HOMECARE INSURANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Registered number 2793290

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HOMECARE INSURANCE LIMITED

COMPANY INFORMATION

Directors	D Jewell G Sidle
Secretary	L Beavis
Auditor	Deloitte LLP Chartered Accountants and Statutory Auditor 1 City Square Leeds LS1 2AL United Kingdom
Registered office	Holgate Park Holgate Road York YO26 4GA
Registered number	2793290

STRATEGIC REPORT

OVERVIEW

The principal activity of Homecare Insurance Limited (Homecare) during the year was theft and accidental damage insurance for mobile phones together with the provision of Identity Protection insurance and Card Protection products in the UK and Ireland. Homecare also carried out an element of underwriting for a Spanish entity within the CPPGroup Plc group of companies (the Group). Homecare is authorised and regulated by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA). Homecare is part of an insurance group for regulatory purposes with Homecare (Holdings) Limited (HHL) being the ultimate European Economic Area (EEA) parent holding. The ultimate parent company of Homecare is CPPGroup Plc.

Details of the results for the year are set out on pages 9 to 23 and show a profit after taxation of £2,677,843 (2015: £1,988,373).

Homecare continues to operate within the Voluntary Variation of Permissions (VVOP) agreed with the FCA in November 2012 which restricts new product sales in the UK. As shown in Homecare's income statement on pages 9 and 10, Homecare's net earned premiums have decreased by 47% year-on-year (2015: 39%) as the back book continues to decline.

Homecare continued to service existing customers throughout 2016 which generated revenue for the business through renewals, however due to the VVOP restrictions on new sales, revenue continues to decline. The business in 2016 generated a profit due to a mature stable book with steady claims ratios and well controlled administrative costs. Operational expenses continue to be reduced to mitigate the revenue decline and the latest estimate of remaining residual redress obligations has led to a provision release of £229,412 in 2016.

Redress activity has continued in 2016 and will run into 2017. All expected liabilities have been provided for and resources will be available to carry out the activity required in a fair, compliant and transparent way. Homecare continues to focus on maintaining service levels, managing complaints and ensuring its claims management processes are compliant.

The insurance group, of which Homecare is the regulated entity, has implemented the European Insurance Directive (Solvency II), which was adopted into UK legislation and regulation on the 1 January 2016. The directive has introduced new solvency measures (SCR and MCR), improved governance and revised reporting. The insurance group including Homecare will continue to operate in line with the Directive as required throughout 2017.

Under both solvency measures and specifically going forward under the European Directive Solvency Capital requirements, Homecare continues to maintain sufficient regulatory capital and is likely to have surplus capital as value continues to be generated from the existing business lines and the operational risks reduce. In the meantime the Board of Directors regularly review Homecare's business strategy. Homecare continues to have no re-insurance contracts in place following cancellation in 2014 due to the reduced policy base, lower risk and associated cost of providing re-insurance arrangements.

Solvency II rules do not require an equalisation reserve to be held and as such the reserve was transferred to retained earnings on 1 January 2016

The Group has a £5m banking facility which has a three year term expiring on 28 February 2018. Although Homecare has access to its own funds and is not reliant on Group financing, the financing still provides investment and security for shared infrastructure and increased confidence in the business.

Homecare reviewed and has revised its inter-group outsourcing arrangements to bring them in line with best regulatory practice. Homecare also takes advantage of the Group business continuity plans, which it has access to as an individual Company or as part of the wider Group.

The Homecare Board composition is regularly reviewed to ensure it meets its responsibilities aligned to its strategy, risk profile and size.

FUTURE DEVELOPMENTS

The Company's current and medium term strategy is to remain in managed decline, through renewing existing policies only.

POST BALANCE SHEET EVENT

On 15 May 2017, the PRA confirmed that it has approved Homecare's application to lift the current capital and asset (but not trading) restrictions placed on Homecare in the VVOP. For further details refer to note 19.

STRATEGIC REPORT (continued)

KEY PERFORMANCE INDICATORS

Non-financial key performance indicators

	2016	2015
Live policy volumes ('000) [1]	147	272
Employee numbers [2]	16	26

1. Live policy volumes represent the total number of active policies that provide continuing care or services to policy holders.
2. Employee numbers represent the average monthly number of employees during the year.

Financial key performance indicators

	2016	2015
Gross premiums written (£'000) [1]	4,140	7,662
Claims % [2]	8.5%	9.4%
Underwriting profit % [3]	39.1%	19.0%
Profit before tax (£'000) [4]	2,095	1,736
Profit before tax % [5]	50.6%	22.7%

1. The accounting policy for gross premiums written is set out in note 2 to the financial statements.
2. Claims % is the ratio of claims incurred (net of reinsurance) to net earned premiums. The claims ratio has decreased due to a reduction in Mobile phone insurance (MPI) revenue relative to overall revenue (including assistance based products) together with a mature MPI book that carries a lower propensity to claim.
3. Underwriting profit % is the ratio of underwriting profit (see note 4) to gross written premiums.
4. Profit before tax represents net earned premiums less total costs to the Company.
5. Profit before tax % is the ratio of profit before tax compared to gross written premiums.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group, of which Homecare is a subsidiary, has a system of internal control and is responsible for monitoring its effectiveness. The Group Audit and Group Risk & Compliance Committees operated during the year, each overseeing the Group's system of internal control and risk management framework. Material risk or control matters, together with the appropriate management action, are reported to the Homecare Board. The Homecare Board monitors the ongoing process by which critical risks to the business are identified, evaluated and managed.

