Registration number: 00294940

EQUINE AND LIVESTOCK

INSURANCE COMPANY LIMITED (THE)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 SEPTEMBER 2022

EQUINE AND LIVESTOCK INSURANCE COMPANY LIMITED (THE)

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EQUINE AND LIVESTOCK INSURANCE COMPANY LIMITED (THE)
COMPANY INFORMATION

DIRECTORS	F D Martin C J Hall K E Howells-Lee P E Myers (Independent non-executive director) E M Walker (Independent non-executive director)
SECRETARY	J H Shaw
REGISTERED OFFICE	Thorpe Underwood Hall Thorpe Underwood York YO26 9SZ
BANKERS	Nat West Bank plc P O Box 51 7 Hustlergate Bradford BD1 1PP Barclays Bank plc 25 James Street Harrogate HG1 1QX
REGISTERED AUDITORS	BDO LLP 55 Baker Street London W1U 7EU

EQUINE AND LIVESTOCK INSURANCE COMPANY LIMITED (THE)
STRATEGIC REPORT
Year Ended 30 September 2022

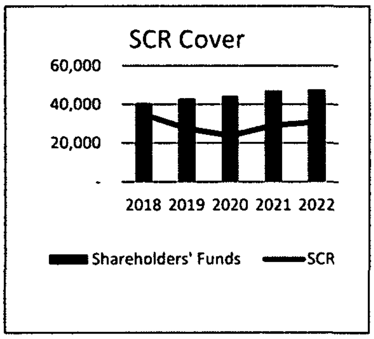
The directors present their strategic report for the year ended 30 September 2022.

Principal activity
The principal activity of the company during the period remains the transaction of general insurance classified as Miscellaneous Financial Loss, Fire and Other Damage to Property and General Lability. There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year. The company is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Strategy
Equine and Livestock Insurance Company (ELICO) vision is to provide its Distributors with high quality, innovative, consumer centric general insurance products and be recognised as a leading general insurer providing first class service to Distributors and direct claims service to policyholders. The Company aims to support this vision by utilising best practice and embracing technological change and maintain growth at a sustainable rate and make sufficient profit in order to provide the Shareholder with long-term investment value.

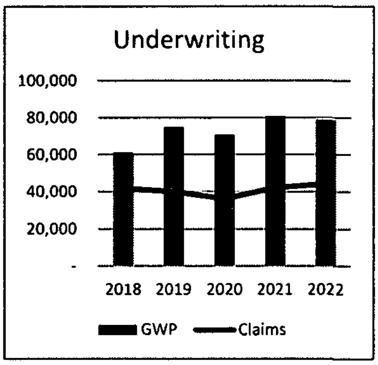
Strategic Review
The balance sheet on pages 21 and 22 of the financial statements shows that the company's shareholder funds (on a UK GAAP basis) position at the year-end has increased by £1,116,000 to £48,595,000 (2021 - £47,479,000).

Shareholder Funds are maintained above the Solvency Capital Requirement (SCR) at all times and are required to provide a buffer over and above the liabilities including notified claims and claims not yet advised. Shareholder Funds are increased by retained earnings and additional share capital injections, if required.



Year	2018	2019	2020	2021	2022
	£000	£000	£000	£000	£000
Share Capital	30,750	32,450	32,450	32,450	32,450
Reserves	10,755	11,411	12,982	15,029	16,145
Shareholder Funds	**41,505**	**43,861**	**45,432**	**47,479**	**48,595**
Solvency II Adjustment	(709)	(739)	(959)	(178)	(846)
Shareholder Funds Solvency II Basis	**40,796**	**43,122**	**44,473**	**47,301**	**47,749**
Solvency Capital Requirement	**34,840**	**27,578**	**23,782**	**29,150**	**30,901**
SCR Cover	117%	156%	187%	162%	155%

As shown in the company's profit and loss account: technical account on page 18, the performance for the year is detailed in the table below.



Year	2018	2019	2020	2021	2022
	£000	£000	£000	£000	£000
Gross Written Premium	61,457	75,323	71,042	80,988	79,079
Earned Income	33,041	40,160	37,851	42,577	45,876
Claims	(41,872)	(40,009)	(36,288)	(42,226)	(44,249)
Change in Provisions	7,711	(270)	(1,278)	(358)	(783)
Net Operating expenses	(482)	(378)	470	339	(473)
Net underwriting Profit	**(1,602)**	**(497)**	**755**	**332**	**371**
Investment Income	1,288	1,334	1,208	1,136	1,059
Net Operating income	**(314)**	**837**	**1,963**	**1,468**	**1,430**
Unrealised gains/(losses)	-	-	-	(650)	(21)
Profit Before Tax	**(314)**	**837**	**1,963**	**818**	**1,409**
Tax	139	(181)	(399)	(294)	(293)
Retained Profit	**(175)**	**656**	**1,564**	**524**	**1,116**

Key Performance Indicators

The company uses the following Key Performance Indicators (KPI) to understand, monitor and develop the performance of the business against its core strategic objectives..

KPI	Metric 2022	Metric 2021	Commentary
Gross Claims Ratio (Gross Premium Earned/Claims incurred before expenses)	90%	91%	The gross claims ratio remained consistent with the prior year and remains within the Board appetite of 92.5%.
Profit before Tax and Fair value movements on investments	£1,430,000	£1,468,000	Profit before tax and unrealised gains/(losses) on investments was consistent with the prior year. Gross written premiums reduced in the year which was offset by an improvement in the claims experience. Operating expenses increased as the Company continues to invest in additional key staff and its IT infrastructure. The year end result was within the budget expectations.
Return on Shareholder Funds (Profit before Tax and FV movements on investments/Shareholder Funds)	3%	3%	The Company achieved its target return on capital of 3% during the year.
SCR Cover Ratio	155%	162%	The Company remains strongly capitalised with a solvency coverage ratio of 155%. The Board reviews the SCR surplus on a continuous basis and, should the ratio drop below the target level of 144%, this would trigger management actions.

Going concern

As set out in the Directors' Responsibilities statement, the directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. The current economic conditions present increased risks for all businesses. In response to such uncertain conditions, the directors have carefully considered these risks and the extent to which they might affect the preparation of the financial statements on a going concern basis. In particular, the directors of the company have considered in detail the company's forecast performance, including its capital adequacy, forecast solvency position and the valuation of its investments. On this basis, the directors have a reasonable expectation that the company will maintain adequate solvency to continue in operational existence for the foreseeable future. Accordingly, the directors of the company have adopted the going concern basis in preparing these financial statements.

Principal risks and uncertainties

The board ensures that the risks the business faces are managed in a prudent manner via the Risk and Audit Committees. The company operates a risk management framework through which it identifies, monitors, reports and manages its principal risks within its risk appetite and ensures that sufficient capital is held.

Competitive pressure in the UK is a continuing risk for the company. The company manages this risk by focusing on customer needs and adapting the product offering to maintain leading coverage and pricing. Procedures are constantly updated to make application, renewal and claims processing as quick and streamlined as possible. Achieving the best customer outcomes remains a key aspect of the business strategy.

ELICO's risk profile is skewed towards insurance risk, arising from the provision of its range of Pet, Pleasure Horse and non-animal policies. The risk and governance framework has been strongly embedded in ELICO and is described in the governance manual.

Financial Risk (including Market, Credit and Liqudity Risk)
Financial risk is the risk that ELICO may not be able to meet with its financial and capital requirements and ensure financial reporting requirements are timely and to the required standard. Market & Credit RISK is the risk of loss as a result of the value of financial assets or liabilities being adversely affected by significant changes in underlying market values and the risk that a counterparty fails to meet its contractual financial obligations . Liquidity risk is the risk that ELICO is unable to meet its obgligations as they fall due or can only do so at excessive cost.
Financial risk is monitored and managed with regular management information and through the company's Finance Committee to ensure a diverse mix of low risk assets, ongoing review of applicable credit ratings (e.g. Banks) and capital and liqudity oversight against risk appetites.

