,755</b> |
| Net book value at 31 December 2022        | 1,067           | 1,067        |
| <b>Net book value at 31 December 2023</b> | <b>1,481</b>    | <b>1,481</b> |

|   | <u>Software</u> | <u>Total</u> |
|---|-----------------|--------------|
| <b>Company</b>                            | (£'000)         | (£'000)      |
| Cost or valuation                         |                 |              |
| At 1 January 2022                         | 3,534           | 3,534        |
| Additions                                 | 498             | 498          |
| At 31 December 2022                       | 4,032           | 4,032        |
| Additions                                 | 261             | 261          |
| <b>At 31 December 2023</b>                | <b>4,293</b>    | <b>4,293</b> |
| Amortisation                              |                 |              |
| At 1 January 2022                         | 2,989           | 2,989        |
| Provided in the year                      | 474             | 474          |
| At 31 December 2022                       | 3,463           | 3,463        |
| Provided in the year                      | 292             | 292          |
| <b>At 31 December 2023</b>                | <b>3,755</b>    | <b>3,755</b> |
| Net book value at 31 December 2022        | 569             | 569          |
| <b>Net book value at 31 December 2023</b> | <b>538</b>      | <b>538</b>   |

## Notes to the Accounts continued

| 10 Property, plant and equipment          | Freehold<br>property | Furniture<br>and fittings | Computer<br>equipment | Motor<br>vehicles | Right of<br>use assets | Total         |
|---|----------------------|---------------------------|-----------------------|-------------------|------------------------|---------------|
| Group                                     | (£'000)              | (£'000)                   | (£'000)               | (£'000)           | (£'000)                | (£'000)       |
| Cost or valuation                         |                      |                           |                       |                   |                        |               |
| At 1 January 2022                         | 4,961                | 2,394                     | 2,522                 | 465               | 817                    | 11,159        |
| Additions                                 | –                    | 66                        | 44                    | 113               | 264                    | 487           |
| Disposals                                 | –                    | (28)                      | (3)                   | (102)             | –                      | (133)         |
| Revaluation                               | (436)                | –                         | –                     | –                 | –                      | (436)         |
| <b>At 31 December 2022</b>                | <b>4,525</b>         | <b>2,432</b>              | <b>2,563</b>          | <b>476</b>        | <b>1,081</b>           | <b>11,077</b> |
| Additions                                 | –                    | 311                       | 57                    | 268               | 57                     | 693           |
| Disposals                                 | –                    | (48)                      | (288)                 | (49)              | (129)                  | (514)         |
| Revaluation                               | (456)                | (28)                      | (29)                  | (7)               | 168                    | (352)         |
| <b>At 31 December 2023</b>                | <b>4,069</b>         | <b>2,667</b>              | <b>2,303</b>          | <b>688</b>        | <b>1,177</b>           | <b>10,904</b> |
| Depreciation                              |                      |                           |                       |                   |                        |               |
| At 1 January 2022                         | 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)         |
| <b>At 31 December 2022</b>                | <b>884</b>           | <b>2,106</b>              | <b>2,380</b>          | <b>282</b>        | <b>469</b>             | <b>6,121</b>  |
| Provided in the year                      | 169                  | 93                        | 122                   | 112               | 198                    | 694           |
| Revaluation                               | –                    | (45)                      | (23)                  | (2)               | 110                    | 40            |
| Elimination in respect of disposals       | –                    | (1)                       | (288)                 | (39)              | (128)                  | (456)         |
| <b>At 31 December 2023</b>                | <b>1,053</b>         | <b>2,153</b>              | <b>2,191</b>          | <b>353</b>        | <b>649</b>             | <b>6,399</b>  |
| Net book value at 31 December 2022        | 3,641                | 326                       | 183                   | 194               | 612                    | 4,956         |
| <b>Net book value at 31 December 2023</b> | <b>3,016</b>         | <b>514</b>                | <b>112</b>            | <b>335</b>        | <b>528</b>             | <b>4,505</b>  |

| <b>Company</b>                            | <b>Leasehold property</b> | <b>Furniture and fittings</b> | <b>Computer equipment</b> | <b>Motor vehicles</b> | <b>Right of use assets</b> | <b>Total</b>  |
|---|---------------------------|-------------------------------|---------------------------|-----------------------|----------------------------|---------------|
|   | (£'000)                   | (£'000)                       | (£'000)                   | (£'000)               | (£'000)                    | (£'000)       |
| Cost or valuation                         |                           |                               |                           |                       |                            |               |
| At 1 January 2022                         | 4,946                     | 2,217                         | 2,319                     | 425                   | 456                        | 10,363        |
| Additions                                 | –                         | 58                            | 69                        | 113                   | –                          | 240           |
| Disposals                                 | –                         | (26)                          | (4)                       | (102)                 | –                          | (132)         |
| Revaluation                               | (437)                     | –                             | –                         | –                     | –                          | (437)         |
| <b>At 31 December 2022</b>                | <b>4,509</b>              | <b>2,249</b>                  | <b>2,384</b>              | <b>436</b>            | <b>456</b>                 | <b>10,034</b> |
| Additions                                 | –                         | 311                           | 57                        | 268                   | 44                         | 680           |
| Disposals                                 | –                         | (48)                          | (288)                     | (49)                  | –                          | (385)         |
| Revaluation                               | (456)                     | –                             | –                         | –                     | 348                        | (108)         |
| <b>At 31 December 2023</b>                | <b>4,053</b>              | <b>2,512</b>                  | <b>2,153</b>              | <b>655</b>            | <b>848</b>                 | <b>10,221</b> |
| Depreciation                              |                           |                               |                           |                       |                            |               |
| At 1 January 2022                         | 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)         |
| <b>At 31 December 2022</b>                | <b>884</b>                | <b>1,935</b>                  | <b>2,231</b>              | <b>266</b>            | <b>143</b>                 | <b>5,459</b>  |
| Provided in the year                      | 169                       | 89                            | 104                       | 108                   | 71                         | 541           |
| Revaluation                               | –                         | –                             | –                         | –                     | 268                        | 268           |
| Elimination in respect of disposals       | –                         | (1)                           | (288)                     | (39)                  | –                          | (328)         |
| <b>At 31 December 2023</b>                | <b>1,053</b>              | <b>2,023</b>                  | <b>2,047</b>              | <b>335</b>            | <b>482</b>                 | <b>5,940</b>  |
| Net book value at 31 December 2022        | 3,625                     | 314                           | 153                       | 170                   | 313                        | 4,575         |
| <b>Net book value at 31 December 2023</b> | <b>3,000</b>              | <b>489</b>                    | <b>106</b>                | <b>320</b>            | <b>366</b>                 | <b>4,281</b>  |

