Registered number: 00423930

Annual Report and Financial Statements 2024

# Fairmead Insurance Limited

## Contents

**Fairmead Insurance Limited**

## Company Information

**Directors**
M P Crane (resigned 30 April 2024)
S Diffey (appointed 1 September 2024)
M J Dixon (appointed 7 November 2023, resigned 31 August 2024)
U Lange
H Topham (appointed 1 May 2024)

**Company Secretary**
C M Twemlow

**Registered office**
57 Ladymead
Guildford
Surrey
GU1 1DB

**Independent Auditors**
BDO LLP
Chartered Accountants and Statutory Auditors
55 Baker Street
London
W1U 7EU

The Directors present their Strategic Report for the year ended 30 September 2024.

## Principal activities

Fairmead Insurance Limited ("FIL", "the Company") is a wholly owned subsidiary within the Allianz Holdings plc ("AzH") group of companies ("the Group") which is one of the largest general insurers in the United Kingdom ("UK"). The principal activity of the Company is the transaction of general insurance business in the personal lines market. The Company has migrated all lines of business to other companies within the Group. Consequently, the core activities of the business will be managing the run-off of its insurance contract liabilities. The last policy was underwritten through a delegated authority scheme via a Managing General Agent ("MGA") on 31 March 2023 and expired on 1 April 2024.

The Company is regulated by the Financial Conduct Authority ("FCA") and authorised and regulated by the Prudential Regulation Authority ("PRA").

## Business review

The Company ceased underwriting business on 1 April 2023 having migrated Household business to Liverpool Victoria Insurance Company Limited ("LVIC") and Highway Insurance Company Limited ("HICO") and Pet business to Allianz Insurance plc ("AZI"). The Company previously transferred all Accident Sickness and Unemployment ("ASU") policies at renewal to a third party in 2021. The claims handling for the Company's ASU book in run off has been delegated to a third party claims handler. All new and existing Household claims handling activities have been delegated to LVIC and Pet claims to AZI.

Gross written premium ("GWP") for the year ended 30 September 2024 was £789k (2023: £81,657k). Although the Company ceased underwriting on 1 April 2023, there has been transacted premium recognised in the year as a result of a time lag in reporting of data from cover holders. The Company accounts for a pipeline premium accrual, and the premium recognised in the current year is an adjustment to the estimate, as a result of the time lag outlined.

The Company has a 100% quota share arrangement transferring all economic risk in respect of the business underwritten via the MGA, which was Household insurance. The treaty was effective from 31 December 2019 and acts before the joint catastrophe treaty.

The Company has a quota share reinsurance arrangement with an Allianz SE group reinsurance company. The arrangement is that 50% of net earned premiums and net claims are ceded (after all other reinsurance and quota share arrangements) and the Company receives a contribution of 38.2% of ceded earned premiums against incurred expenses and commission.

The loss after taxation for the year ended 30 September 2024 is £6,972k (2023: profit £857k). There has been an increase in subsidence related costs on prior accident year losses. This has impacted both the main Household book and the MGA book.

Operational costs include ongoing finance and actuarial resources and a £1,000k one-off spend relating to customer remediation activity, which originally began in 2020.

The Company continues to meet its solvency and capital requirements as required by regulation. As at 30 September 2024 the solvency ratio was above the target management ratio, at 735% (2023: 306%). The total equity was £41,832k (2023: £45,680k).

The Company leverages the governance structure of the Group. The Board of AzH provides oversight of the conduct and performance of the Group as a whole.

The Directors' current intention is to include the Company within the scope of an overall programme to rationalise entities across the Group, through a scheme under Part VII of the Financial Services and Markets Act 2000, and this is expected to conclude in 2026. The Directors have no intention to re-commence underwriting.

The Company's investment portfolios are gradually maturing and the proceeds are retained in cash to settle the run-off of the insurance liabilities. During the year investments were disposed of to fund the repayment of an intercompany loan.

**Key performance indicators ("KPIs")**

In addition to the pre-taxation performance, other KPIs monitored by the Board include Shareholders Funds. The KPIs presented in the current financial year have been updated to reflect the performance indicators that are relevant to a company in run-off.