Strategic Risk
Strategic risk is the risk that poor business decisions or strategy due to internal or external developments may inhibit ELICO'S ability to achieve its strategic objectives, profitability, sustainability, long term positioning and performance whilst impacting on the long-term interests of stakeholders.
The company has developed a framework to monitor and manage Strategic Risk which includes regular detailed reporting to the Risk Committee and Board.

Legal & Regulatory Risk
Legal and Regulatory Risk is the risk of non-compliance with regulatory and legal requirements and standards. This covers regulatory reporting, regulatory and legal censures, sanctions and potential fines.
The company has a framework in place to continuously monitor and report on regulatory or legal changes that may impact the business to ensure compliance at all times.

Insurance Risk
Insurance Risk is the risk that an insured event may occur requiring the Insurer to pay a claim. It also covers the risk that an underwritten inaccurate assessment of associated risks or uncontrollable factors not included in the Policy's exclusion list may result in significant increase in ELICO's cost of claims settlement and exceed earned premiums.
Insurance Risk is monitored and managed with regular management information along with the use of reinsurance contracts.

Conduct Risk
Conduct risk is the risk of conducting business, including ELICO's behaviours, operating model and culture, in a way that leads to customer detriment or unfair outcomes.
The company has developed a proportionate framework and balanced training to mitigate Conduct Risk which includes tolerance reporting and product fair value reviews.

Operational Risk
Operational Risk is the loss resulting from inadequate or failed internal processes, people, systems and/or external events. .
ELICO has a system of internal controls to manage these operational risks, and to reduce the potential exposure, but accepts that a residual risk of loss remains.
Operational risk is recorded on the risk registers, and day-to day-processes are closely managed by all directors which will identify shortcomings in operational risks.

Future Developments
In the coming year we aim to achieve strategic growth targets for gross written premium, whilst containing claims costs in the face of inflation and increasing veterinary costs of the claims ratio. We will continue to invest in the development of our staff and IT infrastructure to ensure we continue to offer high-quality, innovative and consumer-centric general insurance products. The Company has defined a number of key strategic initiatives to provide focus when setting operational actions to achieve its strategic objectives, with these being Simplification, Automation, Digitalisation and People.

In addition, the Company will focus on several key emerging risks identified below.

Macro-Economic Environment
Potential impacts of the UK's transition from the EU (31st December 2020) along with the increase in inflation and the rise in interest rates continue to be monitored and appropriate actions taken where impacts are being seen in relation to customer experience and profitability. Specific management awareness over vet fees and potential supply chain issues with medicines is ongoing. The Finance and Risk & Compliance functions continue to monitor the Macro Economic environment with regular discussions at the Finance Committee – specific focus on pricing, cost and capital adequacy. Particular focus is being maintained on monitoring inflation and the impact on the business, in particular, increase in premiums and associated increase in capital requirements. The potential impact on commodities of he situation in Ukraine is also being monitored.

Operational Resilience and Cyber Security
Continuing development and understanding of ELICO's Operational Resilience framework, which was implemented by 31 March 2022 as set out within the FCA and PRA regulatory publications which were finalised March 2021. Actions are in place to ensure the resilience of Key Business Services and their ability to operate within impact tolerances in line with regulatory requirements. Risks continue to be assessed and proportionally managed in relation to legacy equipment and systems, ensuring effective Third Party Management and Outsourcing arrangements are in place, improvements to Cyber Security controls and awareness and the ongoing assessment and evolution of Business Continuity Management.. Reporting to the Executive and the Governing Body remain a priority for 2023.

Regulatory Changes
The volume and complexity of regulatory change continues to be monitored through the enhanced horizon-scanning process, with the introduction of a formal and structure gap analysis, where required, to assess the impact of change on ELICO. Pressures are expected to continue through 2022 due to known upcoming changes, for example, review of the Solvency II regime and introduction of consumer duty of care.

Climate Change Risk
Risk associated with climate change are becoming of increasing importance to the Company, its regulators and customers. The Company's insurance risks and asset portfolio have relatively short durations so the exposure to climate change is limited. The increase in the frequency and severity of extreme weather events will be the main risk the Company is exposed to from climate change through its household lines of business. This is mitigated through the purchase of catastrophe reinsurance and the regular review of pricing assumptions. The impact of climate change is reviewed through the Company's risk management framework and forms part of the development of its overall Environmental, Social and Governance strategy.

Further details of the Company's energy usage are included within the Directors' Report on page 7.

Governance
Board and Committee Attendance
Director attendance as members of the Governing Body and in their capacity of members of its sub-committees (where relevant) during the year is below:

	Meetings	P Myers	F Martin	K Howells-Lee	C Hall	E Walker
Board	6	6	6	5	6	6
Finance	11	n/a	11	10	11	n/a
Audit	7	7	7	5	6	7
Risk	5	5	5	5	5	5
Remuneration	1	1	1	n/a	n/a	1
Nomination	1	1	1	n/a	n/a	1

Section 172(1) Companies Act 2006 Statement

This statement sets out how the Directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 when performing their duties. The Directors consider they have acted in a way that, in good faith, would be most likely to promote the success of the Company and the interests of stakeholders and in doing so have regards to:

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

Key decisions relating to Section 172 made in the year are set out below:

Significant event/decision	Key Section 172 matter affected	Actions and Impact
Policyholder Outcomes	Customers, Regulators & environment	The Company's goal is to provide up-to-date and consistent products for policyholders, which respect consumer appetite and treat customers fairly. These are distributed by the company's Appointed Representatives. During the year the Board considered the pricing strategy to ensure fair pricing practices are in place. The Company worked with its Distributors to ensure the consistency of the product offering across its brands and make the customer journey as efficient as possible. This included the development of the Policyholder portal in order to improve customer experience and reduce the volume of paper communication. The company is also evaluating various automation and Artificial Intelligence solutions to bring efficiencies in operations.
Governance and Regulatory Compliance	Business Conduct	The company continues to enhance its governance and has also undertaken considerable work to develop and implement a robust risk management and operational resilience framework. The Board is committed to ensuring compliance with all PRA and FCA regulations at all times. The Board receives regular updates on regulatory developments with detailed gap analysis carried out to ensure the Company can plan accordingly for anticipated changes. During the year, the Company has carried out extensive work around the Operational Resilience framework, Product value assessments and Consumer duty guidelines to ensure it can ensure continued compliance with all regulatory requirements.
Staff	Employees	During the year the company finalised its hybrid working arrangements with staff well-being of integral importance to the operation of the business. A new HR system has been implemented during the year along with Health Assured Employee Assistance Programme and there has been considerable focus on staff training, development and reward to improve retention in a challenging recruitment market.
Strong Sustainable business	Shareholder & Employees	The Board continuously monitors progress and performance to ensure the business remains profitable and sustainable in order to create long-term value for the shareholder. Actions have been taken during the year to streamline pricing strategies, through the increased use of data analytics tools, to monitor and improve underwriting performance. Projects are on-going around the automation of claims processes and enhancements to our digital self-service platform to improve customer experience and create operational efficiencies.

The Company's Board meets quarterly, supported by various sub-committees which are attended by Executive Directors, Non-Executive Directors and senior Heads of Departments within the business. These meetings consider matters in relation to the Company's strategy and operations, including consideration of the interest of stakeholders which comprise its shareholder, customers, suppliers, regulators and employees. Stakeholders, their interests and the manner in which the Company engages with them is integral to how the Company conducts business.

Approved by the Board on 16 December 2022 and signed on its behalf by:

....

F D Martin
Director

EQUINE AND LIVESTOCK INSURANCE COMPANY LIMITED (THE)
DIRECTORS' REPORT
Year Ended 30 September 2022

The directors present their report and the audited financial statements for the year ended 30 September 2022.