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, tenantable 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 properties were valued on 31 December 2023 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. Rivergate House was valued on 31 December 2023 using the same valuer and method. Goodwood House was valued on 31 December 2023 by Hartnell Taylor Cook, Chartered Surveyors and Valuer. The fair value of the properties was determined using a methodology based on recent market transactions of similar properties, which have been adjusted for the specific characteristics of the properties held by the Group. If the properties had not been revalued they would have been included at the historical cost of £9,402,000 and cost less depreciation of £3,449,960 (2022: £3,638,000).

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 £150,000; a 5% decrease in market value would have the opposite impact.

Depreciation is shown in operating and administrative expenses.

## Notes to the Accounts continued

### 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 (2022: £0.2m) was received in the year, shown in note 3; maintenance costs from rental property generating rental income were £14k for the year (2022: £14k). The property was valued on 31 December 2023 by Hartnell Taylor Cook,, Chartered Surveyors and Valuers, as detailed in note 10. Investment property is categorised as level three within the fair value hierarchy.

| Group                           | 2023 (£'000) | 2022 (£'000) |
|---------------------------------|--------------|--------------|
| At 1 January                    | 3,169        | 3,332        |
| Amortisation of lease incentive | (42)         | (42)         |
| Movement in fair value          | (365)        | (121)        |
| <b>At 31 December</b>           | <b>2,762</b> | <b>3,169</b> |

### 12 Financial assets

| Group and Company                                   | Carrying value |                |
|---|----------------|----------------|
|   | 2023 (£'000)   | 2022 (£'000)   |
| Collective investment funds – Equities              | 33,079         | 42,677         |
| Collective investment funds – Money market funds    | 3,011          | 17,400         |
| Forward currency contracts                          | 563            | 5              |
| Deposits with credit institutions at floating rates | 4,659          | 16,139         |
| Cash collateral                                     | 250            | 1,436          |
| Government issued securities                        | 98,303         | 57,500         |
| Debt and other fixed income securities              | 26,321         | 35,524         |
|   | <b>166,186</b> | <b>170,681</b> |

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 2024. Contracts in a loss position, totalling £12,000 in 2023 (2022: £145,000) 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.

### 13 Financial assets and financial liabilities

This note provides information about the Group and company's financial instruments.

The table below presents an analysis of the fair value of the classes of financial assets and liabilities as at the end of the reporting period split between the valuation methods adopted for the asset/liability class with a description of the basis of valuation also included below:

- (i) Amortised cost: assets where the expected cashflows are solely payments of principal and interest on an outstanding principal amount, and do not meet the definition of held for trading in IFRS 9, or are not managed on a fair value basis;
- (ii) Fair value through income statement ('FVTPL'): assets which are valued at fair value with any movements in the valuation being accounted for through the income statement.

| Financial assets and liabilities<br>as at 31 December 2022 | Group             |               |                | Company           |               |                |
|--|-------------------|---------------|----------------|-------------------|---------------|----------------|
|  | Amortised<br>cost | FVTPL         | Total          | Amortised<br>cost | FVTPL         | Total          |
|  | (£'000)           | (£'000)       | (£'000)        | (£'000)           | (£'000)       | (£'000)        |
| Financial assets   |                   |               |                |                   |               |                |
| – Debt securities  | 93,024            | –             | 93,024         | 93,024            | –             | 93,024         |
| – Collective investment schemes – Equities                 | –                 | 42,677        | 42,677         | –                 | 42,677        | 42,677         |
| – Collective investment schemes – Money market funds       | –                 | 17,400        | 17,400         | –                 | 17,400        | 17,400         |
| Derivative financial instruments                           | –                 | 5             | 5              | –                 | 5             | 5              |
| Other receivables  | 1,651             | –             | 1,651          | 1,428             | –             | 1,428          |
| Amounts owed by group undertakings                         | –                 | –             | –              | 5,139             | –             | 5,139          |
| Cash and cash equivalents                                  | –                 | 23,506        | 23,506         | –                 | 19,989        | 19,989         |
| <b>Total financial assets</b>                              | <b>94,675</b>     | <b>83,588</b> | <b>178,263</b> | <b>99,591</b>     | <b>80,071</b> | <b>179,662</b> |
| Financial liabilities                                      |                   |               |                |                   |               |                |
| Derivative financial instruments                           | –                 | 146           | 146            | –                 | 146           | 146            |
| Other payables   | 6,218             | –             | 6,218          | 4,921             | –             | 4,921          |
| <b>Total financial liabilities</b>                         | <b>6,218</b>      | <b>146</b>    | <b>6,364</b>   | <b>4,921</b>      | <b>146</b>    | <b>5,067</b>   |