These KPIs are set out below as follows:

| | 2024 | 2023 |
|---|---|---|
| Balance on technical account (£k) | (8,805) | (1,001) |
| (Loss)/profit before taxation for the year (£k) | (9,475) | 1,285 |
| (Loss)/profit after taxation for the year (£k) | (6,972) | 857 |
| Shareholders' Funds (£k) | 41,832 | 45,680 |
| Regulatory capital coverage ratio (unaudited) | 735% | 306% |
| Prior year claims development (net) (£k) | 7,541 | 12,534 |
| Liquidity ratio | 3.73 | 1.98 |

**Principal risks and uncertainties**

The Company's business involves the management of insurance, market, credit, liquidity and operational risks. The Allianz UK Group has an effective risk management framework in place for all risk-taking entities, in which it considers the impact of principal risks and uncertainties through a variety of risk management processes. FIL's business involves the management of a risk framework, risk assessment processes and review functions with formal updates to the FIL Board as well as at a Group level to the AzH Board. A full review of the wider risk environment and risk management process is discussed in note 31.

**Reserve risk**
Best estimate reserves are monitored in light of emerging trends and economic conditions including inflationary pressures, as well as the impact of relevant changes in regulation. The Group uses regular stress and scenario testing to understand the potential impacts of these sources of risk.

**Climate risk**
Physical and transition risks are of key importance to the Group. Quantitative and qualitative assessments of climate risks are undertaken in support of our risk framework.

**Market risk**
The Group invest in financial assets to ensure the security, liquidity and quality of the portfolio as a whole, while taking into account the nature and duration of the insurance liabilities. The investment portfolio is closely monitored to identify risks that need mitigation.

**Regulatory change**
The Group is required to respond to regulatory changes in a thorough, timely manner.

**Information security**
There is an increased risk of cyber-attacks, including state sponsored cyber-attacks targeted at the UK, which could result in disruption to national infrastructure or third party organisations in the supply chain, as well as to the Group directly. Supported by monitoring of emerging threats and identification of incidents, the Group maintain a coordinated response to cyber events within our local and global crisis management framework.

**Operational resilience**
There is significant focus on operational resilience in order to mitigate the risk of operational disruption to customers and other stakeholders, in line with regulatory requirements set by the FCA and PRA. This includes identifying ‘important business services’ with tolerances for service delivery, appropriate testing, scenario analysis, as well as identification and remediation of vulnerabilities. This provides confidence that the business can safely operate within impact tolerances that have been set with regard to both PRA and FCA operational resilience objectives. Third parties are monitored to ensure that their operations remain resilient and the threat of disruption to the Group as a result of issues they face is minimised.

**Conduct risk**
There is continued focus on good customer outcomes across the Group, reflecting on Consumer Duty requirements and including the need to support vulnerable customers.

**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 (“the Act”) when performing their duties. The Directors have acted in a way that they considered, both individually and collectively, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so have had regard to the matters set out in section 172(1) (a) to (f) of the Act.

The Board is collectively responsible for the long-term success of the Company. The Board is responsible for setting the Company’s strategic aims and ensuring that the necessary resources are in place to meet its objectives. The Board ensures that its obligations to stakeholders and others, as well as other matters set out under section 172 of the Act, are considered when taking decisions. The Board of the Company meets at least quarterly with ad hoc meetings as required.

As a wholly owned subsidiary of the Group and in line with the duty to promote the success of the Company for the benefit of its shareholder, the Company’s Board must have regard to the overall strategy and the direction of the Group and of the Company’s immediate parent, Liverpool Victoria General Insurance Group Limited (“LVGIG”), which are complementary. The Board is cognisant of the relationships between the Group and its stakeholders and is committed to fostering positive engagement with them and ensuring stakeholder considerations are taken into account when making decisions.

As the Company is part of the Group and leverages its governance structure, some strategic decisions are considered at a Group level by the AzH Board which meets alongside other key regulated entities and holding companies (including LVGIG) or its committees. Certain Group stakeholders, their interests (such as Group employees, community and environment) and any actions affecting them which the Company’s Directors are required to have regard to, are therefore considered and determined at an AzH Board level. These take into account the interests of the Company.

As part of its assessment of stakeholder impacts, the Board receives information from across the business in the form of Board reports and presentations when making decisions and these reports include information about how stakeholder interests have been considered. Information is also presented, where relevant, regarding any impact on the Company’s or the Group’s reputation, impact on the environment or impact on the communities in which the Company or the Group operate and other matters set out in section 172 of the Act.

**Stakeholder engagement**
This section of the Company’s statement explains the Company’s engagement activities in relation to its customers, suppliers, regulators and other stakeholders relevant to the Company.

The Board and individual Directors engage with some stakeholders directly on specific issues which are relevant to the Company. However, due to the size of the Group and how it operates, stakeholder engagement more regularly takes place at an operational level. This allows the Group to be responsive to stakeholder needs. As described above, the Company's Board receives reports when making decisions or where matters are escalated and these reports include information about how stakeholder interests have been considered. This provides the Board with an overview of stakeholder interests when making decisions even where they have not engaged directly with those stakeholders themselves.