Directors of the company
The directors of the company throughout the period were as follows:

F D Martin

C J Hall

K E Howells-Lee

P E Myers (Independent non-executive director)

E M Walker (Independent non-executive director)

Dividends
The Directors do not recommend the payment of a dividend for the year ended 30th September 2022. (2021:£nil)

Future Developments
The future developments of the Company are detailed in the Strategic Report.

Financial Instruments
The Company's financial instruments comprise its financial investments, cash, and various items arising directly from operations such as insurance intermediary and other debtors and creditors. The main risks the which the Company is exposed are insurance risk, financial risk (including market, credit and liquidity risk), strategic risk, operational risk, conduct risk and legal & regulatory risk. The Company's approach to the management of these risks are disclosed in the Strategic Report and notes to the Financial Statements.

Emissions and energy consumption
The Company reports on emission sources required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

GHG emissions and energy use data for period 1 October 2021 to 30 September 2022

Energy consumption used to calculate emissions:	2022 UK	2021 UK
Energy consumption used to calculate emissions: /kWh	426,845	450,635
Emissions from combustion of gas tCO2e (Scope 1)	28	29
Emissions from combustion of fuel for transport purposes (Scope 1)	Nil	Nil
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	Nil	Nil
Emissions from purchased electricity (Scope 2, location-based)	Nil	Nil
Intensity ratio: tCO2e gross figure based from mandatory fields above/ per employee	0.28	0.28
Methodology	Kyoto protocol blends R410A conversion factor	Kyoto protocol blends R410A conversion factor

EQUINE AND LIVESTOCK INSURANCE COMPANY LIMITED (THE)
DIRECTORS' REPORT
Year Ended 30 September 2022

Energy Efficiency Action

Energy and Carbon
Climate change continues to receive increasing coverage with concerns in respect to the level of damage that humans are inflicting on the planet. Along with all organisations, Equine and Livestock Insurance Company has a duty to take seriously its impact on the environment and has taken steps to reduce its carbon footprint, manage wate and use less energy.

Waste
The impact on the environment of office waste is managed by a Veolia a waste management business who sort and recycle as much as possible and have a commitment to reduce the impact on the environment. Staff are encouraged to reduce the amount of printing and instead use electronic files in order to reduce unnecessary waste. Customer documentation is sent out where possible in an electronic format reducing the need to print and deliver large quantities of paperwork and we have managed to reduce paper documents including cheque payments significantly over the last 5 years. We also encourage customers to submit claim forms and queries electronically or via our on-line portal, again reducing paper and the energy usage of the postal service, the claims forms are then processed entirely electronically. We use the services of Restore Datashred who manage the confidential waste, recycle 100% of all paper received and have a zero landfill policy.

Water
All water is drawn from boreholes on the site and treated before use, using less energy than mains water and is healthier for the environment. As an office based business the use of water is limited, however we have installed hot water boilers in order to enable a more efficient way of heating water for hot drinks and have installed instant hot water taps to improve efficiency further.

Greenhouse Gas
We continue to look for more energy efficient ways of enabling our staff to perform their duties, which includes software to ensure that all PC's are turned off overnight, installation of LED lighting in the offices and the installation of meters to enable better management of energy usage. Our IT servers have been outsourced to a third party hosting service, who are able to benefit from energy efficiencies due to the scale of their operation. We have seen a reduction in energy consumption per capita during the year as economies of scale have been achieved following the growth in staff numbers. We have redesigned the office space in order to improve the working environment and enable more desk space for the growing workforce, this is done with the objective of avoiding the need to extend or build new offices which would be much more damaging to the environment. In addition we have introduced a home working solution which removes cars from the road along with reducing the need for larger office spaces and has been widely reported as having a beneficial impact on the environment.

Independent Auditors
In accordance with Section 489 of the Companies Act, a resolution proposing that BDO LLP be reappointed as auditor of the Company will be put to the AGM.

Directors' Indemnities
Directors' and officers' insurance cover is in place for all Directors to provide appropriate cover for their reasonable actions on behalf of the Company.

Disclosure of information to the auditors
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board on 16 December 2022 and signed on its behalf by:

....
F D Martin
Director

EQUINE AND LIVESTOCK INSURANCE COMPANY LIMITED (THE)
STATEMENT OF DIRECTORS' RESPONSIBILITIES
Year Ended 30 September 2022

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent Auditor's Report to the Members of Equine and Livestock Insurance Company Limited (The)

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Equine and Livestock Insurance Company Limited(The) ("the Company") for the year ended 30 September 2022 which comprise the Profit and Loss Account: Technical Account – General Business, the Profit and Loss Account: Non-Technical Account – General Business, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and Financial Reporting Standard 103 *Insurance Contracts* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 15 April 2021 to audit the financial statements for the year ending 30 September 2021 and subsequent financial periods. The period of total uninterrupted engagement, including retenders and reappointments is 2 years covering the years ending 30 September 2021 to 30 September 2022.

We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

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 Company's ability to continue to adopt the going concern basis of accounting included:

- Review and challenge of the Company's current plans and budget forecasts, challenging growth assertions and checking that movements were in line with justifiable assumptions and movements;
- Considered the accuracy of the Directors forecasting ability through comparison of prior year forecasts against actual results;
- Checked the basis of solvency projections for the next 12 months, considering whether an appropriate mechanism for calculating solvency had been applied; and
- Challenge and discussion around the latest Own Risk and Solvency Assessment to check the Company has sufficient capital to meet its solvency requirements.

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

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

Overviews

	2022	2021
Key audit matters	Valuation of gross claims outstanding and reinsurers share of gross claims outstanding Valuation of land and buildings carried at fair value	Valuation of gross claims outstanding and reinsurers share of gross claims outstanding Valuation of land and buildings carried at fair value
Materiality	*Financial Statements as a whole* £1,200,000 based on 1.5% of Gross Written Premium	*Financial Statements as a whole* £1,200,000 based on 1.5% of Gross Written Premium

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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, including 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.

Description of Key Audit Matter		How the scope of our audit addressed the Key Audit Matter
Valuation of gross claims outstanding and reinsurers share of gross claims outstanding Refer to the accounting policy in note 2 and the further information in notes 3 and 16.	The financial statements include technical provisions for the estimated cost of settling claims associated with insurance contracts written by the company. The financial statements also include provision for the reinsurers share of the technical provisions. The gross claims outstanding technical provision as at the year-end of £8.928m (2021: £8.314m) comprises an estimation of the outstanding cost of settling all claims that have been incurred before the year end date. The corresponding reinsurers share of the claims outstanding technical provision at the year-end is £3.573m (2021: £3.742m). The gross claims outstanding technical provision includes an estimate for claims that have been reported by 30 September 2022 as well provisions for those claims that have been incurred but not reported ('IBNR'). The valuation of the technical provisions is dependent on a number of assumptions including the number of claims that will ultimately be received and how much these claims will be settled for. The valuation of the reinsurance reserves is dependent on the amount of the gross insurance reserves.	In assessing the valuation of the technical provisions, our procedures included the following: • With the assistance of our internal independent actuarial specialists we considered the appropriateness of the methodology and assumptions underpinning the calculation of the provision and the accuracy of the calculation itself including a reprojection of 100% the outstanding claims reserve as at year end. We have checked and agreed the independence and relevant expertise of our actuarial specialists; • We have obtained and reviewed the actuarial reports prepared by the Company with the assistance of our actuarial specialists to check that judgements and estimates in the Company's calculation are reasonable and in line with acceptable parameters, based on our actuarial specialists' assessment. Meetings were held between management and our actuarial specialists to appropriately challenge the assumptions and methodology in order to determine the reasonableness of the technical provisions booked; • We have reviewed and assessed changes to the assumptions used in the technical provisions compared to previous years to check these are reasonable and in line with acceptable parameters based on our actuarial specialist's assessment; • We have reconciled and agreed a sample of the source data used by management and provided to our actuarial specialists to the underlying policy data to check that calculations are based on accurate information; • We have agreed a sample of case estimates to supporting documentation

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<td>We have determined this area as being one where there is a significant risk of material misstatement due to the inherent uncertainty and subjectivity associated with the application of judgment and estimation techniques implicit in the valuations performed. Therefore, this was determined to be a key audit matter.</td>
<td>to check that any adjustments were accounted for in the correct period and to check the accuracy of the claims amount for the period;
• We have recalculated the reinsurance recoveries, with reference to the reinsurance agreements, to assess whether the reinsurers' share of claims have been correctly recognised; and
• We have tested claim adjustments and payments after year end greater than performance materiality through agreement to supporting documentation to check that these adjustments and payments were accounted for in the correct period.