## Notes to the Accounts continued

| Financial assets and liabilities<br>as at 31 December 2023 | Group             |               |                | Company           |               |                |
|--|-------------------|---------------|----------------|-------------------|---------------|----------------|
|  | Amortised<br>cost | FVTPL         | Total          | Amortised<br>cost | FVTPL         | Total          |
|  | (£'000)           | (£'000)       | (£'000)        | (£'000)           | (£'000)       | (£'000)        |
| Financial assets   |                   |               |                |                   |               |                |
| – Debt securities  | 124,624           | –             | 124,624        | 124,624           | –             | 124,624        |
| – Collective investment schemes – Equities                 | –                 | 33,079        | 33,079         | –                 | 33,079        | 33,079         |
| – Collective investment schemes – Money market funds       | –                 | 3,011         | 3,011          | –                 | 3,011         | 3,011          |
| Derivative financial instruments                           | –                 | 563           | 563            | –                 | 563           | 563            |
| Other receivables  | 739               | –             | 739            | 606               | –             | 606            |
| Amounts owed by group undertakings                         | –                 | –             | –              | 5,027             | –             | 5,027          |
| Cash and cash equivalents                                  | –                 | 10,715        | 10,715         | –                 | 7,055         | 7,055          |
| <b>Total financial assets</b>                              | <b>125,363</b>    | <b>47,368</b> | <b>172,731</b> | <b>130,257</b>    | <b>43,708</b> | <b>173,965</b> |
| Financial liabilities                                      |                   |               |                |                   |               |                |
| Derivative financial instruments                           | –                 | 12            | 12             | –                 | 12            | 12             |
| Other payables   | 6,424             | –             | 6,424          | 4,813             | –             | 4,813          |
| <b>Total financial liabilities</b>                         | <b>6,424</b>      | <b>12</b>     | <b>6,436</b>   | <b>4,813</b>      | <b>12</b>     | <b>4,825</b>   |

### 13(a) Expected credit loss

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for Other receivables and Amounts owed by group undertakings.

To measure the expected credit losses for other receivables the balances are grouped based on days past due and then multiplied by a loss rate for that group based on previous experience of loss rates.

No loss allowance has been recognised on the balances at the year end and the expected credit losses are immaterial.

#### 14 Notes to the Statement of Cash Flows

| <b>Group</b>   | <b>2023</b><br>(£'000) | <b>2022</b><br>(£'000)<br>Restated |
|--|------------------------|------------------------------------|
| <b>Loss before tax</b>                                       | <b>(11,175)</b>        | <b>(18,606)</b>                    |
| Adjustments for:   |                        |                                    |
| – Amortisation   | 335                    | 516                                |
| – Depreciation   | 718                    | 448                                |
| – Loss/(profit) on disposal of property, plant and equipment | 39                     | (43)                               |
| – Adjustment for IFRS 16                                     | 204                    | 182                                |
| – Pension scheme administration costs                        | 350                    | 342                                |
| – Net interest on pension scheme                             | (491)                  | (266)                              |
| – Decrease on revaluation of property, plant and equipment   | 456                    | 436                                |
| – Decrease on revaluation of investment property             | 365                    | 121                                |
| – Unrealised investment (gains)/losses                       | (3,377)                | 9,784                              |
| Operational cash flows before movements in working capital   | (12,576)               | (7,086)                            |
| Decrease/(increase) in other receivables                     | 912                    | (1,471)                            |
| Increase in prepayments and accrued income                   | (42)                   | (74)                               |
| Increase in insurance contract liabilities                   | 4,991                  | 498                                |
| Decrease in derivative financial instruments                 | (134)                  | (755)                              |
| Increase in other payables                                   | 94                     | 2,014                              |
| <b>Cash used by operations</b>                               | <b>(6,755)</b>         | <b>(6,874)</b>                     |

| <b>Company</b>   | <b>2023</b><br>(£'000) | <b>2022</b><br>(£'000)<br>Restated |
|--|------------------------|------------------------------------|
| <b>Loss before tax</b>                                       | <b>(10,852)</b>        | <b>(18,803)</b>                    |
| Adjustments for:   |                        |                                    |
| – Amortisation   | 292                    | 474                                |
| – Depreciation   | 575                    | 360                                |
| – Loss/(profit) on disposal of property, plant and equipment | 40                     | (43)                               |
| – Adjustment for IFRS 16                                     | (53)                   | 30                                 |
| – Pension scheme administration costs                        | 350                    | 342                                |
| – Net interest on pension scheme                             | (491)                  | (266)                              |
| – Decrease on revaluation of property, plant and equipment   | 456                    | 437                                |
| – Dividend from subsidiaries                                 | (2,215)                | (1,850)                            |
| – Unrealised investment (gains)/losses                       | (3,377)                | 9,784                              |
| Operational cash flows before movements in working capital   | (15,275)               | (9,535)                            |
| Increase in amounts owed by Group undertakings               | 112                    | (214)                              |
| Decrease/(increase) in other receivables                     | 820                    | (1,272)                            |
| Increase in prepayments and accrued income                   | (38)                   | (137)                              |
| Increase in insurance contract liabilities                   | 4,991                  | 498                                |
| Decrease in derivative financial instruments                 | (134)                  | (755)                              |
| Decrease in other payables                                   | (107)                  | 1,678                              |
| <b>Cash used by operations</b>                               | <b>(9,631)</b>         | <b>(9,737)</b>                     |