Homecare is moving to a more comprehensive outsourced operating model where it receives the majority of its services for operations and the control functions from Card Protection Plan Limited, its main outsource partner, or other Group companies via outsourced service agreements. The impact of this move can be seen in the year through a reduction in employee numbers. The business remains responsible for the identification and management of all risks, with oversight and challenge from the risk and other control functions, with review independently provided by Internal Audit. These are all outsourced to Group companies with full control and oversight from Homecare in line with the Senior Insurance Manager Regime.

The focus of our risk management framework is to ensure we manage our business in a sustainable and controlled way, making risk based decisions commensurate with our appetite and resources.

The Homecare Board has overall responsibility for the Company's system of internal control and for monitoring its effectiveness. The Homecare Board oversees the system of internal control and the risk management framework ensuring material risks, control matters and business reporting are evaluated and assessed appropriately.

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Regulatory and conduct
Homecare is authorised by the PRA and regulated by the FCA and the PRA. Homecare is part of the Homecare Insurance Group, headed by the immediate parent company - Homecare (Holdings) Limited, for regulatory purposes under the EEA Solvency II Directive (the Directive) which came into effect on the 1 January 2016. The Company undertakes a solvency assessment and Own Solvency Risk Assessment (ORSA) at least annually, as well as producing a Regulatory Supervisory Report (RSR) and Solvency & Financial Condition Report (SFCR). Outputs from these assessments are subject to review and approval by the Board and are reviewed by the FCA and PRA.

The Directive is aimed at producing consistent solvency standards for insurers across the EEA, ensuring that capital requirements, governance and reporting are more reflective of the risks the Company faces. The insurance group, specifically Homecare has not had and does not anticipate any issues in meeting the requirements of Solvency II.

Homecare promotes a strong compliance culture, striving to put the interests of the customer first, whilst valuing good relationships with our regulators. We have moved to a more comprehensive outsourced model and we are mindful of the need to consider conduct risk in relation to both internally and externally sourced operations and processes. These critical insurance activities are controlled by robust compliant outsource and service agreements. The approach is to encourage appropriate oversight by the Directors for conduct as set out in the European Directive, and is built on culture and values, supported by appropriate governance and reporting. This includes a culture in which processes are encouraged to focus on good customer outcomes; a focus on products that meet customer needs; robust controls, governance, training and risk management processes. Regulatory and legal change is monitored by the Board supported by the necessary control function resources.

Homecare operates in a regulated market. As such the impact of any specific regulatory or legislative changes may adversely impact our ability to conduct business. The Board has sought to mitigate this risk through further enhancement of its risk compliance and governance processes including the implementation of the Solvency II European Directive and the application of revised outsourcing agreements. Where appropriate we work with specialist advisers to provide the necessary expertise as required.

Technology and information security risk
The Group continues with its transformation programme enabling our future sustainability. There are risks that the complexity and nature of these programmes impacts the business adversely in the short term. The Homecare board is kept informed of all developments in advance and rigorous testing and controls are in place.

The Group has a robust governance and delivery framework which is applied throughout the transformation and a programme to support the evolution of our business strategy. The Homecare Board regularly assess and reviews progress and deliverables to ensure these are being effectively implemented and controlled.

Economic and political
Homecare operates in the UK, Ireland and Spain. This means that the Company is exposed to some economic, political and business risks such as recession, sudden regulatory change, currency controls and volatility of taxes. However, the UK choosing to leave the European Union and the resulting potential impact for fluctuations in the euro, or any other consequences, are not deemed to be a significant risk to the Company's results. The Board and senior management monitor macro-economic trends, industry specific and internal indicators. The Company continually assesses the economic and political landscape and factors this into its capital requirements, although the likelihood of any material impacts is considered remote.

Markets risk
Homecare is operating under a VVOP which currently restricts activity in the market place where customer decisions are typically based on product innovation, quality, price and service. New entrants or consolidation of existing competitors within the market are not considered to pose a risk to Homecare's current and medium term strategy of managed decline.

Key supplier contracts
The business model remains unchanged and as such Homecare places reliance on external suppliers for the fulfilment of services, including fully revised outsourced services to related Group companies. Due to the nature of the operations there are occasions where Homecare has an exposure to a single supplier and is at risk from the failure of that supplier. To mitigate this the Company ensures it has suitable business continuity and disaster recovery plans as well as an active supplier relationship management regime.