Key observations:

• Based on the procedures performed we consider the gross and reinsurers share of the technical provisions liability recognised by the Company within its financial statements and the assumptions and methodology used to calculate this at 30 September 2022 to be reasonable.</td>
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<td>Valuation of land and buildings carried at fair value. Refer to the accounting policy in note 2 and the further information in note 10.</td>
<td>The financial statements include investment property and an owner-occupied property classified as land and buildings held at valuation of £8.452m (2021: £8.540m).

Management have engaged an independent property expert to assist them in the valuation process, including the reviewing and selection of applicable assumptions. A detailed valuation was performed on 25 March 2021, with an informal "desktop" follow up valuation assessment performed in September 2022.

We have determined this area as being one where there is a significant risk of material misstatement due to the inherent uncertainty and subjectivity associated with the application of judgment and estimation techniques implicit</td>
<td>In assessing the valuation of the Land and Buildings we performed the following procedures:

• We evaluated the competence, capability, independence and objectivity of management's expert and reviewed their valuation reports to check that the valuations were based on fair value.
• We obtained and reviewed the valuation report prepared by Management Expert on 25 March 2021 as well as the re-assessment dated 23 September 2022.
• We challenged Management on their approach to identifying any events occurring between 30 September 2021 and 30 September 2022 that could have impacted the fair value of the Land and Buildings.
• We specifically considered, with the assistance of our internal real estate experts, the appropriateness of the property valuation assumptions and approach used by Management's Expert.</td>
</tr>
</table>

	in the valuations performed. Therefore, this was considered to be a key audit matter.	Key observations: • Based on the procedures performed we consider the property carried at fair value in the financial statements and the methodology used to calculate this to be reasonable.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Company financial statements	
	2022 £000's	2021 £000's
Materiality	1,200	1,200
Basis for determining materiality	1.5% of Gross Written Premium	
Performance materiality	780	780
Basis for determining performance materiality	65% of Materiality	
Rationale for the benchmarks applied	Gross Written Premium is considered to be the most appropriate measure for a privately owned insurer, reflecting the ability of the Company to pay claims and settle its expenses. Performance materiality has been set at 65% of financial statement materiality, reflecting the low inherent risk associated with the aggregation of misstatements within the financial statements.	

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £60,000 (2021: £60,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or • the financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or

	• we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks that the Company operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Company. We considered the significant laws and regulations to be the applicable accounting standards, Prudential Regulatory Authority ('PRA'), Financial Conduct Authority ('FCA'), Company Law and the Bribery Act 2010.

We also assessed the susceptibility of the financial statement to material misstatement including fraud and identified the fraud risk areas to be the valuation of technical provisions (Refer to the Key Audit Matters section above) and management override of controls.

Our procedures included the following:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- In response to the risk of management override of controls, assessed the appropriateness of journal entries which met specific risk criteria by agreeing them to appropriate supporting documentation:

- Enquiring of management, the audit committee and Those Charged With Governance, including obtaining and reviewing supporting documentation, concerning the Company's policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance; and
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud.
- Review of minutes of board meetings throughout the period for any instances of non-compliance with laws and regulations or known or suspected instances of fraud;
- Review of correspondence with the PRA and FCA; and
- Review of the Company's Own Risk and Solvency Assessment (ORSA).

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

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

Use of our report

This report is made solely to the 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.

John Perry, Senior Statutory Auditor
For and on behalf of BDO LLP, Statutory Auditor
London, UK

December 2022

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

EQUINE AND LIVESTOCK INSURANCE COMPANY LIMITED (THE)
Profit and Loss Account: technical account - general business
Year Ended 30 September 2022

	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Gross premiums written	4		79,079		80,988
Outward reinsurance premiums			(32,800)		(37,708)
Net premiums written			46,279		43,280
Change in the gross provision for unearned premiums	16	(208)		(440)	
Change in the provision for unearned premiums, reinsurers' share	16	(217)		(304)	
Change in the net provision for unearned premiums			(425)		(744)
Earned premiums, net of reinsurance			45,854		42,536
Other technical income, net of reinsurance			22		41
Claims paid	4				
- gross amount		(72,399)		(74,644)	
- reinsurers' share		28,150		32,418	
- net of reinsurance		(44,249)		(42,226)	
Change in the provision for claims					
- gross amount	16	(614)		(1,598)	
- reinsurers' share	16	(169)		1,240	
- net of reinsurance		(783)		(358)	
Claims incurred net of reinsurance			(45,032)		(42,584)
Underwriting (loss)/ profit before net operating expenses			844		(7)
Net operating expenses	5		(473)		339
Balance transferred to non-technical account			371		332

The notes on pages 25 to 39 form an integral part of these financial statements.

EQUINE AND LIVESTOCK INSURANCE COMPANY LIMITED (THE)
Profit and Loss Account: non-technical account - general business
Year Ended 30 September 2022

	Note	2022 £'000	2021 £'000
Balance transferred from the general business technical account		371	332
Investment income	8	1,059	1,136
Unrealised gains/(losses) on investment property		-	(650)
Unrealised gains/(losses) on financial investments		(21)	-
Profit before taxation		1,409	818
Taxation	9	(293)	(294)
Retained profit for the financial year		1,116	524

The notes on pages 25 to 39 form an integral part of these financial statements.

EQUINE AND LIVESTOCK INSURANCE COMPANY LIMITED (THE)
STATEMENT OF COMPREHENSIVE INCOME
Year Ended 30 September 2022

	2022 £'000	2021 £'000
Profit for the financial year	1,116	524
Other comprehensive income		
Revaluation gains on owner occupied land and buildings	-	1,530
Total comprehensive income	1,116	2,054

The notes on pages 25 to 39 form an integral part of these financial statements.

Company No. 00294940

EQUINE AND LIVESTOCK INSURANCE COMPANY LIMITED (THE)
BALANCE SHEET
as at 30 September 2022

	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Assets					
Investments					
Land and buildings	10	8,452		8,540	
Other financial investments	13	1,973		1,996	
			10,425		10,536
Reinsurer's share of technical provisions					
Provision for unearned premiums	16	2,484		2,700	
Claims outstanding	16	3,573		3,742	
			6,057		6,442
Debtors					
Policy holders		82		146	
Intermediaries		3,591		4,257	
Debtors arising out of direct insurance operations			3,673		4,403
Other assets					
Tangible assets	11	473		160	
Other debtors	12	22,004		22,314	
Cash at bank and in hand		30,063		27,341	
Deferred tax asset	17	-		-	
			52,540		49,815
Prepayments and accrued income					
Deferred acquisition costs	14	59		44	
Other prepayments and accrued income		382		304	
			441		348
Total assets			73,136		71,544

The notes on pages 25 to 39 form an integral part of these financial statements.