## Notes to the Accounts continued

### 15 Employee information

|   | Group               |                     | Company             |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | 2023                | 2022                | 2023                | 2022                |
| Monthly average number of persons (including Executive Directors) employed on permanent contracts | 413                 | 366                 | 346                 | 311                 |
| Monthly average FTE (including Executive Directors) employed on permanent contracts               | 372                 | 328                 | 307                 | 275                 |
|   | <b>2023 (£'000)</b> | <b>2022 (£'000)</b> | <b>2023 (£'000)</b> | <b>2022 (£'000)</b> |
| Staff costs: Wages and salaries   | 15,875              | 14,456              | 15,304              | 13,953              |
| Social security costs   | 1,673               | 1,610               | 1,674               | 1,587               |
| Other pension costs   | 1,099               | 1,085               | 1,050               | 1,050               |
|   | <b>18,647</b>       | <b>17,151</b>       | <b>18,028</b>       | <b>16,590</b>       |

### 16 Directors' emoluments

|   | 2023 (£'000) | 2022 (£'000) |
|---|--------------|--------------|
| – Salary/fees   | 2,143        | 2,086        |
| – Pension related benefits                            | 303          | 293          |
| – Benefits-in-kind                                    | 42           | 49           |
| – Amounts payable under short-term incentive plans    | 213          | 228          |
| – Amounts payable under long-term incentive plans     | 203          | 162          |
| <b>Aggregate emoluments</b>                           | <b>2,904</b> | <b>2,818</b> |
| Highest paid Director                                 |              |              |
| – Salary  | 413          | 394          |
| – Pension related benefits                            | 83           | 78           |
| – Benefits-in-kind                                    | 3            | 2            |
| – Amounts payable under short-term incentive plans    | 67           | 79           |
| – Amounts payable under long-term incentive plans     | 59           | 57           |
| <b>Aggregate emoluments for highest paid Director</b> | <b>625</b>   | <b>610</b>   |

There were sixteen Directors in the year (2022: fifteen), of which six received remuneration under long-term incentive plans (2022: five) and six received pension related benefits (2022: six).

### 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 2023 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 2022 and 2023.

| The major assumptions used by the actuary were: | 2023         | 2022         |
|---|--------------|--------------|
| Rate of increase of pensions in payment         | 3.11%        | 3.36%        |
| Discount rate                                   | 4.55%        | 4.75%        |
| Inflation assumption – RPI                      | 3.20%        | 3.50%        |
| – CPI   | 3.10%        | 3.40%        |
| Members taking maximum lump sum                 | No allowance | No allowance |
| Proportions married                             | **           | **           |
| Expected return on Scheme assets                | 4.55%        | 4.75%        |

\*\*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 14.6 years (2022: 15.5 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.

In February 2024 the Scheme purchased an annuity buy-in with an insurance company for all the liabilities in the Scheme totalling £28.1m. However It is not currently possible to quantify the resulting surplus in the Scheme as although the initial price for the annuity buy-in has been agreed there is a requirement for data cleansing and GMP equalisation which will alter the final cost of the annuity.

| Weighted average life expectancy for mortality tables used to determine benefit obligations at: | 2023 |        | 2022 |        |
|---|------|--------|------|--------|
|   | Male | Female | Male | Female |
| Member age 60 (current life expectancy)   | 26.2 | 29     | 27.0 | 29.7   |
| Member age 45 (life expectancy at age 60)   | 28.1 | 30.5   | 28.9 | 31.1   |

| Scheme assets:                 | 2023 (£'000) | 2022 (£'000) |
|--------------------------------|--------------|--------------|
| Gilts                          | 33,991       | 34,884       |
| Other                          | 96           | 430          |
| Total market value of assets   | 34,087       | 35,314       |
| Actuarial value of liabilities | (25,090)     | (24,776)     |
| Scheme asset                   | 8,997        | 10,538       |
| Related deferred tax liability | (2,249)      | (2,635)      |
| <b>Net Scheme asset</b>        | <b>6,748</b> | <b>7,903</b> |

The Scheme asset is the gross Scheme asset, the related deferred tax liability results in a net Scheme asset of £6,748,000 (2022: £7,903,000).

## Notes to the Accounts continued

| <b>Analysis of net interest cost on the Scheme included within investment return (note 3)</b> | <b>2023 (£'000)</b> | <b>2022 (£'000)</b> |
|---|---------------------|---------------------|
| Expected return on Scheme assets  | 1,647               | 1,039               |
| Interest on Scheme liabilities  | (1,156)             | (773)               |
| <b>Net interest on the Scheme</b>   | <b>491</b>          | <b>266</b>          |

| <b>Statement of Changes in Equity</b>             | <b>2023 (£'000)</b> | <b>2022 (£'000)</b> |
|---|---------------------|---------------------|
| Return on plan assets (excluding interest income) | (1,614)             | (22,198)            |
| Changes in assumptions                            | (69)                | 17,881              |
| Actuarial loss recognised                         | (1,683)             | (4,317)             |
| Related deferred tax charge                       | 421                 | 1,079               |
| <b>Changes in equity</b>                          | <b>(1,262)</b>      | <b>(3,238)</b>      |

| <b>Movement in value of the Scheme during the year</b>     |                     |                     |
|--|---------------------|---------------------|
| <b>Change in benefit obligation</b>                        | <b>2023 (£'000)</b> | <b>2022 (£'000)</b> |
| Present value of benefit obligation at beginning of year   | 24,776              | 43,989              |
| Interest cost  | 1,156               | 773                 |
| Actuarial changes  |                     |                     |
| – Effect of changes in financial assumptions               | (27)                | (17,093)            |
| – Effect of demographic adjustments                        | (415)               | (1,441)             |
| – Effect of experience adjustments                         | 510                 | 653                 |
| Benefits paid  | (910)               | (2,105)             |
| <b>Present value of benefit obligations at end of year</b> | <b>25,090</b>       | <b>24,776</b>       |