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Data security
The nature of the business means that either Homecare, the Group or its key Business Partners retain a considerable amount of sensitive data on behalf of its customers. Any breach of data security may result in a significant adverse impact on customers and damage to the reputation of Homecare or the Group.

The Group and Homecare benefit from a dedicated information security officer that supports the design and implementation of solutions which meet the exacting requirements of Payment Card Industry Data Security Standards (PCI DSS). The Group continues to progress recommendations to further improve the security of business and customer data and to address any identified areas for improvement, which Homecare benefits from either through the outsource or service agreements.

People and resources
In recent years Homecare has lost (either through redundancy or attrition) a significant number of people from the business. This represented a risk in terms of knowledge and experience lost, and increased the demands on remaining employees. With the move to a more comprehensive outsource model, Homecare is reliant on the Group for its people and resource capabilities. There is a risk that any further significant attrition of key individuals from the Group could impact adversely on our business.

The Group has identified key skills and role dependencies and takes steps to recruit and retain these within the business where appropriate which Homecare can benefit from through its outsourced arrangements. The business also uses interim contractors and consultants where appropriate. The Group continues to recruit and attract talent and new skill sets to ensure we continue to be able to deliver our plan to deliver our low risk strategy of managed decline.

Liquidity
Whilst short term liquidity is stable, there is a risk should the business not successfully generate revenue through legacy products. Homecare continues to ensure it has sufficient regulated funds in line with all solvency requirements as set out by the PRA Prudential regulations.

Management actively manages the overall liquidity profile, ensuring that the business plans are effective and aligned.

Credit risk
Homecare's credit risk relates primarily to its intercompany receivables for which payment is dependent on the future performance of the Group. The Company understands this risk and takes the necessary steps to ensure this risk is reflected in all capital and risk models.

Insurance risk
Homecare applies a prudent approach to its management of potential exposure to risks arising from its insurance contracts. The lines of policies underwritten are limited to General Insurance Classes and are restricted to those lines where Homecare has substantial experience. Lines of insurance are primarily focused on high volume, low transaction value, short term individual lines. Homecare is currently closed to new retail business under the VVOP and is not actively seeking to underwrite any wholesale business.

Homecare's policy is to establish a specific claims reserve at any point in time on each line of business, based on claims reported up to and including the last day of each accounting period including an element to represent claims incurred but not yet reported. Details of claims reserves carried are provided in note 11. Historically this methodology has provided sufficient reserves to cover all liabilities for claims.

Changes in rates of claims and settlement cost per claim are not considered to expose Homecare to undue risk due to the nature of policies underwritten. Refer to note 16.

Homecare therefore considers its exposure to risk arising from its insurance contracts to be appropriately managed.

On behalf of the Board on 17 May 2017

G Sidle
Director

Registered Office:
Holgate Park, Holgate Road, York, YO26 4GA

DIRECTORS' REPORT

The Directors present their Annual Report together with the audited financial statements of the Company for the year ended 31 December 2016.

During the year, the Company declared a dividend of £5,000,000 (2015: £nil). No dividends have been proposed since the year end.

Future developments and principal risks are outlined in the Strategic report.

GOING CONCERN

The Directors have carefully considered uncertainties linked to the current economic environment together with the risks and uncertainties detailed in this report and Homecare's position with the FCA and PRA.

Homecare is able to access its own funds and is therefore not reliant on Group funding to continue business operations. Although not reliant on Group funding Homecare does share elements of the Group's operational infrastructure. Homecare has in place a business continuity plan (BCP) involving using the Group BCP facilities of which Homecare is a party. Homecare also has an independent Disaster Recovery Plan with sufficient capital to action the plan if necessary. The view of the Directors is that in the event of the Group's operational infrastructure being unavailable to Homecare, for example if the Group, or entities within it, were to enter into administration, Homecare could invoke its Disaster Recovery Plan to allow it to run off in a solvent and orderly fashion. The Group is operating from a stable financial platform and whilst there continues to be some uncertainty from medium term trading and strategic risk, the Group's forecasts show that the Group has the necessary resources to trade and operate within the level of its borrowing facilities. The Disaster Recovery Plan is therefore considered unlikely to be invoked.

In assessing the direct and indirect financial impact of the above on Homecare on a stand-alone basis, the Directors have modelled a range of stressed scenarios on its profitability, cash flows and capital position. The Directors have also considered the impact of any potential remaining customer redress required and are satisfied that these do not present a risk to going concern.

After assessing the extent to which the above factors might affect the preparation of the financial statements on a going concern basis and the current and forecast performance, including regulatory capital requirements under normal and stressed scenarios, the Directors have determined that it is appropriate to prepare the financial statements on the going concern basis.

DIRECTORS

The Directors set out below have held office during the year and up to the date of signing these financial statements:

D Jewell	
G Sidle	
M Corcoran	Resigned 30 April 2017
A Rajguru	Appointed 26 February, Resigned 10 May 2016
S Callaghan	Resigned 19 May 2016

SECRETARY

The Secretary holding office during the year and up to the date of signing of these financial statements is as follows:

L Beavis

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Article 4 of the IAS Regulation, including FRS 101 "Reduced Disclosure Framework". 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 the period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the Company will continue in business.