Company No. 00294940

EQUINE AND LIVESTOCK INSURANCE COMPANY LIMITED (THE)
BALANCE SHEET
as at 30 September 2022

	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Liabilities and reserves					
Capital and reserves					
Called up share capital	15	32,450		32,450	
Profit and loss account		14,414		13,298	
Revaluation reserve		1,731		1,731	
Shareholders' funds			48,595		47,479
Technical provisions					
Provision for unearned premiums	16	6,209		6,001	
Claims outstanding	16	8,929		8,314	
			15,138		14,315
Provisions for other risks and charges					
Provision for taxation	17		147		46
Creditors					
Arising out of direct insurance operations		214		53	
Arising out of reinsurance operations	18	6,058		6,455	
Other creditors including taxation and social security	19	2,840		3,073	
			9,112		9,581
Accruals and deferred income					
Other accruals			144		123
Total liabilities and reserves			73,136		71,544

The financial statements were approved by the Board of Directors on 16 December 2022 and signed on its behalf by:

....

C J Hall
Director

The notes on pages 25 to 39 form an integral part of these financial statements.

EQUINE AND LIVESTOCK INSURANCE COMPANY LIMITED (THE)
STATEMENT OF CHANGES IN EQUITY
Year Ended 30 September 2022

	Note	Ordinary share capital £'000	Profit and loss account £'000	Revaluation reserve £'000	Total £'000
At 1 October 2020		32,450	12,774	201	45,425
Profit for year		-	524	-	524
Issue of ordinary shares		-	-	-	-
Revaluation surplus	10			1,530	1,530
At 30 September 2021		32,450	13,298	1,731	47,479

	Note	Ordinary share capital £'000	Profit and loss account £'000	Revaluation reserve £'000	Total £'000
At 1 October 2021		32,450	13,298	1,731	47,479
Profit for year		-	1,116	-	1,116
Issue of ordinary shares		-	-	-	-
Revaluation surplus	10	-	-	-	-
At 30 September 2022		32,450	14,414	1,731	48,595

EQUINE AND LIVESTOCK INSURANCE COMPANY LIMITED (THE)
CASH FLOW STATEMENT
Year Ended 30 September 2022

	2022 £'000	2021 £'000
Cash flows from operating activities		
Profit/(loss) for the year	1,116	524
Adjustments to cash flows from non-cash items		
Depreciation and amortisation	177	109
Finance income	(583)	(349)
Unrealised (gain)/loss on investment properties	-	650
Unrealised (gain)/loss on financial investments	21	-
Finance costs	-	5
Tax expense	293	294
	1,024	1,233
Working capital adjustments		
(Increase)/decrease in debtors, prepayments and accrued income	1,068	150
Increase/(decrease) in creditors, accruals and deferred income	(321)	613
Increase/(decrease) in net technical provisions	1,207	1,102
Cash generated from operations	2,978	3,098
Corporation taxes paid	(217)	(402)
Net cash flows from operating activities	2,761	2,696
Cash flows from investing activities		
Interest received	502	369
(Increase)/decrease in loans receivable from shareholder	(110)	20
Acquisition on current investments	(1,991)	(1,998)
Disposal on current investments	1,962	1,999
Acquisitions of tangible assets	(357)	(105)
Acquisitions of land and buildings	(45)	(558)
Net cash flows from investing activities	(39)	(273)
Cash flows from financing activities		
Interest paid	-	(5)
Net cash flows from financing activities	-	(5)
Net increase/(decrease) in cash and cash equivalents	2,722	2,418
Cash and cash equivalents at 1 October 2021	27,341	24,923
Cash and cash equivalents at 30 September 2022	30,063	27,341

1. General information
The company is a private company limited by share capital, incorporated in England & Wales.

The address of the registered office is:
Thorpe Underwood Hall
Thorpe Underwood
York
YO26 9SZ

2. Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", Financial Reporting Standard 103, "Insurance Contracts", the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

Basis of preparation
These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The company's functional and presentation currency is pound sterling.

Going Concern
The directors of the company have considered in detail the company's forecast performance, including its capital adequacy, forecast solvency position and the valuation of its investments. On this basis, the directors have a reasonable expectation that the company will maintain adequate solvency to continue in operational existence for the foreseeable future. Accordingly, the directors of the company have adopted the going concern basis in preparing these financial statements.

Judgements and key sources of estimation uncertainty
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Significant judgements in applying accounting policies

Shared expenses
All shared expenses are allocated across related companies via recharges. Recharge split percentages are calculated on an best estimate of usage allocation basis, which is considered to be staff headcount. The amounts are refelcted in the financial statements according to expense type.

Key sources of estimation uncertainty
Insurance contracts
Significant sources of estimation uncertainty in the claims outstanding provision are detailed in the Insurance contracts

Fair value of land and buildings
The valuation of the company's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues from that particular property. As a result, the valuations, performed by professionally qualified valuers, are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the property market. The carrying value at year end is £8,452,000 (2021: £8,540,000).

2. Accounting policies (continued)

Insurance contracts

Classification of insurance contracts

The company issues contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. All of the company's insurance products are classified as insurance contracts.

The results are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

Premiums written

Written premiums comprise total premium receivable for the whole period of cover provided by contracts incepted during the financial period, together with adjustments arising in the financial period to such premiums receivable in respect of business written in previous financial years. Where premiums are earned through brokers they are shown gross of commission payable, and are exclusive of taxes and duties levied on premiums. Where premiums are earned on policies sold to intermediaries on a wholesale basis, and where the intermediary is responsible for setting the final amount payable by the insured, the written premium comprises the element receivable by the company, and is exclusive of taxes and duties levied on premiums. The annual basis of accounting has been applied to all classes of business, all of which are continuing.

Unearned premiums

This represents the proportion of general business premiums written in the period which relates to cover provided for a future year. The reserve for unearned premium has been calculated on the 24th method after which an appropriate deduction for reinsurance costs associated with the premium including commissions has been deducted. No provision has been provided for any future year on the company's monthly policies.

Acquisition costs

Acquisition costs comprise all direct costs of acquiring new business and renewal of existing business. Deferred acquisition costs are determined by applying average acquisition costs for each category of business written to the unearned element of premiums.

Claims incurred

Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years.

Claims provisions and related reinsurance recoveries

These are assessed on an individual case basis for the estimated cost of claims notified but not settled by the balance sheet date after taking into account handling and settlement costs. A provision for claims incurred but not reported is established on a consistent statistical basis. Any difference between provisions and subsequent settlements are dealt with in the technical accounts of later years. Claims provisions are not discounted. The company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the company, where more information about the claim event is generally available. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the company uses a variety of estimation techniques, generally based upon statistical analysis of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience.

2. Accounting policies (continued)

Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in company processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large losses; and
- movements in industry benchmarks.

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these, the company has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Where possible, the company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated gross of any reinsurance recoveries.

Reinsurance
Contracts entered into by the company with reinsurers, under which the company is compensated for losses on one or more contracts issued by the company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts. Insurance contracts entered into by the company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts, provided there is significant transfer of insurance risk.

The reinsurers' share of claims incurred, in the profit and loss account, reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the period.

Reinsurance liabilities represent premiums payable for reinsurance contracts and are recognised in the profit and loss account as 'Outward reinsurance premiums'. In addition, under the quota share reinsurance arrangement, the Company has the right to a commission equal to the profits on the business covered under the contract and this is recognised in the profit and loss account within net operating expenses and disclosed in note 5 to the financial statements. The commission is deferred to the extent of the reinsurers share of the provision for unearned premiums and reinsurers share of claims outstanding.

Tax
The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current corporation tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised in respect of all temporary differences between taxable profits and profits reported in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference, except for revalued land and investment property where the tax rate that applies to the sale of the asset is used.