| <b>Change in Scheme assets</b>                      | <b>2023 (£'000)</b> | <b>2022 (£'000)</b> |
|---|---------------------|---------------------|
| Fair value of Scheme assets at beginning of year    | 35,314              | 58,920              |
| Interest income                                     | 1,647               | 1,039               |
| Return on Scheme assets (excluding interest income) | (1,614)             | (22,198)            |
| Benefits paid and transfers out                     | (910)               | (2,105)             |
| Scheme administration cost                          | (350)               | (342)               |
| <b>Fair value of Scheme assets at end of year</b>   | <b>34,087</b>       | <b>35,314</b>       |

| <b>History of assets and liabilities</b> | <b>2023 (£'000)</b> | <b>2022 (£'000)</b> |
|--|---------------------|---------------------|
| Total market value of assets             | 34,087              | 35,314              |
| Present value of Scheme liabilities      | (25,090)            | (24,776)            |
| <b>Scheme surplus</b>                    | <b>8,997</b>        | <b>10,538</b>       |

| <b>History of experience gains and losses</b>   | <b>2023</b>   | <b>2022</b> |
|---|---------------|-------------|
| Return on Scheme assets                         | <b>(4.6%)</b> | (62.9%)     |
| Experience gains/(losses) on Scheme liabilities | <b>0.0%</b>   | 0.0%        |

As the Scheme closed to future accrual on 31 December 2015, the Company made no normal contributions during the year (2022: no normal contributions). During the year the Company made no special contributions to the Scheme (2022: no special contributions to the Scheme).

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 premiums in excess of claims of 0.5% (2022: -1.6%) and the discount rate of 4.55% (2022: 4.75%). Mortality assumptions are taken from the S3PA tables with CMI 2020 projections and 1.5%/1.25% pa long-term rate for males/females (2022: S3PA tables CMI 2020 projections and 1.5% pa long-term rate).

| <b>Group and Company</b>   | <b>Defined Benefit Pension Scheme surplus (£'000)</b> | <b>Post-employment medical provision (£'000)</b> |
|----------------------------|---|--|
| At 1 January 2022          | 14,931  | (628)  |
| Movement in the year       | (4,393)   | 222  |
| At 31 December 2022        | 10,538  | (406)  |
| Movement in the year       | (1,541)   | 262  |
| <b>At 31 December 2023</b> | <b>8,997</b>  | <b>(144)</b>                                     |

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 £1,754,000 (2022: £1,507,000) were made to defined contribution schemes.

## 18 Commitments and contingent liabilities

|  | <b>2023 (£'000)</b> |                | <b>2022 (£'000)</b> |                |
|--|---------------------|----------------|---------------------|----------------|
|  | <b>Group</b>        | <b>Company</b> | <b>Group</b>        | <b>Company</b> |
| The future aggregate minimum lease payments under non-cancellable leases are as follows: |                     |                |                     |                |
| – Within one year  | 226                 | 99             | 137                 | 45             |
| – Between one and five years   | 348                 | 286            | 300                 | 180            |
| – After five years   | 63                  | 89             | 89                  | 116            |
|  | <b>637</b>          | <b>474</b>     | <b>526</b>          | <b>341</b>     |

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 not able 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:            | 2023 (£'000) | 2022 (£'000) |
|--------------------------------------|--------------|--------------|
| Administration charge by WPA Limited | (15,133)     | (12,720)     |
| Administration charge to WPA Limited | 15,229       | 13,269       |
|                                      | <b>96</b>    | <b>549</b>   |

#### Balances outstanding:

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Gross receivable by WPA Limited | 5,046        | 5,313        |
| Gross payable by WPA Limited    | (19)         | (174)        |
|                                 | <b>5,027</b> | <b>5,139</b> |

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.

|  | 2023 (£'000) | 2022 (£'000) |
|--|--------------|--------------|
| – Salary/fees                                      | 2,143        | 2,086        |
| – Pension related benefits                         | 303          | 293          |
| – Benefits-in-kind                                 | 42           | 49           |
| – Amounts payable under short-term incentive plans | 213          | 228          |
| – Amounts payable under long-term incentive plans  | 203          | 162          |
| <b>Aggregate emoluments</b>                        | <b>2,904</b> | <b>2,818</b> |

Key management personnel purchased WPA insurance policies on an arm's length basis with premium payments of £721 in the year (2022: £721).

#### 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 (2022: 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 £52,000 (2022: £63,000). Lord Cromer is a Director of the WPA Benevolent Foundation Limited.

The Company holds investments with a value of £9,532,000 (2022: £9,064,000) 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% (2022: 11%) of the fund.