**Customers**

Customer centricity is fundamental to the Group and the business strategy of "putting our people first and our customers at the heart of what we do".

During the migration and run-off of policies, the Company has continued to focus on maintaining high levels of service to ensure good outcomes for its customers.

The AzH Board's Customer & Conduct Committee is responsible for overseeing customer conduct matters for the Group. The Customer & Conduct Committee receives reports on a variety of matters including reports from the business, customer dashboards and metrics which help the committee to understand the customer experience and vulnerable customers information.

**Employees**

The Company does not directly employ any staff. During the year, LVGIG and Allianz Management Services Limited ("AMS"), a subsidiary of AzH, provided administration services and staff to the Company and to other Group companies. LVGIG and AMS have a high level of resources and expertise which benefit the Company and the Group.

Employee engagement is led by the Group Chief People and Culture Officer, with the Human Resources team working across AzH.

**Suppliers**

Positive relationships with suppliers are vital to the Company and the Group's success and its ability to deliver outstanding service to customers. Significant supplier contracts, either strategic or by reason of size and significance, which are relevant to the Company, are considered by the AzH Board following initial meetings and negotiations by procurement and commercial teams and direct engagement with senior management.

**Regulators**

The Company is regulated by the FCA and authorised and regulated by the PRA. Maintaining a good relationship with the Company's regulators is a priority for the Board and regulatory considerations are given careful consideration when making decisions. Regulations, guidance, policy statements, Dear CEO letters, Dear Chief Risk Officer letters, reports and other forms of publication issued by the Company's regulators from time to time are examined and discussed by the AzH Board and Group Executive Committee and senior executives of the specific trading division to the extent relevant and taken into account by the Company when considering matters for approval and, where appropriate, these deliberations are minuted. Other engagement methods with regulators include regular meetings and more detailed reviews by the Company Directors and at a Group level.

The Group seeks to maintain a candid and transparent relationship with all of its regulators. In relation to its regulatory requirements, the Board reviewed and approved its relevant regulatory solvency reports.

**Shareholder**

The Company has regard to the interests of its immediate shareholder, LVGIG, and LVGIG's shareholder when making decisions. The Company engages with its shareholder via established reporting mechanisms. The Company's strategy is aligned to that of LVGIG and the Group. The Board continues to engage regularly with and works closely with the AzH Board and the executive management team to achieve the aligned strategy.

**Community and the Environment**

During the year, the Board considered the Group's Sustainability Strategy including objectives and targets for each functional area that contributes to sustainability initiatives and activity. The AzH Sustainability Strategy considers the business risks and opportunities for the respective businesses.

**Principal Decisions**

This part of the section 172 statement describes how the Board has had regard to the Company's stakeholders and other matters to be considered under section 172(1) of the Act in some of its key decisions taken during the year. The AzH Board continues to review its processes to ensure that a formal analysis is carried out of how the significant decisions might impact the Group's and individual subsidiaries' key stakeholder groups. During the period, the Directors took the following principal decisions:

***Small Firm Solvency II Audit Exemption***

In May 2024, the Board approved the exercise of an exemption from filing an externally audited Solvency and Financial Condition Report ("SFCR") and underlying Quantitative Reporting Templates ("QRTs"). The Board considered that, due to the simplified and low volume of transactions going through the Company it was appropriate to adopt the exemption. In addition, established internal controls rendered the risk of material misstatement very low. In making the decision, the Board considered the interests of the PRA which set the rules around the SFCR audit exemption.

***Own Risk and Solvency Assessment ("ORSA")***

The ORSA is an internal process undertaken to assess the adequacy of risk management processes and current and prospective solvency positions under normal and severe stress scenarios. It provides a tool for decision-making and strategic analysis and aims to assess the overall solvency needs related to the specific risk profile of the insurance company. In considering the ORSA the Board noted that the Company is in run off and no new business is being underwritten. It was noted that there were no concerns around the liquidity and solvency position of the Company and that appropriate levels of capital were in place.

On behalf of the Board

U Lange
Director

18 December 2024

## Directors' Report for the year ended 30 September 2024

The Directors present their report and the audited financial statements for the year ended 30 September 2024.

As permitted by section 414C(11) of the Companies Act 2006, certain information is not included in the Directors' Report because it has instead been shown in the Strategic Report. This information is:

- Customers, Suppliers and others statement;
- Financial risks, management objectives and policies;
- Exposure to price risk, credit risk, liquidity risk and cash flow risk;
- Results for the year;
- Principal activities of the Company; and
- Business review and Future prospects.