2. Accounting policies (continued)

Tangible assets
Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation
Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Fixtures and fittings	10% straight line basis
Plant and machinery	10% straight line basis
Computer equipment	20% straight line basis

Land and buildings
Investment property is carried at fair value, derived from the current market prices for comparable real estate determined annually. The valuers use observable market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Changes in fair value are recognised in profit or loss.

Short leasehold land and buildings are held under the revaluation model where the fair value can be measured reliably. They are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Depreciation
Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Owner occupied short leasehold land and buildings	4% straight line basis

Provisions
Provisions are recognised when the company has an obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation
A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Financial instruments
The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets
Basic financial assets, including trade and other receivables, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest for a similar asset. Such assets are subsequently carried at amortised cost using the effective interest method.

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

2. Accounting policies (continued)

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities
Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Financial investments
Other financial investments are measured at fair value through profit and loss (FVTPL). The fair values of these financial investments are based on quoted prices as at the balance sheet date. Unrealised gains or losses represent the difference between the fair value at the balances sheet date and their purchase price during the financial year or their fair value at the previous financial year-end.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held on call with bank and other highly liquid investments with maturities of three months or less.

Operating Leases: the Company as lessee
Rentals paid under operating leases are charged to the profit and loss on a straight line basis over the lease term.

3. Management of insurance and financial risk
The company issues contracts that transfer insurance risk The company is also exposed to a range of financial risks through its financial assets, financial liabilities and policy holder liabilities. This section summarises the way the company manages them.

Insurance Risk
Insurance risk can be broken down into several elements.

- Underwriting risk refers to the risk of loss, or of adverse change in the value of insurance liabilities, due to inadequate pricing and reserving assumptions.
- Reserving risk includes the fluctuations in the timing, frequency and severity of insured events, relative to the expectations of the undertaking at the time of underwriting. This risk can also refer to fluctuations in the timing and amount of claims settlements.
- Concentration risk means all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position of undertakings.

Risk Mitigation
The company manages its exposure to downside insurance risk by controlling pricing, underwriting and reserving assumptions and through the effective use of reinsurance. The Underwriting strategy is designed to ensure risks are diversified in terms of type and amount of risk and the geographical spread. The Company uses both proportional and excess of loss catastrophe cover to manage its insurance exposures. The reinsurance strategy is annually reviewed by the Board to ensure it meets the needs f the Company.

Concentration of Risk
The core class of business written by the Company is Miscellaneous financial loss. This includes cover for pet (74% of GWP for 2022, 76% for 2021), equine (23% of GWP for 2022, 22% for 2021) and household (3% of GWP for 2022, 3% for 2021). Household cover includes caravan, wedding, cycle and marine cover. Policies for these lines also include general liability cover. The Company monitors the concentration of premiums to each type of business to ensure it remains within appetite.

3. Management of insurance and financial risk (continued)

Claims Incurred by type of business

Pet and equine cover mainly compensates policyholders for the cost of vet's fees in the event of illness or injury. Claims are typically short-tailed in nature and claims payment, on average, occurs within three months of the event that gives rise to the claim. The company has identified a major animal epidemic as the biggest risk under this line of business. This risk is mitigated as all DEFRA notifiable diseases are covered by the insurance policies underwritten by the Company as statutory compensation arrangements would apply. It is also a policy condition that all animals are vaccinated.

Household classes of cover mainly compensate policyholders for damage suffered to property or the value of property lost. There can be variability in the nature, number and size of claims made in each period. The number of claims can be affected by weather events, changes in climate, economic environment and crime rates. This risk is mitigated through the purchase of catastrophe reinsurance and monthly monitoring of concentration exposure to, for example, a single caravan site or individual wedding venue.

The Company has a documented reserving policy setting out the basis on which all liabilities are to be determined using actuarial experience. The year end claims outstanding include an IBNR provision of £4,984,000 (2021: £3,133,000)

The company recognises that the future is subject to uncertainty and has therefore considered key stresses and scenarios which may impact upon its plans and expectations. This testing includes the exposure to a major underwriting loss event such as a major animal epidemic which could put the company in breach of the Solvency II SCR. The company has also considered scenarios whereby claims increase faster than premium growth, thereby eroding the profit margin. Such testing includes projected profit, loss and solvency position for these events.

Sensitivity analysis

The following tables present the sensitivity of the value of insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities. The sensitivities to economic movements relate solely to business in the UK.

Management consider these sensitivities to be a reasonable scenario based on past experience for the business.

	Claims inflation		**Claims handling**		**IBNR Claims**	
	0.5%	(0.5)%	10.0%	(10.0)%	5.0%	(5.0)%
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
General insurance sensitivities as at 30 September 2022						
2022 Impact on Profit after Tax						
Gross of Reinsurance	(410)	410	(202)	202	(240)	240
Net of Reinsurance	(252)	252	(220)	220	(240)	240
2022 Shareholders' Funds after gross sensitivitie	48,185	49,005	48,393	48,797	48,355	48,835
2022 Shareholders' Funds after net sensitivities	48,343	48,847	48,375	48,815	48,355	48,835
General insurance sensitivities as at 30 September 2021						
2021 Impact on Profit after Tax						
Gross of Reinsurance	(423)	423	(260)	260	(157)	157
Net of Reinsurance	(238)	238	(260)	260	(157)	157
2021 Shareholders' Funds after gross sensitivitie	47,057	47,903	47,220	47,740	47,323	47,637
2021 Shareholders' Funds after net sensitivities	47,242	47,718	47,220	47,740	47,323	47,637

Claims development

The tables below present changes in the historical provision for losses since 2019 and the provision for losses arising in each subsequent accident year. The top section of the tables illustrate how the estimate of total claims outstanding for each accident year has developed over time. The bottom section of the table reconciles the cumulative claims to the amounts appearing in the statement of financial position date.

Gross of Reinsurance

Accident Year	**2019**	**2020**	**2021**	**2022**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
At end of accident year	70,377	64,232	73,658	69,321	277,588
One year later	70,497	64,122	74,706	-	209,325
Two years later	70,043	64,203	-	-	134,246
Three years later	70,063	-	-	-	70,063
Four Years Later	-				-
Estimate of cumulative claims	70,063	64,203	74,706	69,321	278,294
Cumulative Payments	(69,972)	(64,031)	(74,324)	(61,230)	(269,558)
Claims Handling Expense Provision	-	-	-	193	193
Outstanding Claims Provision	**91**	**172**	**382**	**8,284**	**8,929**

Net of Reinsurance

Accident Year	**2019**	**2020**	**2021**	**2022**	**Total**
At end of accident year	42,226	38,539	44,195	41,593	166,553
One year later	42,298	38,473	44,824	-	125,595
Two years later	42,026	38,522	-	-	80,547
Three years later	42,038	-	-	-	42,038
Four Years Later	-	-	-	-	-
Estimate of cumulative claims	42,038	38,522	44,824	41,593	166,976
Cumulative Payments	(41,983)	(38,419)	(44,595)	(36,738)	(161,735)
Claims Handling Expense Provision	-	-	-	115	115
Net Outstanding Claims Provision	**55**	**103**	**229**	**4,970**	**5,356**

3. Management of insurance and financial risk (continued)

Market Risk
Market risk is the risk of losses arising from fluctuations in market prices. The company is not exposed to significant market risk, linked only to falls in property values and/or interest rates. Market risk is managed within the company's portfolio guidelines.
The company has invested in commercial property with long term profitable tenants where the receipt of the rent is not a major risk. The company undertakes stress testing for the changes in property values and continues to monitor property values closely as set out in the below sensitivity analysis.