The Company holds investments with a value of £1,763,000 (2022: £1,615,000) in The Far East Value Fund, an Asian collective investment fund of which Lord Cromer is one of the directors. The Company holds 8% (2022: 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.

| Geographical equity exposure | Number<br>of funds | 2023 (£'000)  | Number<br>of funds | 2022 (£'000)  |
|------------------------------|--------------------|---------------|--------------------|---------------|
| UK                           | 3                  | 11,591        | 5                  | 9,077         |
| Europe                       | 1                  | 2,131         | –                  | –             |
| US                           | –                  | –             | 6                  | 8,864         |
| Asia                         | 5                  | 15,982        | 5                  | 14,709        |
| Global                       | 2                  | 3,375         | 7                  | 10,027        |
|                              | <b>11</b>          | <b>33,079</b> | <b>23</b>          | <b>42,677</b> |

The principal financial assets held at 31 December 2023 and 2022, analysed by their fair value hierarchy levels were:

|                          |   | 2023 (£'000)   | 2022 (£'000)   |
|--------------------------|---|----------------|----------------|
| <b>Level 1</b>           | Deposits with credit institutions at floating rates | 4,659          | 16,139         |
|                          | Collective investment funds – Equities              | 19,632         | 30,191         |
|                          | Collective investment funds – Money market funds    | 3,011          | 17,400         |
|                          | Cash collateral                                     | 250            | 1,436          |
| <b>Level 2</b>           | Forward currency contracts                          | 563            | 5              |
|                          | Collective investment funds – Equities              | 13,447         | 12,486         |
| <b>At amortised cost</b> |   |                |                |
| <b>Level 1</b>           | Government issued securities                        | 98,303         | 57,500         |
|                          | Debt and other fixed income securities              | 26,321         | 35,524         |
|                          |   | <b>166,186</b> | <b>170,681</b> |

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 24 (2022: 31) 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 £124.6m within these financial statements. The estimated fair value of these instruments is £122.7m.

The group does not have any financial assets or liabilities, including the forward currency contracts used for hedging purposes, that are directly linked to any interbank offered rates (IBOR). Consequently, IBOR has had no impact on the Group.

## Notes to the Accounts continued

|   | Available for sale<br>Unquoted equities |              |
|---|---|--------------|
|   | 2023 (£'000)                            | 2022 (£'000) |
| <b>Reconciliation of Level 3 fair value measurements of financial assets:</b> |   |              |
| Balance at 1 January  | –                                       | 300          |
| Total losses recognised   | –                                       | (300)        |
| Sales   | –                                       | –            |
| <b>Balance at 31 December</b>   | <b>–</b>                                | <b>–</b>     |

### 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 £310,000 (2022: £840,000). If all equity values were to fall by 5% this would reduce asset values by £1,650,000 (2022: £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 financial instruments are subject to the expected credit loss model as required by IFRS 9.

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 £98.3m (2022: £57.5m). The maximum duration of UK Government stock held at amortised cost is seven years from the balance sheet date.

No expected credit losses have been recognised against the financial assets held at the balance sheet date as the expected credit losses are highly immaterial.

### (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

|                                | 2023 (£'000)  | 2022 (£'000)<br>restated |
|--------------------------------|---------------|--------------------------|
| Insurance contract liabilities | 33,912        | 28,921                   |
| Corporation tax                | 246           | –                        |
| Other creditors                | 6,424         | 6,218                    |
|                                | <b>40,582</b> | <b>35,139</b>            |

The undiscounted liabilities have the following maturity analysis:

|                                  | < 1 year      | 1-2 years  | 2-3 years | 3-4 years | 4-5 years | > 5 years |
|----------------------------------|---------------|------------|-----------|-----------|-----------|-----------|
| Insurance contract liabilities   | 33,912        | –          | –         | –         | –         | –         |
| Corporation tax                  | 246           | –          | –         | –         | –         | –         |
| Other creditors                  | 5,761         | –          | –         | –         | –         | –         |
| Lease liabilities (undiscounted) | 226           | 154        | 69        | 63        | 63        | 63        |
|                                  | <b>40,144</b> | <b>154</b> | <b>69</b> | <b>63</b> | <b>63</b> | <b>63</b> |

### 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 17 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 comprises its entire accumulated reserves, as disclosed on the face of the Statement of Financial Position.

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 2023 the Group's solvency coverage against the standard formula assessment was 378% (unaudited) (2022: 397%). 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

Standards which have been issued but are not yet effective at the balance sheet date are not expected to significantly impact the Group.

## 22 Prior year restatement

These financial statements have been restated for the adoption of IFRS 17: Insurance contracts which became effective from 1 January 2023. The standard has been adopted using the fully retrospective approach and as a result the prior year balances have been restated as though the standard was applied in prior years.

| Consolidated Income Statement                              | For year<br>ended 2022<br>as originally<br>stated | Restatement     | For year<br>ended 2022<br>restated |
|--|---|-----------------|------------------------------------|
|  | (€'000)   | (€'000)         | (€'000)                            |
| Net insurance premium                                      | 130,894   | (130,894)       | –                                  |
| Insurance revenue  | –   | 129,424         | 129,424                            |
| Insurance service expenses*                                | (109,418)   | (22,097)        | (131,515)                          |
| <b>Insurance service result</b>                            | <b>21,476</b>                                     | <b>(23,567)</b> | <b>(2,091)</b>                     |
| Administration income                                      | 3,054   | 1,507           | 4,561                              |
| Net investment income                                      | (7,257)   | –               | (7,257)                            |
| <b>Net insurance, administration and investment result</b> | <b>17,273</b>                                     | <b>(22,060)</b> | <b>(4,787)</b>                     |
| Other operating and administrative expenses                | (34,902)  | 21,127          | (13,775)                           |
| Investment management expense                              | (33)  | –               | (33)                               |
| Corporate Social Responsibility donations                  | (11)  | –               | (11)                               |
| <b>Loss before income tax</b>                              | <b>(17,673)</b>                                   | <b>(933)</b>    | <b>(18,606)</b>                    |
| Income tax expense   | 4,298   | 230             | 4,528                              |
| <b>Loss for the year</b>                                   | <b>(13,375)</b>                                   | <b>(703)</b>    | <b>(14,078)</b>                    |

\*The original balance for 2022 was included under the title 'Net insurance claims'.