The Directors are responsible for keeping proper accounting records that 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.

AUDITOR

Each of the persons who is Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- each of the Directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

On behalf of the Board on 17 May 2017.

G Sidle
Director

Registered Office:
Holgate Park, Holgate Road, York, YO26 4GA

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HOMECARE INSURANCE LIMITED

We have audited the financial statements of Homecare Insurance Limited for the year ended 31 December 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:
- give a true and fair view of the state of the Company's affairs as at 31 December 2016 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatement 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 where 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.

Peter Birch FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom
17 May 2017

INCOME STATEMENT : TECHNICAL ACCOUNT - GENERAL BUSINESS

	Note	2016 £	2015 £
Earned premiums, net of reinsurance			
Gross premiums written	3,4	4,140,034	7,661,823
		4,140,034	7,661,823
Change in the provision for unearned premiums, net of reinsurance			
Gross amount	11	213,452	595,446
		213,452	595,446
Earned premiums, net of reinsurance		4,353,486	8,257,269
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(484,514)	(1,014,281)
Reinsurers' share		4,322	3,439
		(480,192)	(1,010,842)
Change in provision for claims			
Gross amount	11	112,878	235,107
Reinsurers' share	11	(4,322)	(3,439)
		108,556	231,668
Claims incurred, net of reinsurance		(371,636)	(779,174)
Net operating expenses	5	(2,363,756)	(6,020,220)
Balance on technical account for general business	4	1,618,094	1,457,875

INCOME STATEMENT : NON-TECHNICAL ACCOUNT

	Note	2016 £	2015 £
Balance on technical account **- general business**		1,618,094	1,457,875
Other interest receivable	7	178,436	184,775
Exceptional items	6	229,412	(6,245)
Investment income	7	68,624	99,971
Profit on ordinary activities before tax	6	2,094,566	1,736,376
Taxation	10	583,277	251,997
Profit for the financial year		2,677,843	1,988,373

All the above results arise from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

	2016 £	2015 £
Profit for the financial year	2,677,843	1,988,373
Items that may subsequently be reclassified to income statement:		
Exchange rate gain / (loss)	37,603	(29,867)
Total comprehensive income for the year	**2,715,446**	**1,958,506**

BALANCE SHEET
AS AT 31 DECEMBER 2016

ASSETS	Note	2016 £	2016 £	2015 £	2015 £
Investments	12		15,930,572		19,425,931
Reinsurers' share of technical provisions					
Provision for claims outstanding	11	-		4,322	
			-		4,322
Debtors					
Debtors arising from direct insurance operations		42,316		212,943	
			42,316		212,943
Other assets					
Intangible assets	13	-		-	
Cash at bank		11,074,812		12,875,585	
Amounts due from immediate parent undertaking		1,898,800		1,898,800	
Amounts due from group undertakings		4,812,550		3,229,032	
			17,786,162		18,003,417
Prepayments and accrued income					
Deferred acquisition costs		19,503		100,112	
Other prepayments and accrued income		300,535		391,290	
			320,038		491,402
Total assets			34,079,088		38,138,015
LIABILITIES					
Capital and reserves					
Called up share capital	14	6,000,000		6,000,000	
Retained earnings		25,013,358		22,303,582	
Equalisation reserve		-		6,242,912	
Equity shareholders' funds			31,013,358		34,546,494
Technical provisions					
Provision for unearned premiums	11	782,199		995,651	
Claims outstanding	11	80,363		193,241	
			862,562		1,188,892
Creditors					
Creditors arising from direct insurance operations		491,582		471,457	
Other creditors including taxation	15	237,845		358,736	
Other provisions	17	100,000		589,165	
Amounts due to group undertakings		568,257		-	
			1,397,684		1,419,358
Accruals			805,484		983,271
Total liabilities			34,079,088		38,138,015

These financial statements were approved by the Board on 17 May 2017 and were signed on its behalf by:

G Sidle
Director

Company Number 2793290

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Equalisation reserve	Retained earnings	Total
		£	£	£	£
At 1 January 2015		6,000,000	7,487,342	19,352,643	32,839,985
Total comprehensive income		-	-	1,958,506	1,958,506
Movement on equalisation reserve		-	(1,244,430)	1,244,430	-
Current tax charge on equalisation reserve movement	10	-	-	(251,997)	(251,997)
At 31 December 2015		6,000,000	6,242,912	22,303,582	34,546,494
Total comprehensive income		-	-	2,715,446	2,715,446
Movement on equalisation reserve		-	(6,242,912)	6,242,912	-
Current tax charge on equalisation reserve movement	10	-	-	(1,248,582)	(1,248,582)
Dividends paid				(5,000,000)	(5,000,000)
At 31 December 2016		6,000,000	-	25,013,358	31,013,358

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Homecare is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 5. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which Homecare operates. These financial statements are separate financial statements.