	Mvt in Fair Value of Investment Property			
	10.0% £'000	(10.0)% £'000	20.0% £'000	(20.0)% £'000
Property risk senstitivities as at 30th September 2022				
2022 Impact on Profit after Tax	552	(552)	1,104	(1,104)
2022 Shareholders' Funds after sensitivities	49,147	48,043	49,699	47,491
Property risk senstitivities as at 30th September 2021				
2021 Impact on Profit after Tax	552	(552)	1,104	(1,104)
2021 Shareholders' Funds after sensitivities	48,031	46,927	48,583	46,375

Liquidity risk
Liquidity risk refers to the risk that the company would be unable to meet its financial obligations when they fall due. The company has a low appetite for liquidity risk, and it carries out cash-flow matching projections to ensure that sufficient liquid funds are available to meet liabilities as they fall due.
Liquidity risk is controlled through the company's bank holdings which is intended to provide sufficient liquidity for the short to medium term needs. No change to holdings is made without Board approval as agreed by the Board.

Total cash held with credit institutions of £30,063,000 (2021: £27,342,000) is held with two counterparties. All cash balances held have a maturity less than or equal to one month and are available immediately. The Company is exposed to liquidity risks in meeting operating costs and in meeting policyholder claims, represented in the statement of financial position by the technical provision balances. Both of these exposures will predominately fall due within 12 months of the balance sheet date, and in particular the majority of claims represented by the technical provisions will generally be settled within 3 months.

The Company mitigates liquidity risk by holding cash reserves which at any one time are sufficient to settle the value of outstanding claims liabilities.

Credit Risk
Credit risk refers to the risk of loss or of adverse change in the financial position resulting, directly or indirectly, from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which undertakings are exposed, in the form of counterparty default risk, or spread risk, or market risk concentrations. The company's two key credit risk exposures are reinsurer failure and counterparty failure. Credit risk within the company's investment portfolio is controlled through application of the investment guidelines, which cannot be changed without Board approval.

To mitigate the risk the company performs appropriate levels of due diligence over its counterparties and the use of credit rating agencies. The following table provides details of the credit exposure for financial assets with external credit ratings:

	Cash Holdings	**Reinsurer share of claims outstanding**	**Other investment s**
	£'000	**£'000**	**£'000**
As at 30th September 2022			
AA	-	-	1,973
A	28,449	-	-
BBB	1,614	-	-
B-BB	-	3,573	-
	30,063	3,573	1,973
As at 30th September 2021			
AA	-	-	1,996
A	25,729	-	-
BBB	1,613	-	-
B-BB	-	3,742	-
	27,342	3,742	1,996

3. Management of insurance and financial risk (continued)

Debtors arising from direct insurance operations and other debtors relate to non-listed un-rated entities.

The company stress tests adverse changes in bank credit ratings; falls to BBB and BB have been tested.

Capital management
The Company's primary objectives when managing capital are to comply with all regulatory requirements and to safeguard the Company's ability to meet shareholders expectations in line with its strategic plan.

The Company is required to comply with the rules issued by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). The PRA expects a firm, at all times, to hold Solvency II Own Funds in excess of its calculated Solvency Capital Requirement (SCR). As at 30th September 2022, the Company held £16.9m (2021:£18.1m) of surplus Own Funds above the SCR requirement. The SCR Risk Appetite, which is set by the Board of Directors, sets out the target capital coverage rations and actions to be taken when managing Own Funds. The Company aims to maintain an appropriate buffer of capital resources over regulatory requirements. The Company exceeded its targeted capital coverage ratio at all times during the financial year.

4. Particulars of business
Gross premiums written and gross premiums earned by class of business:

	Gross premiums written		Gross premiums earned	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Direct insurance				
Miscellaneous (Note 22)	79,079	80,988	78,871	80,548
Total per profit and loss account	79,079	80,988	78,871	80,548

Gross claims incurred and gross operating expenses by class of business:

	Gross claims incurred		Gross operating expenses		Reinsurance Balance	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Direct insurance						
Miscellaneous	73,013	76,242	4,340	2,752	1,168	1,264
Total per profit and loss account	73,013	76,242	4,340	2,752	1,168	1,264

5. Net operating expenses gross and net of reinsurance

	2022 £'000	2021 £'000
Acquisition costs	755	592
Deferred acquisition costs carried forward	(59)	(44)
Deferred acquisition costs brought forward	44	42
(Increase)/decrease	(15)	(2)
Incurred acquisition costs	740	590
Administrative expenses	3,600	2,162
Gross operating expenses	4,340	2,752
Reinsurance Commission income	(3,867)	(3,091)
Net operating expenses	473	(339)

To meet the requirements of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, reinsurance commission income has been classified to be included within net operating expenses.

6. Administration expenses

Administration expenses include the following items:

	2022 £'000	2021 £'000
Auditors' remuneration		
Audit services	142	99
Non-audit services	-	29
Depreciation on Owner Occupied Land and buildings (see note 10)	133	95
Depreciation - owned assets (see note 11)	44	14
Bank interest payable	-	5
Aggregate staff costs (see note 7)	4,250	3,750

Auditors' remuneration for audit services comprises fees payable to the Company's auditor for the audit of the Company's annual accounts. Non-audit services relates to taxation services and the voluntary audit of the solvency II return.

7. Staff numbers and costs

The average number of persons employed by the company during the year,

	2022 No.	2021 No.
Technical	57	65
Office and management	42	32
	99	97

The aggregate payroll costs of these persons were as follows:

	£'000	£'000
Salaries	3,690	3,263
Social security costs	442	382
Pension contributions	118	105
	4,250	3,750

Of the payroll costs above, £1,462,000 have been classified within claims incurred in the profit and loss account (2021: £2,126,000) and £2,787,000 within net operating expenses (2021:£1,624,000).

	£'000	£'000
Directors' remuneration		
Emoluments for services as directors	596	479
Directors' pension contributions	29	27

	2022 £'000	2021 £'000
Highest paid director:		
Emoluments	226	177
Pension contributions	10	10

The number of Directors accruing benefits under this scheme is 4, (2020: 4)

8. Investment Income	2022 £'000	2021 £'000
Shareholder loan interest (Note 22)	487	343
Bank interest	91	7
UK Gilts interest	5	(1)
Income from land and buildings (Note 22)	476	787
	1,059	1,136

9. Taxation	2022 £'000	2021 £'000
Current year		
UK corporation tax charge/(refund)	199	228
Adjustment in respect of previous years	(7)	(1)
Movement on deferred tax provision	101	67
Total tax charge/(refund)	293	294

Tax on profit on ordinary activities for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are reconciled below:

	2022 £'000	2021 £'000
Profit/(loss) on ordinary activities before tax	1,409	818
Tax on profit on ordinary activities at standard rate	268	155
Prior year (over)/under provision	(7)	(1)
Expenses not deductible for tax purposes	38	140
Timing differences between capital allowances and depreciation	(40)	-
Change in tax rates (Note 17)	34	-
Total amount of current tax for the year	293	294

10. Land and buildings	Owner occupied short leasehold land and buildings £'000	Investment properties £'000	Total £'000
Valuation			
As at 1 October 2021	3,170	5,521	8,691
Additions	45	-	45
At 30 September 2022	3,215	5,521	8,736
Depreciation			
As at 1 October 2021	151	-	151
Charge for year	133	-	133
At 30 September 2022	284	-	284
Net book value			
At 30 September 2022	2,931	5,521	8,452
At 30 September 2021	3,019	5,521	8,540

Owner occupied short leasehold properties with a net book value of £2,810,000 as at 30 September 2022 were revalued on 25 March 2021 on the basis of a valuation carried out by Eddisons Chartered Surveyors, who are not connected to the company. The historical cost of these properties is £2,015,000.

The remaining owner occupied short leasehold properties with a net book value of £121,000 were assessed by the directors as having a current value equal to cost on an existing use basis.