**Directors and their interests**
The Directors who held office during the year, and up to the date of signing the financial statements, were as follows:

M P Crane (resigned 30 April 2024)
S Diffey (appointed 1 September 2024)
M J Dixon (appointed 7 November 2023, resigned 31 August 2024)
U Lange
H Topham (appointed 1 May 2024)

**Directors' liabilities**
A qualifying third party indemnity insurance was in force during the financial year and also at the date of approval of the financial statements.

**Results and dividends**
No interim dividend was paid during the year ended 30 September 2024 (2023: £30,000k). The Directors do not recommend the payment of a final dividend for the year ended 30 September 2024 (2023: £nil). The results for the year are set out in the Strategic Report on page 4.

**Going concern**
Details of the Directors' assessment of going concern can be found in the Going concern section of Note 1 of the financial statements.

## Streamlined Energy and Carbon Reporting ("SECR")

The Company is required to fulfil the statutory requirements for SECR, which includes disclosure of the Company's carbon emissions. Under the Companies Act 2006 and SECR Regulations, 'Large' companies' must report this information in their Directors' report. The Company has reported in line with the 'Comply or Explain' provision of the legislation and in accordance with the rules which permit that certain information may be excluded where it is not practical to obtain those. Information relating to the Company alone has been excluded from these disclosures as it is not practical to obtain owing to the migration of the business and the integration of its operations within the wider Group. The business no longer holds any employees nor owns or leases any buildings and therefore data is not available on an entity basis.

## Directors' responsibility to the auditors

In the case of each Director in office at the date the Directors' Report is approved so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors have taken all the 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.

## Independent auditors

Pursuant to section 487(2) of the Companies Act 2006, BDO LLP will be deemed to have been re-appointed as auditors at the end of 28 days beginning with the day on which copies of these report and financial statements are sent to Members.

By order of the Board

C M Twemlow
Company Secretary

18 December 2024

## Statement of Directors' responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK generally accepted accounting principles ("UK GAAP"), including FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" and Companies Act 2006.

Under company law, 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK generally accepted accounting principles have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also 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.

The Directors are responsible for the maintenance and integrity of the company's financial statements published on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

U Lange
Director

18 December 2024

# Independent auditor's report to the members of Fairmead Insurance Limited

## 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 2024 and of the Company's loss for the year then ended;
- the Company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Fairmead Insurance Limited (the 'Company') for the year ended 30 September 2024 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland 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 (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. 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 on 18 March 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 5 years, covering the periods ended 31 December 2020 to 30 September 2024.

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:

- Obtained and reviewed the Directors' assessment of the ability of the Company to continue as a going concern, including forecasts, assumptions and future actions in relation to continuing solvent run-off. We considered the appropriateness and validity of this information given the knowledge obtained during the course of our audit about the Company and the transactions they have concluded;

- Enquired of the Directors and scrutinised board minutes and regulatory correspondence to ascertain the existence of undisclosed events or obligations that may cast doubt on the Company's ability to continue as a going concern;
- Assessed the Company's solvency position through reference of the sufficiency of assets to meet liabilities and regulatory solvency requirements; and
- Considered whether there have been any events subsequent to the year end that may cast doubt over the Company's ability to remain a going concern.

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.

## Overview

| | | | |
|---|---|---|---|
| | | 2024 | 2023 |
| **Key audit matters** | Valuation of claims incurred but not reported (IBNR) | ✓ | |
| | Valuation of claims outstanding | | ✓ |
| | Based on our revised audit approach this year, we determined the key audit matter to be the valuation of claims incurred but not reported ("IBNR") which is a component of valuation of claims outstanding. | | |
| **Materiality** | £1,250k (2023: £2,498k) based on 3% of Net Assets (2023: 1% Gross Assets) | | |

## 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.

## Climate change

Our work on the assessment of potential impacts of climate-related risks on the Company's operations and financial statements included:

- Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- Our own qualitative risk assessment taking into consideration the sector in which the Company operates and how climate change affects this particular sector; and
- Review of the minutes of Board and Audit Committee meeting and any other relevant party and other papers related to climate change and performed a risk assessment as to how the impact of the Company's as set out in 2024 may affect the financial statements and our audit.

We also assessed the consistency of managements disclosures included as 'Other Information' on page 3 - 11 with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks.