Homecare has applied FRS 101 'Reduced Disclosure Framework' incorporating the Amendments to FRS 101 issued by the Financial Reporting Council (FRC) in July 2015 other than those relating to legal changes and has not applied the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 that are effective for accounting periods beginning on or after 1 January 2016.

2. ACCOUNTING POLICES

The financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the FRC.

As permitted by FRS 101, Homecare has taken advantage of the disclosure exemptions available under that standard in relation to, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in the consolidated accounts of CPPGroup Plc. The consolidated accounts of CPPGroup Plc are available to the public and can be obtained as set out in note 18.

The following new and revised Standards and Interpretations have been adopted in the current year. The application of these specific Standards and Interpretations has not had a material effect on the company.

Standard	Subject
Annual improvements to IFRSs	2010 - 2012 cycle
IAS 1 (amendments)	Disclosure Initiative
Annual improvements to IFRSs	2012 - 2014 cycle

The financial statements are prepared in accordance with the provisions of Schedule 3 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in accordance with applicable law and United Kingdom accounting standards and under the historical cost accounting rules as modified by the revaluation of investments. The accounting policies adopted have been used consistently in both the current and preceding year.

As detailed in the Directors' Report after consideration of current and forecast performance, including regulatory capital requirements, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The particular accounting policies adopted are described below.

Premium recognition
The annual basis of accounting is applied.

Under the annual basis of accounting, written premiums comprise the premium on contracts incepting in the financial year. Written premiums are stated gross of commissions payable to intermediaries and exclusive of taxes and duties levied on premiums. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct business.

A provision for unearned premium is made which represents that part of gross premiums written, and reinsurers' share of premiums written, that is estimated to be earned in the following or subsequent financial years. It is calculated separately for each insurance contract over the period of the risk.

Claims incurred
Claims incurred comprise all claim payments and internal settlement expenses and the movement in the provision for outstanding claims and settlement expenses, including an estimate for claims incurred but not reported. Reinsurance recoveries are accounted for in the same accounting period as the claims for the related inwards business.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICES (continued)

Claims outstanding
Provision is made for outstanding claim and settlement expenses incurred at the balance sheet date including an estimate for the cost of claims incurred but not reported at that date. Included in the provision is an estimate of the internal and external costs of handling the claims. Provisions for claims outstanding are based on information available to the Directors and the eventual outcome may vary from the original assessment.

Acquisition costs
Acquisition costs represent the expenses, both direct and indirect, of acquiring insurance policies written during the financial year. Acquisition costs are amortised over average policyholder life. Deferred acquisition costs represent the proportion of acquisition costs incurred in respect of premiums not earned at the balance sheet date.

Investments

All investment income is recognised in the non-technical account. Investments are stated at market value. Investment income comprises of interest, realised gains and losses on investments and amortisation of redeemable fixed interest securities.

Interest is dealt with on an accruals basis and dividends are included on an ex dividend basis. Realised gains or losses represent the difference between the net sale proceeds and purchase price. Interest payable and expenses incurred in the management of investments are accounted for on an accruals basis.

Intangible assets
During 2012 Homecare purchased a license for access to Card Protection Plan Limited software in connection with Homecare's Business Continuity Plan ("BCP"). Card Protection Plan Limited is a related party within the Group. The BCP contract was initially in place for a period of 3 years but the effective agreement is ongoing thus the asset is still held by Homecare. The asset was held at cost less amortisation and was fully amortised during 2015 giving the asset a nil net book value as per the balance sheet.

Pension cost
Pension costs represent contributions made by the Company to the defined contribution Group Personal Pension Plan in respect of employees.

Taxation
The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation
In accordance with FRS 101, deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Financial Instruments
Financial assets and financial liabilities are recognised in the balance sheet when the Company bcomes party to the contractual provision of the instrument.

Financial assets
Trade receivables, loans, other receivables or cash and cash equivalents that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recorded at fair value and subsequently at amortised cost using the effective interest method, less allowance for any estimated irrecoverable amounts.

Financial liabilities
Financial liabilities, including borrowings, are initially measured at the proceeds received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICES (continued)

Intercompany loans

During the year, interest has been charged on intercompany loans in accordance with agreements with each company. Interest was calculated using LIBOR plus a fixed margin of 4%.

Operating leases

Rentals paid under operating leases are charged to the income statement on a straight line basis over the term of the lease.

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Translation differences arising are dealt with in the income statement.

The results of overseas operations are translated at the average rates of exchange during the year and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the overseas operations are reported in the statement of comprehensive income. All other exchange differences are included in the income statement.