The fair value of the investment properties has been arrived at on the basis of a valuation carried out on 25th March 2021 by Eddisons Chartered Surveyors, who are not connected to the company. The basis of valuation was the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The historical costs of investment properties is £5,100,000. In 2020 a reallocation of £1,071,000 was made to Investment properties from owner occupied short leasehold properties for the mixed use element of the properties.
The Directors have made an assessment of the fair value of the investment properties as at 30th September 2022, including consultation with Eddisons Chartered Surveyors. As a result of the review the Directors do not consider there to have been any material events that would impact the value of the properties between the date of the valuation in March 2021 and the balance sheet date.

11. Tangible assets

	Fixtures an Fittings £'000	Plant and machinery £'000	Computer Equipment £'000	Total £'000
Cost				
As at 1 October 2021	32	174	-	206
Additions	-	-	357	357
Revaluation	-	-	-	-
At 30 September 2022	32	174	357	563
Depreciation				
As at 1 October 2021	3	43	-	46
Charge for year	3	17	24	44
Revaluation	-	-	-	-
At 30 September 2022	6	60	24	90
Net book value				
At 30 September 2022	26	114	333	473
At 30 September 2021	29	131	-	160

12. Other debtors

	2022 £'000	2021 £'000
Loans receivable from Shareholder (Note 22)	21,724	21,614
Amount owed by other related parties	280	700
	22,004	22,314

Included in the above is £21,724,000 (2021: £nil) due in over 1 year. The amounts receivable from the shareholder comprise of two loans. The first loan is for £15,139,000 (2021: £15,139,000) for a term of three years with a maturity of 31st December 2024. Interest is charged at the rate of 1.5% plus the Bank of England base rate and is repaid annually. Accrued interest at year end is £283,000 (2021: £181,000). The second loan is for £6,286,000 (2021: £6,286,000) for a term of three years with a maturity of 31st August 2025. Interest is charged at the rate of 1.3% plus the Bank of England base rate is repaid annually. Accrued interest at year end is £16,000 (2021: £8,000). The loans are secured with collateral by way of residential and commercial property.

13. Financial Investments

Financial Investments at fair value through profit and loss	2022 £'000	2021 £'000
Government Bonds	1,973	1,996
	1,973	1,996

The investments are traded actively on the London Stock Exchange and the fair value has been determined by using relevant open market rates.

Fair value hierarchy
Fair value is the price that would be received to sell an asset in an orderly transaction between market participants on the measurement date.

FRS 102 fair value measurement establishes a fair value hierarchy that categories into three levels the inputs to valuation techniques used to measure fair value. The levels are defined as follows:
Level 1 - quoted prices in active markets for identical assets
Level 2 - inputs other than quoted process (per level 1) the are observable for the assets
Level 3 - valuation technique based on an arm's length pricing for the asset.

All Financial investments held by the Company are classified as Level one as at the balance sheet date.

14. Deferred acquisition costs

	2022 £'000	2021 £'000
At 1 October 2021	44	42
Expenses for the acquisition of insurance contracts	(15)	(2)
At 30 September 2022	59	44

15. Share capital

	2022 £'000	2021 £'000
Allotted, called up and fully paid shares		
64,900,000 (2019: 64,900,000) Ordinary shares of 50p each	32,450	32,450

16. Technical Provisions

	2022 £'000	2021 £'000
Unearned Premiums		
Gross amount		
As at 1 October	6,001	5,561
Movement in year	208	440
At 30 September	6,209	6,001
Reinsurance amount		
As at 1 October	2,700	3,004
Charge for year	(217)	198
Prior year reallocation adjustment	-	(502)
At 30 September	2,484	2,700
Net technical provisions		
At 30 September	3,725	3,301
Claims Outstanding		
Gross amount		
As at 1 October	8,314	6,716
Movement in year	614	1,598
At 30 September	8,929	8,314
Reinsurance amount		
As at 1 October	3,742	2,502
Charge for year	(169)	738
Prior year reallocation adjustment	-	502
At 30 September	3,573	3,742
Net technical provisions		
At 30 September	5,356	4,572
Total Net technical provisions		
At 30 September	9,081	7,873

The prior year financial statements included a reallocation adjustment to correct the reinsurers share of technical provisions for unearned premium and claims outstanding that were presented the opposite way round in 2020. The impact on the profit and loss and Shareholders' funds from this reallocation in 2021 was £nil.

17. Deferred tax and other provisions

	2022 £'000	2021 £'000
Deferred tax (asset)/liability at 1 October 2021	47	(20)
Difference between accumulated depreciation and amortisation and capital allowances	65	67
Changes in tax rates	35	-
Deferred tax (asset)/ liability at 30 September 2022	147	47

The amount of the net reversal of deferred tax liabilities expected to occur during the year beginning after the reporting period is (£8,300) (2021 - (£1,500)). This related to the timing differences on capital allowances.

In the budget on 3 March 2021, the UK Government announced an increase in the main UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 2021. Deferred tax has been calculated at 25% which was the tax rate substantively enacted at the year end date.

18. Creditors arising out of reinsurance operations

	2022 £'000	2021 £'000
Amounts owed to reinsurers	55	71
Deferred reinsurance commission	6,003	6,384
	6,058	6,455

19. Other creditors including tax and social security

	2022 £'000	2021 £'000
Amount owed to fellow group undertakings (Note 22)	43	30
Insurance premium tax	2,496	2,726
Corporation tax	199	224
Social Security	102	93
	2,840	3,073

20. Pension and other schemes

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £118,000 (2021: £105,000).

21. Operating lease commitments

Operating lease payments represent rentals by the company for office equipment. At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022 £'000	2021 £'000
Within one year	18	18
Between two and five years	9	28
	27	46

22. Related Party Transactions

Summary of transactions with other related parties

Entities under common control:

Income and receivables from related parties	**Other related parties**
2022	**£**
Rent received (Note 8)	476,000
Sale of wholesale policies (Note 4)	79,079,000
Interest received (Note 8)	487,000
Amounts receivable from shareholder (Note 12)	21,724,000
Amounts receivable from related parties	3,871,000
Recharge allocation of shared expenses	689,000
2021	**£**
Rent received (Note 8)	787,000
Sale of wholesale policies (Note 4)	80,988,000
Interest received (Note 8)	343,000
Amounts receivable from shareholder (Note 12)	21,614,000
Amounts receivable from related parties	4,957,000
Recharge allocation of shared expenses	694,000

Expenditure and payables to related parties	**Other related parties**
2022	**£**
Rent payable	22,000
Amounts payable to related parties (Note 19)	43,000
Recharge allocation of shared expenses	520,000
2021	**£**
Rent payable	21,000
Amounts payable to related parties (Note 19)	30,000
Recharge allocation of shared expenses	194,000

Shared Expenses

All shared expenses are allocated across related companies via recharges. Recharge split percentages are calculated on a best estimate of usage allocation basis, which is considered to be headcount. The allocated expenses are reflected within the financial statements according to the applicable expense type (see Note 2 - Significant Judgements in applying accounting policies)

Key management personnel

Key management personnel represented by the members of the Board are listed on page 7. Director remuneration is disclosed in note 7.

23. Investments in subsidiaries

Details of undertaking

Details of the following investments which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Holding	Proportion of voting rights and shares held	
		2022	2021
Insurance Emporium Limited	Ordinary	100%	100%

The registered address for the undertaking is Thorpe Underwood Hall, Great Ouseburn, York, United Kingdom, YO26

The entity continued to remain dormant throughout the year with a value of £100 (2021:£100), representing the share capital of the Company.

In accordance with Section 405(2) of the Companies Act, the subsidiary is excluded from consolidation as its inclusion is not material for the purpose of giving a true and fair view of the financial statements.

Therefore, based on the CA section 402, Equine takes advantage of CA section 405, and is therefore exempt from the requirement to prepare group accounts, as Insurance Emporium Ltd is its only subsidiary and it is dormant.

24. Ultimate controlling party

Foxlow Limited, a company incorporated in the British Virgin Islands, is considered to be the ultimate controlling party by virtue of the fact that the entity owns all of the company's share capital.