## 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.

| **Key audit matter** | | **How the scope of our audit addressed the key audit matter** |
|---|---|---|
| **Valuation of Claims incurred but not reported (IBNR)**<br><br>Refer to Note 1.5m, (accounting policy), Note 30 (Critical accounting estimates and judgements), Note 16 and 20 (financial disclosures) and Note 31 (sensitivity analysis). | The Company recorded claims outstanding of £65,549k (2023: £129,358k as disclosed in Note 16 to the financial statements, which includes claims incurred but not reported of £18,905k (2023: £38,876k).<br><br>Valuation of claims incurred but not reported is a key area of estimation within the financial statements.<br><br>These reserves are inherently uncertain and involve a significant degree of judgement, making them more susceptible to fraud or error than other financial statement balances. A small error or manipulation of an assumption could have a significant impact on the financial statements.<br><br>We therefore considered Valuation of claims incurred but not reported to be a Key Audit Matter. | As part of our audit procedures, we have performed the following in conjunction with our actuarial specialists:<br><br>• We obtained an understanding of the relevant processes and controls in place to address the risk of inappropriate assumptions, methodology and data being used in valuing the claims incurred but not reported.<br>• Assessed the consistency of the actuarial data used for projections by the Company's actuarial team with the data from the Company's finance team.<br>• Performed independent re-projections of reserves using claims paid data, and where appropriate claims incurred data.<br>• Reviewed the Company's actuarial report, in conjunction with our own independent projections, and considered the appropriateness of the methodology and challenged the key assumptions used.<br>• We considered the level of margin over the best estimate, and whether there was a risk of management override in this area of judgement.<br>• We evaluated the relevance and reliability of any source data used by the BDO actuarial specialists in their reprojections.<br><br>**Key observations:**<br>Based on the procedures performed we consider the methodology, judgements and assumptions made in the valuation of claims incurred but not reported 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** | |
|---|---|---|
| | **2024<br>£'000** | **2023<br>£'000** |
| **Materiality** | 1,250 | 2,498 |
| **Basis for determining materiality** | 3% of Net Assets | 1% of Gross Assets |
| **Rationale for the benchmark applied** | Net assets is considered an appropriate benchmark for an insurance company in run-off as it reflects the ability of the Company to settle any outstanding liabilities. | Gross Asset was considered a primary financial measure by key stakeholders to reflect the performance of the Company. 1% of gross assets was selected as the benchmark as the Company recently entered run off. |
| **Performance materiality** | 813 | 1,624 |
| **Basis for determining performance materiality** | 65% of Materiality | |
| **Rationale for the percentage applied for performance materiality** | 65% was reflective of our perceived risk of the financial statements containing misstatements, after considering previous experience of this audit engagement. | |

**Reporting threshold**

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £63k (2023: £125k). 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 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:<br>• 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<br>• the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.<br><br>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:<br><br>• adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or<br>• the Company financial statements are not in agreement with the accounting records and returns; or<br>• certain disclosures of Directors' remuneration specified by law are not made; or<br>• 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 statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue to act 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:

*Non-compliance with laws and regulations*

Based on:

- Our understanding of the Company and the industry in which it operates.
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be Companies Act 2006, Financial Reporting Standard 102: The financial reporting standard applicable in the UK and Republic of Ireland, and Financial Reporting Standard 103: Insurance Contracts.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigation. We identified such laws and regulations to be the requirements of the Financial Conduct Authority ('FCA') and the Prudential Regulation Authority ('PRA').

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations.
- Review of correspondence with regulatory authorities for any instances of non-compliance with laws and regulatory capital requirements.
- Review of financial statement disclosures and agreeing to supporting documentation.
- Involvement of tax specialists in the audit.
- Review of legal expenditure accounts to understand the nature of expenditure incurred.
- Considered whether the Company complied with regulatory solvency requirements during the financial year.
- Enquiring of the Directors and other management of instances of non-compliance.
- Enquired with compliance and internal audit departments about knowledge of any non-compliance with laws and regulations.

*Fraud*

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance and internal audit regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
    - Detecting and responding to the risks of fraud; and
    - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas, most susceptible to fraud, to be the valuation of IBNR and management override of controls.

Our procedures in respect of the above included:

- As a part of our work in relation to the valuation of IBNR, as set out in the key audit matters section of this report, we considered the risk of manipulation of this accounting estimate.
- Testing a sample of journal entries throughout the year, which met a defined risk criterion, by agreeing to supporting documentation.
- Evaluating findings from procedures performed on the evaluation of design and implementation of IT general controls the impact on management override of controls.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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.