Key judgement

In the application of the Company's accounting policies, as described above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

3. SEGMENTAL ANALYSIS

Gross premiums written	2016 £	2015 £
Geographical analysis:		
UK	3,778,131	7,037,044
Europe	361,903	624,779
	4,140,034	7,661,823

4. UNDERWRITING PROFIT

The underwriting profit (represented by the balance on the technical account) by class of business is made up of:

	Assistance		Miscellaneous Insurance		Total General Business Insurance	
	2016 £	2015 £	2016 £	2015 £	2016 £	2015 £
Gross written premium	1,726,604	1,154,732	2,413,430	6,507,091	4,140,034	7,661,823
Gross earned premium	1,936,798	2,892,500	2,416,688	5,364,769	4,353,486	8,257,269
Gross claims incurred	(3,326)	5,424	(368,310)	(784,598)	(371,636)	(779,174)
Net operating expenses	(1,051,598)	(2,108,867)	(1,312,158)	(3,911,353)	(2,363,756)	(6,020,220)
Underwriting profit	881,874	789,057	736,220	668,818	1,618,094	1,457,875

A segmental analysis of net assets by class of business is not provided as it is felt that no satisfactory allocation can be made.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. NET OPERATING EXPENSES

	2016 £	2015 £
Acquisition costs	49,738	260,840
Change in gross deferred acquisition costs	80,609	129,242
	130,347	390,082
Administrative expenses	2,233,409	5,630,138
Gross operating expenses	2,363,756	6,020,220
Commission on direct insurance business	49,738	260,840

6. OPERATING PROFIT

Operating profit is stated after charging:

	2016 £	2015 £
Depreciation - owned assets	-	71,515
Auditor's remuneration for audit services pursuant to legislation	43,752	42,120
Amounts payable to Deloitte LLP and their associates in respect of non-audit services are as follows:		
Taxation services	13,250	-
Exceptional Items		
Customer redress provision and associated costs	(229,412)	-
Restructuring costs	-	6,245
	(229,412)	6,245

Customer redress and associated costs is a credit of £229,412 in the year and relates to the release of redress provisions in line with the latest estimate of residual customer redress activity.

7. INVESTMENT AND OTHER INTEREST INCOME

	2016 £	2015 £
Bank account interest	16,491	15,615
Interest income on short term cash deposits	52,133	84,356
Total investment income	68,624	99,971
Intercompany interest	178,436	184,775
Total other interest income	178,436	184,775

8. DIRECTORS' EMOLUMENTS

The total emoluments and fees of the Directors in the year were £45,000 (2015: £50,096) A number of the Directors of the Company performed duties in respect of other Group undertakings and were remunerated by those companies. The Directors received emoluments and fees totalling £689,900 (2015: £2,126,891) from other Group companies. Included in net operating expenses is £74,595 (2015: £163,323) in relation to employment costs for Directors services performed on behalf of Homecare in respect of Directors who are remunerated outside of the Company.

There were no Directors in either the current or prior year accruing benefits under money purchase pension schemes or defined benefit schemes.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. EMPLOYEE INFORMATION

	2016	2015
The average number of persons employed by the Company (including Directors) during the year was as follows:	16	26

The aggregate payroll costs of these were as follows:	2016 £	2015 £
Wages and salaries	273,620	491,593
Social security costs	24,823	42,342
Pension cost	14,113	20,807
	312,556	554,742
Restructuring Cost	-	6,245

10. TAXATION

Current tax credit	2016 £	2015 £
UK corporation tax at 20.00% (2015: 20.25%) - Current year	(583,277)	(251,997)
Total current tax	(583,277)	(251,997)

The tax charge for the period is higher than that resulting from applying the standard rate of corporation tax in the UK: 20.00% (2015: 20.25%). The differences are explained in the following reconciliation:

	2016 £	2015 £
Profit on ordinary activities before tax	2,094,566	1,736,376
Tax at 20.00% (2015: 20.25%) thereon:	418,913	351,616
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	3,192	-
Short term timing differences	-	(561,523)
Use of unprovided UK losses against equalisation reserve release	(1,008,848)	
Tax losses utilised	-	(42,923)
Effect of change in tax rates	3,466	833
Current tax credit for the year	(583,277)	(251,997)

Income tax charged to reserves during the year was as follows:

	2016 £	2015 £
Current tax charge		
Movement on equalisation reserve	1,248,582	251,997
Total current tax	1,248,582	251,997
Total tax charged to reserves	1,248,582	251,997

A reduction in UK corporation tax rate from 21% to 20% (effective 1 April 2015) was substantively enacted on 2 July 2013 and the effect of this change is reflected in the figures above. The UK Finance (No 2) Act 2015 was enacted on 18 November 2015. It provides for a reduction in the main rate of UK corporation tax from 20% to 19% effective from 1 April 2017. The UK Finance Act 2016 was enacted on 15 September 2016. It provides for a further reduction to 17% from 1 April 2020. These changes will reduce the Company's future tax charges accordingly.