The significant changes as a result of IFRS 17 relate to:

- The reallocation of premium income to insurance revenue.
- The reallocation of claims and changes in reserves to insurance service expense.
- The reallocation of expenses directly attributable to the servicing of insurance contracts from other operating and administrative expenses to insurance service expenses.
- The expensing of commission when incurred and the inclusion of the expense in Insurance service expense.
- The separation of administration income contained in insurance contracts to be recognised separately as administration income.

| <b>Consolidated Statement of Financial Position</b>    | <b>31-Dec<br/>2022<br/>as<br/>originally<br/>stated</b> | <b>Re-<br/>statement</b> | <b>31-Dec<br/>2022<br/>Restated</b> | <b>31-Dec<br/>2021<br/>as<br/>originally<br/>stated</b> | <b>Re-<br/>statement</b> | <b>01-Jan<br/>2022<br/>Restated</b> |
|--|---|--------------------------|-------------------------------------|---|--------------------------|-------------------------------------|
|  | (£'000)   | (£'000)                  | (£'000)                             | (£'000)   | (£'000)                  | (£'000)                             |
| <b>Assets</b>  |   |                          |                                     |   |                          |                                     |
| <b>Non-current Assets</b>                              |   |                          |                                     |   |                          |                                     |
| Post employment benefits                               | 10,538  | –                        | 10,538                              | 14,931  | –                        | 14,931                              |
| Deferred tax   | 2,700   | 1,824                    | 4,524                               | –   | –                        | –                                   |
| Intangible assets                                      | 1,067   | –                        | 1,067                               | 545   | –                        | 545                                 |
| Property, plant and equipment                          | 4,956   | –                        | 4,956                               | 5,376   | –                        | 5,376                               |
| Investment property                                    | 3,169   | –                        | 3,169                               | 3,332   | –                        | 3,332                               |
| Deferred acquisition costs                             | 7,698   | (7,698)                  | –                                   | 6,938   | (6,938)                  | –                                   |
| Financial assets                                       | 170,681   | –                        | 170,681                             | 189,563   | –                        | 189,563                             |
|  | <b>200,809</b>  | <b>(5,874)</b>           | <b>194,935</b>                      | <b>220,685</b>  | <b>(6,938)</b>           | <b>213,747</b>                      |
| <b>Current Assets</b>                                  |   |                          |                                     |   |                          |                                     |
| Receivables arising out of direct insurance operations | 53,814  | (53,814)                 | –                                   | 46,810  | (46,810)                 | –                                   |
| Corporation tax recoverable                            | 578   | –                        | 578                                 | 668   | –                        | 668                                 |
| Other receivables                                      | 1,651   | –                        | 1,651                               | 180   | –                        | 180                                 |
| Prepayments and accrued income                         | 1,405   | –                        | 1,405                               | 1,331   | –                        | 1,331                               |
| Cash and cash equivalents                              | 5,931   | –                        | 5,931                               | 5,329   | –                        | 5,329                               |
|  | <b>63,379</b>   | <b>(53,814)</b>          | <b>9,565</b>                        | <b>54,318</b>   | <b>(46,810)</b>          | <b>7,508</b>                        |
| <b>Total Assets</b>                                    | <b>264,188</b>  | <b>(59,688)</b>          | <b>204,500</b>                      | <b>275,003</b>  | <b>(53,748)</b>          | <b>221,255</b>                      |
| <b>Equity and liabilities</b>                          |   |                          |                                     |   |                          |                                     |
| <b>Equity</b>  |   |                          |                                     |   |                          |                                     |
| Reserves   | 174,336   | (5,527)                  | 168,809                             | 190,769   | (4,781)                  | 185,988                             |
| <b>Non-current liabilities</b>                         |   |                          |                                     |   |                          |                                     |
| Post employment benefits                               | 406   | –                        | 406                                 | 628   | –                        | 628                                 |
| Derivative financial instruments                       | 146   | –                        | 146                                 | 901   | –                        | 901                                 |
| Deferred tax   | –   | –                        | –                                   | 2,705   | (1,594)                  | 1,111                               |
|  | <b>552</b>  | <b>–</b>                 | <b>552</b>                          | <b>4,234</b>  | <b>(1,594)</b>           | <b>2,640</b>                        |
| <b>Current liabilities</b>                             |   |                          |                                     |   |                          |                                     |
| Insurance contract liabilities                         | 72,688  | (43,767)                 | 28,921                              | 66,095  | (37,672)                 | 28,423                              |
| Payables arising out of direct insurance operations    | 5,974   | (5,974)                  | –                                   | 5,657   | (5,657)                  | –                                   |
| Other payables receivables                             | 10,638  | (4,420)                  | 6,218                               | 8,248   | (4,044)                  | 4,204                               |
| Current tax liabilities                                | –   | –                        | –                                   | –   | –                        | –                                   |
|  | <b>89,300</b>   | <b>(54,161)</b>          | <b>35,139</b>                       | <b>80,000</b>   | <b>(47,373)</b>          | <b>32,627</b>                       |
| <b>Total equity and liabilities</b>                    | <b>264,188</b>  | <b>(59,688)</b>          | <b>204,500</b>                      | <b>275,003</b>  | <b>(53,748)</b>          | <b>221,255</b>                      |