DocuSigned by:

Alexander Barnes

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18 December 2024

Alexander Barnes (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

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

## Statement of Comprehensive income

For the year ended 30 September 2024

| | Note | 2024 £000 | 2023 £000 |
|---|---|---|---|
| **Technical account** | | | |
| Gross written premiums | | 789 | 81,657 |
| Outward reinsurance premiums | | (769) | (83,449) |
| Net change in provision for unearned premiums | 16 | - | 6,576 |
| **Net premiums earned** | | **20** | **4,784** |
| Interest receivable and other technical income | 3 | 194 | 278 |
| **Total technical income** | | **214** | **5,062** |
| **Claims incurred, net of reinsurance** | | | |
| Gross claims paid and change in insurance liabilities | | 13,775 | 102,138 |
| Reinsurers' share | | (9,482) | (99,012) |
| **Claims incurred, net of reinsurance** | 4 | **4,293** | **3,126** |
| Acquisition costs | 5 | 6,261 | 48,167 |
| Other expenses | 6 | 5,250 | 7,538 |
| Reinsurance commission and expenses | 7 | (6,785) | (52,768) |
| **Total operating expenses** | | **4,726** | **2,937** |
| **Total technical charges** | | **9,019** | **6,063** |
| **Balance on technical account** | | **(8,805)** | **(1,001)** |
| **Non-technical account** | | | |
| Investment (expense)/income | 8 | (670) | 2,286 |
| **(Loss)/profit before taxation for the year** | | **(9,475)** | **1,285** |
| Total tax credit/(charge) | 9 | 2,503 | (428) |
| **(Loss)/profit after taxation for the year** | | **(6,972)** | **857** |
| **Other comprehensive income** | | | |
| **Items that may be reclassified to profit and loss** | | | |
| Change in fair value of available-for-sale financial assets | | 2,271 | 3,399 |
| Change in fair value of available-for-sale financial assets transferred to profit and loss | 8 | 1,895 | - |
| Income tax relating to these items | | (1,042) | (850) |
| **Other comprehensive income for the year, net of tax** | | **3,124** | **2,549** |
| **Total comprehensive (expense)/income for the year** | | **(3,848)** | **3,406** |

The total comprehensive (expense)/income is entirely attributable to the equity holders of the Company.

The notes on pages 24 to 45 are an integral part of these financial statements.

## Statement of Changes in Equity
For the year ended 30 September 2024

| | Note | Share capital | Available-for-sale reserve | Retained earnings | Total |
|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 |
| Balance at 1 October 2022 | | 37,000 | (6,736) | 42,010 | 72,274 |
| Dividend | 27 | - | - | (30,000) | (30,000) |
| Profit for the year | | - | - | 857 | 857 |
| Other comprehensive income for the year | | - | 2,549 | - | 2,549 |
| **Total comprehensive income for the year** | | **-** | **2,549** | **857** | **3,406** |
| **Balance at 30 September 2023** | | **37,000** | **(4,187)** | **12,867** | **45,680** |
| Loss for the year | | - | - | (6,972) | (6,972) |
| Other comprehensive income for the year | | - | 3,124 | - | 3,124 |
| **Total comprehensive expense for the year** | | **-** | **3,124** | **(6,972)** | **(3,848)** |
| **Balance at 30 September 2024** | | **37,000** | **(1,063)** | **5,895** | **41,832** |

The notes on pages 24 to 45 are an integral part of these financial statements.

## Statement of Financial Position
For the year ended 30 September 2024

| | Note | 2024 £000 | 2023 £000 |
|---|---|---|---|
| **Assets** | | | |
| **Intangible assets** | 11 | - | - |
| **Tangible assets** | 12 | - | - |
| **Available-for-sale financial assets** | 15 | 21,885 | 67,246 |
| | | | |
| **Reinsurers' share of technical provisions** | | | |
| Provision for unearned premiums | 16 | - | 17,341 |
| Claims outstanding | 16 | 51,324 | 118,426 |
| Unexpired risk provision | 16 | - | 2,847 |
| | | **51,324** | **138,614** |
| | | | |
| **Debtors** | | | |
| Receivables arising out of direct insurance operations - intermediaries | 17 | - | 10,531 |
| Receivables arising out of reinsurance operations - related parties | 17 | 15,021 | 1,628 |
| Other debtors | 17 | 20,628 | 9,521 |
| | | **35,649** | **21,680** |
| | | | |
| **Balances due from reinsurers** | 18 | - | 4,207 |
| | | | |
| **Other assets** | | | |
| Deferred tax asset | 10 | 3,981 | 5,794 |
| Current tax asset | 9 | 2,694 | - |
| Cash at bank and in hand | 19 | 454 | 3,143 |
| | | **7,129** | **8,937** |
| | | | |
| **Prepayments and accrued income** | | | |
| Accrued interest | 14 | 380 | 1,063 |
| Deferred acquisition costs | 14 | - | 6,608 |
| Other prepayments and accrued income | 14 | 397 | 1,416 |
| | | **777** | **9,087** |
| | | | |
| **Total assets** | | **116,764** | **249,771** |
| | | | |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 26 | 37,000 | 37,000 |
| Available-for-sale reserve | | (1,063) | (4,187) |
| Retained earnings | | 5,895 | 12,867 |
| **Total equity** | | **41,832** | **45,680** |
| | | | |
| **Liabilities** | | | |
| **Gross technical provisions** | | | |
| Provision for unearned premiums | 16 | - | 17,341 |
| Claims outstanding | 16 | 65,549 | 129,358 |
| Other technical provisions | 16 | - | 3,199 |
| | | **65,549** | **149,898** |