At the balance sheet date, Homecare has unused tax losses of £nil (2015: £5,026,904) available for offset against future profits.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. TECHNICAL PROVISIONS

	Provision for unearned premium	Claims outstanding	Total
	£	£	£
Gross amount			
At 1 January 2016	995,651	193,241	1,188,892
Movement in year	(213,452)	(112,878)	(326,330)
At 31 December 2016	782,199	80,363	862,562
Reinsurance amount			
At 1 January 2016	-	4,322	4,322
Movement in year	-	(4,322)	(4,322)
At 31 December 2016	-	-	-
Net technical provisions			
At 31 December 2016	782,199	80,363	862,562
At 31 December 2015	995,651	188,919	1,184,570

There has been no material under or over-provision for claims provisions at the beginning of the year compared with payments and provisions at the end of the year in respect of prior year claims.

12. INVESTMENTS

	2016	2015
	£	£
Short term cash deposits	15,930,572	19,425,931

13. INTANGIBLE ASSETS

	License Fee
	£
At 1 January 2015	755,442
Additions	-
Disposals	-
At 1 January 2016	755,442
Additions	-
Disposals	-
At 31 December 2016	**755,442**
Accumulated amortisation	
At 1 January 2015	524,613
Provided during the year	230,829
Disposals	-
At 1 January 2016	755,442
Provided during the year	-
Disposals	-
At 31 December 2015	**755,442**
Carrying amount	
At 31 December 2015	-
At 31 December 2016	-

14. CALLED UP SHARE CAPITAL

	2016	2015
	£	£
Allotted, called up and fully paid		
6,000,000 ordinary shares of £1 each	6,000,000	6,000,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. OTHER CREDITORS INCLUDING TAXATION

	2016 £	2015 £
Stamp Duty	4,615	4,412
Insurance Premium Tax	233,230	284,417
VAT	-	36,428
Other	-	33,479
	237,845	358,736

16. FINANCIAL INSTRUMENTS

Capital risk management

Homecare manages its capital to safeguard its ability to continue as a going concern. Homecare makes adjustments to its capital structure in light of economic conditions. To maintain or adjust the capital structure Homecare may adjust the dividend payment to shareholders or return capital to shareholders. The Directors have considered the capital requirements of Homecare, including the results of customer redress obligations and the availability of cash reserves, and have not proposed a final dividend in respect of the current year.

Externally imposed capital requirements

Homecare is authorised and regulated by the PRA and regulated by the FCA as an insurance underwriter and therefore maintains its capital resources in accordance with the PRA's Rulebook. Homecare and its immediate parent company, HHL, calculate their Solvency Capital Requirement using the Solvency II Standard Formula and report this quarterly to the HIL Board and to the PRA. As at 31 December 2016, HIL's ratio of eligible funds to meet its Solvency Capital Requirement was 201%. There have been no instances of non-compliance in either the current or prior year.

Homecare had previously agreed with the FCA and PRA, as part of the VVOP, to additional restrictions on the disposition of assets held within the business. On 15 May 2017, Homecare received approval from the FCA and PRA to lift these restrictions. See note 19.

Fair value of financial instruments

The fair value on non-derivative financial instruments is determined using pricing models based on discounted cash flow analysis using prices from observable current market transactions, hence all are classified as Level 2 in the fair value hierarchy. Financial assets and liabilities are carried at the following amounts:

Financial assets:	2016 £	2015 £
Loans and receivables	33,759,050	37,642,291

Loans and receivables comprise investments, cash and cash equivalents, trade receivables and other taxes receivable.

There is no significant difference between the fair value and carrying amount of any financial asset.

Financial liabilities:	2016 £	2015 £
Financial liabilities at amortised cost	2,283,531	2,593,531

Financial liabilities at amortised cost comprise trade creditors, accruals, taxes payable and provisions for customer redress and associated costs.

There is no significant difference between the fair value and carrying amount of any financial liability, since liabilities are either short term in nature or bear interest at variable rates.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. FINANCIAL INSTRUMENTS (continued)

Interest rate risk
Homecare is exposed to interest rate risk to the extent that short and medium term interest rates fluctuate. Homecare manages this risk through interest rate swaps when appropriate, in accordance with Treasury Policy. Homecare is mainly exposed to movements in LIBOR. The following table details Homecare's sensitivity to a 2% increase in LIBOR rates throughout the year. 2% represents the Directors' assessment of a reasonable possible change in LIBOR rates. The sensitivity analysis includes the impact of changes in LIBOR on yearly average cash and investment balances.

Financial liabilities:	**2016** £	**2015** £
Increase in profit before tax	705,968	768,929
Increase in shareholder's equity	705,968	768,929

Foreign currency risk
The Board does not consider that Homecare's exposure to foreign currency risk where it has overseas operations which have functional currencies other than sterling and are affected by foreign exchange movements to be significant. Homecare generates income from two territories outside of the UK, namely Ireland and Spain, although significantly all operations are managed from the UK. Foreign currency risk exposure is limited to non-significant outstanding receivables at the year end and as such the UK decision to leave the European Union is not considered to represent a significant risk.