## Notes to the Accounts continued

| <b>Company Statement of Financial Position</b>         | <b>31-Dec<br/>2022<br/>as<br/>originally<br/>stated</b> | <b>Re-<br/>statement</b> | <b>31-Dec<br/>2022<br/>Restated</b> | <b>31-Dec<br/>2021<br/>as<br/>originally<br/>stated</b> | <b>Re-<br/>statement</b> | <b>01-Jan<br/>2022<br/>Restated</b> |
|--|---|--------------------------|-------------------------------------|---|--------------------------|-------------------------------------|
|  | (£'000)   | (£'000)                  | (£'000)                             | (£'000)   | (£'000)                  | (£'000)                             |
| <b>Assets</b>  |   |                          |                                     |   |                          |                                     |
| <b>Non-current Assets</b>                              |   |                          |                                     |   |                          |                                     |
| Post employment benefits                               | 10,538  | –                        | 10,538                              | 14,931  | –                        | 14,931                              |
| Deferred tax   | 2,700   | 1,824                    | 4,524                               | –   | –                        | –                                   |
| Investments in group undertakings                      | 934   | –                        | 934                                 | 934   | –                        | 934                                 |
| Intangible assets                                      | 569   | –                        | 569                                 | 545   | –                        | 545                                 |
| Property, plant and equipment                          | 4,575   | –                        | 4,575                               | 5,154   | –                        | 5,154                               |
| Deferred acquisition costs                             | 7,698   | (7,698)                  | –                                   | 6,938   | (6,938)                  | –                                   |
| Financial assets                                       | 170,681   | –                        | 170,681                             | 189,563   | –                        | 189,563                             |
|  | <b>197,695</b>  | <b>(5,874)</b>           | <b>191,821</b>                      | <b>218,065</b>  | <b>(6,938)</b>           | <b>211,127</b>                      |
| <b>Current Assets</b>                                  |   |                          |                                     |   |                          |                                     |
| Receivables arising out of direct insurance operations | 53,814  | (53,814)                 | –                                   | 46,810  | (46,810)                 | –                                   |
| Amounts owed by group undertakings                     | 5,139   | –                        | 5,139                               | 4,925   | –                        | 4,925                               |
| Corporation tax recoverable                            | 260   | –                        | 260                                 | 447   | –                        | 447                                 |
| Other receivables                                      | 1,428   | –                        | 1,428                               | 156   | –                        | 156                                 |
| Prepayments and accrued income                         | 1,276   | –                        | 1,276                               | 1,139   | –                        | 1,139                               |
| Cash and cash equivalents                              | 2,414   | –                        | 2,414                               | 1,719   | –                        | 1,719                               |
|  | <b>64,331</b>   | <b>(53,814)</b>          | <b>10,517</b>                       | <b>55,196</b>   | <b>(46,810)</b>          | <b>8,386</b>                        |
| <b>Total Assets</b>                                    | <b>262,026</b>  | <b>(59,688)</b>          | <b>202,338</b>                      | <b>273,261</b>  | <b>(53,748)</b>          | <b>219,513</b>                      |
| <b>Equity and liabilities</b>                          |   |                          |                                     |   |                          |                                     |
| <b>Equity</b>  |   |                          |                                     |   |                          |                                     |
| Reserves   | 173,416   | (5,472)                  | 167,944                             | 189,988   | (4,781)                  | 185,207                             |
| <b>Non-current liabilities</b>                         |   |                          |                                     |   |                          |                                     |
| Post employment benefits                               | 406   | –                        | 406                                 | 628   | –                        | 628                                 |
| Derivative financial instruments                       | 146   | –                        | 146                                 | 901   | –                        | 901                                 |
| Deferred tax   | –   | –                        | –                                   | 2,705   | (1,594)                  | 1,111                               |
|  | <b>552</b>  | <b>–</b>                 | <b>552</b>                          | <b>4,234</b>  | <b>(1,594)</b>           | <b>2,640</b>                        |
| <b>Current liabilities</b>                             |   |                          |                                     |   |                          |                                     |
| Insurance contract liabilities                         | 72,688  | (43,767)                 | 28,921                              | 66,095  | (37,672)                 | 28,423                              |
| Payables arising out of direct insurance operations    | 5,974   | (5,974)                  | –                                   | 5,657   | (5,657)                  | –                                   |
| Other payables   | 9,396   | (4,475)                  | 4,921                               | 7,287   | (4,044)                  | 3,243                               |
| Current tax liabilities                                | –   | –                        | –                                   | –   | –                        | –                                   |
|  | <b>88,058</b>   | <b>(54,216)</b>          | <b>33,842</b>                       | <b>79,039</b>   | <b>(47,373)</b>          | <b>31,666</b>                       |
| <b>Total equity and liabilities</b>                    | <b>262,026</b>  | <b>(59,688)</b>          | <b>202,338</b>                      | <b>273,261</b>  | <b>(53,748)</b>          | <b>219,513</b>                      |

# Notes to the Accounts continued

---

The significant changes to the statements of financial position as a result of IFRS 17 are:

- The reallocation of all balances related to insurance business to the Insurance contract liabilities line.
- The removal of the deferred acquisition costs asset as a result of the accounting policy choice to expense acquisition costs as they are incurred.
- The increase in deferred tax as a result of the changes.

## **23 Post balance sheet events**

In February 2024 the Trustees of the WPA defined benefit pension scheme, for which the Group is the sponsoring employer, purchased an annuity buy-in with an insurance company for all the liabilities in the Scheme for a cost of £28.1m. It is not currently possible to quantify the resulting surplus in the Scheme as although the initial price for the annuity buy-in has been agreed there is a requirement for data cleansing, including GMP equalisation which will alter the final cost of the annuity.





## 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  
Registered in England and Wales No. 00475557

WPA is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority (Registration number 202608).

© Western Provident Association Limited 2024. All rights reserved.

WPA is a registered trade mark of Western Provident Association Limited. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of Western Provident Association Limited.