## Statement of Financial Position

For the year ended 30 September 2024

| | Note | 2024 £000 | 2023 £000 |
|---|---|---|---|
| **Deposits owed to reinsurers** | 21 | 3,629 | 701 |
| **Creditors** | | | |
| Creditors arising out of direct insurance operations | 22 | 154 | 3,614 |
| Creditors arising out of reinsurance operations | 22 | 4,749 | 21,741 |
| Other creditors | 22 | 41 | 20,490 |
| Current tax liability | 9 | - | 111 |
| | | **4,944** | **45,956** |
| **Accruals and deferred income** | 24 | 11 | 7,536 |
| **Provisions** | 23 | 799 | - |
| **Total liabilities** | | **74,932** | **204,091** |
| **Total liabilities and equity** | | **116,764** | **249,771** |

The notes on pages 24 to 45 are an integral part of these financial statements.

These financial statements on pages 19 to 45 were approved by the Board of Directors on 16 December 2024 and were signed on their behalf by:

U Lange
Director
18 December 2024

**Fairmead Insurance Limited**
**Registered number: 00423930**

## Statement of Cash flows
For the year ended 30 September 2024

| | Note | 2024<br>£000 | Restated<br>2023<br>£000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **(Loss)/profit before taxation for the year** | | (9,475) | 1,285 |
| **Adjustments for:** | | | |
| Bad debt reversals | | - | (1,695) |
| Investment expense/(income) | 8 | 670 | (2,286) |
| Interest expense | | 659 | - |
| **Changes in operating assets and liabilities:** | | | |
| Net decrease in gross technical provisions | | (84,349) | (75,370) |
| Net increase/(decrease) in deposits received from reinsurers | | 2,928 | (17,527) |
| Net increase/(decrease) in balances due from reinsurers | | 4,207 | (4,207) |
| Net decrease in reinsurers' share of technical provisions | | 87,290 | 43,827 |
| Net decrease in prepayments and accrued income (excluding accrued interest) | | 7,627 | 17,086 |
| Net (increase)/decrease in debtors | | (13,969) | 81,634 |
| Net increase in creditors (excluding income tax), accruals and deferred income | | (48,426) | (43,951) |
| Net decrease/(increase) in provisions | | 799 | - |
| **Cash outflow generated by operating activities** | | **(52,039)** | **(1,204)** |
| Interest received* | | 3,023 | 4,018 |
| Interest paid | | (659) | - |
| Income tax recovered/(paid) | | 469 | (7) |
| **Net cash (outflow)/inflow from operating activities*** | | **(49,206)** | **2,807** |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of financial assets* | | 46,517 | 12,904 |
| **Net cash inflow investing activities*** | | **46,517** | **12,904** |
| **Cash flows from financing activities** | | | |
| Dividend paid | | - | (30,000) |
| **Net cash inflow/(outflow) financing activities** | | **-** | **(30,000)** |
| **Net decrease in cash and cash equivalents** | | **(2,689)** | **(14,289)** |
| Cash and cash equivalents at the beginning of the year | 19 | 3,143 | 17,432 |
| **Cash and cash equivalents at the end of the year** | 19 | **454** | **3,143** |

The notes on pages 24 to 45 are an integral part of these financial statements.

*For more information, please refer to note 35.

## 1. Accounting policies

### 1.1 Company and its operations
Fairmead Insurance Limited is a private limited company incorporated in England and Wales and domiciled in the United Kingdom, whose shares are not publicly quoted.

### 1.2 Statement of compliance
The financial statements of the Company have been prepared in accordance with UK GAAP and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

### 1.3 Basis of preparation
The financial statements have been prepared on a going concern basis under the UK GAAP, including FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts', the Companies Act 2006 and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies. The financial statements have been prepared under the historical cost convention, as modified by the adoption of FRS 102 and FRS 103 on 1 January 2020. Accounting policies have been applied consistently to all periods presented.