Credit risk
Credit risk refers to the risk that a counterparty defaults on its contractual obligations resulting in financial loss to Homecare. Homecare does not actively hedge its credit risk. Homecare's retail trade and insurance receivables are with a broad range of individual customers and are therefore not generally exposed to any one customer, resulting in low risk.

Counterparty credit limits are determined in accordance with the Treasury Policy for cash and cash equivalents and the Counterparty and Credit Risk Policy for receivables. To mitigate exposure to credit risk, short term deposit investments are held with F1 Single A rated institutions whilst any receivable balance that falls into an overdue status is monitored.

The carrying amount of financial assets recorded in the financial statements represents Homecare's maximum exposure to credit risk.

Insurance risk
Homecare applies a prudent approach to its management of potential exposure to risks arising from its insurance contracts. The lines of policies underwritten are limited to General Insurance Classes and are restricted to those lines where Homecare has substantial experience. Lines of insurance are primarily focused on high volume, low transaction value, short term individual lines.

Homecare's policy is to establish a specific claims reserve at any point in time on each line of business, based on claims reported up to and including the last day of each accounting period including an element to represent claims incurred but not yet reported. Details of claims reserves carried are provided in note 11.

Changes in rates of claims
Trends in claim rates and other market data are reviewed on a regular basis. Each class of contract has a large proportion of homogenous policyholders and no insurance contracts are subject to concentration risk.

Changes in settlement cost per claim
The nature of settlement amounts is specific in policy documentation and Homecare is not exposed to significant open ended commitments. Although settlement cost are not capped they generally vary within a small range, limiting overall exposure.

Reliance on key suppliers
Homecare makes use of third party suppliers to fulfil the majority of claims. The performance and financial position of key suppliers is regularly monitored and alternative lines of supply sourced as necessary.

Homecare therefore considers its exposure to risk arising from its insurance contracts to be appropriately managed.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. FINANCIAL INSTRUMENTS (continued)

Liquidity and interest rate tables

Liabilities:

The following table details Homecare's remaining contractual maturity for its financial liabilities, based on the undiscounted cash flows of the financial liabilities and the earliest date at which Homecare can be required to pay. The table includes both interest and principle cash flows and assumes no changes in future LIBOR rates.

	Less than 1 month £	1-3 months £	3 months - 1 year £	1-5 years £	Over 5 years £	Total £
2015						
Non-interest bearing liabilities	893,844	380,910	1,318,777	-	-	2,593,531
2016						
Non-interest bearing liabilities	971,853	498,664	813,014	-	-	2,283,531

Assets:

The following table details Homecare's expected maturity for its non-derivative financial assets, based on the undiscounted contractual maturities of the financial assets.

	Less than 1 month £	1-3 months £	3 months - 1 year £	1-5 years £	Over 5 years £	Total £
2015						
Non-interest bearing assets	213,593	-	-	-	-	213,593
Variable rate instruments	12,875,585	19,425,931	-	5,127,182	-	37,428,698
	13,089,178	19,425,931	-	5,127,182	-	37,642,291
2016						
Non-interest bearing assets	42,316	-	-	-	-	42,316
Variable rate instruments	11,072,842	15,932,542	-	6,711,350	-	33,716,734
	11,115,158	15,932,542	-	6,711,350	-	33,759,050

17. PROVISIONS

	2016 £	2015 £
At the start of the year	589,165	3,728,755
Credited in the year to the income statement	(229,412)	-
Utilised in the year	(259,753)	(3,139,590)
At the end of the year	**100,000**	**589,165**

	2016 £	2015 £
Amounts falling due within one year	100,000	589,165

Provisions outstanding at 31 December 2016 represent the balances remaining in relation to residual customer redress activity and associated costs.

Customer redress and associated costs are expected to be settled within one year of the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. RELATED PARTY AND CONTROL

Homecare is party to a cross-guarantee in respect of a bank account netting arrangement in which it is a participant alongside certain other Group companies. Cash at bank and in hand includes an amount of £9,423,304 (2015: £9,226,550) which is held in a bank account subject to this arrangement.

Certain bank loans taken out by Group entities are secured against the assets of Homecare. There was nothing outstanding on these loans at 31 December 2016 (2015: £1,000,000).

Homecare is a wholly owned subsidiary of Homecare (Holdings) Limited. The ultimate parent company is CPPGroup Plc.

Advantage has been taken of the related party disclosure exemptions in respect of group transactions since consolidated financial statements have been prepared by the ultimate parent company CPPGroup Plc, which is the parent of the largest and smallest groups for which consolidated accounts are prepared and of which Homecare is a member. Copies of these accounts may be obtained from Homecare's registered office at Holgate Park, Holgate Road, York YO26 4GA.

19. POST BALANCE SHEET EVENT

On 15 May 2017, the PRA confirmed that it has approved Homecare's application to lift the current capital and asset (but not trading) restrictions placed on Homecare in the VVOP.
This will enable Homecare to distribute surplus funds to the wider Group without requiring prior approval from the regulator. Homecare's trading restrictions, which are part of the VVOP, remain in place.