The Company is exempt from preparing consolidated financial statements by virtue of section 402 of Companies Act 2006 which provides an exemption to a parent Company from the requirement to prepare group accounts if under section 405, on the grounds of materiality, all of its subsidiary undertakings could be excluded from consolidation. The Company is domiciled in the United Kingdom.

The functional and presentational currency of the Company is British Pounds.

**Going concern**
These financial statements are prepared on a going concern basis. The Directors, having undertaken an assessment of the valuation of all assets and liabilities, consider that the Company has sufficient resources to continue operating for the foreseeable future and continue to meet all its liabilities and obligations as they fall due, and therefore, the financial statements have been prepared on the going concern basis.

The Company has sufficient assets to meet its liabilities in the normal course of business and for 12 months after the financial statements have been approved for issue. The Board has no intention to liquidate the entity or to cease trading for at least the next 12 months following the date when the financial statements are authorised for issue. The current intention is that the Board will apply for a Part VII transfer as part of the programme to rationalise the insurance entities across the Group during 2026. However, no binding legal or regulatory substantive steps have been undertaken at the date the financial statements have been authorised for issue.

The prior years financial statements were prepared on a basis other than going concern. Detailed plans have now been developed in respect of the project to rationalise the respective insurance entities. These plans do not confirm the cessation or liquidation of the company within the relevant 12 month period.

### 1.4 Use of estimates
The preparation of the financial statements includes the use of estimates and assumptions which affect items reported in the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the Statement of Cash Flows at the date of the financial statements. Although these estimates are based on management's best knowledge of current circumstances and future events and actions, actual results may differ from those estimates, possibly significantly. This is particularly relevant to the estimation of incurred but not reported (“IBNR”) estimates within insurance contract liabilities. The basis of accounting for these liabilities is set out in 1.5 below and the significant judgements used in determining the estimate are outlined in note 30 to the financial statements.

## 1.5 Summary of significant accounting policy information

### a) Investments in subsidiaries

Shares in subsidiary undertakings are stated at cost less impairment. The Company reviews the carrying value of its subsidiaries at each Statement of Financial Position date or where there has been an indication that impairment has occurred. If the carrying value of the subsidiary undertakings is impaired, the carrying value is reduced through a charge to the Statement of Comprehensive Income.

### b) Income taxes

Income tax on the profit and loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income. Current tax and deferred tax shall be recognised outside profit and loss if the tax relates to items that are recognised, in the same or a different period, outside profit and loss.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the Statement of Financial Position date, together with adjustments to tax payable in respect of prior years.

Deferred income tax is provided in full using the liability method on all timing differences between the fair value of assets/liabilities acquired and the future deductions available for them or amount that will be assessed for tax for financial reporting purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the fair values of the assets and liabilities, using tax rates enacted or substantially enacted at the Statement of Financial Position date.

Deferred income tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the timing differences can be utilised. The fair values of deferred income tax assets are reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilised.

### c) Available-for-sale financial assets

The Company has elected to adopt IAS 39 in accordance with FRS 102.11.2. Investments are classified as available-for-sale (“AFS”) which includes government and corporate bonds.

All financial assets are initially recognised at fair value plus the transaction costs that are directly attributable to the acquisition of the investment. A financial asset shall be derecognised when the contractual right to receive cash flows expires or when the asset is transferred.

Available-for-sale financial assets, after initial recognition, are measured at fair value. Unrealised gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity is transferred to the Statement of Comprehensive Income.

Income from financial assets carried at AFS is recognised through the profit or loss in the period to which it relates on an effective interest rate basis from the date of purchase.

### d) Impairment of financial assets

The carrying value of all financial assets is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. At each Statement of Financial Position date, an assessment is made of whether there is any objective evidence of impairment. The identification of impairment and the determination of recoverable amounts is an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices.

In order to determine whether negative revaluations on investment securities correctly represent impairment, all investment securities for which the market value has either fallen significantly below cost price or been below cost price for a considerable period of time, are individually reviewed. A distinction is made between negative revaluations due to general market fluctuations and due to issuer specific developments. The impairment review focuses on issuer specific developments regarding financial condition and future prospects, taking into account the intent and ability to hold the securities under the Company's investment strategy.

For AFS financial assets, a significant prolonged decline in the fair value indicates an impairment. The impairment loss is the difference between its current fair value and its original cost, less any impairment losses previously recognised in the Statement of Comprehensive Income.

Impairment losses are recognised in the Statement of Comprehensive Income immediately.

**e) Available-for-sale reserve**
The available-for-sale reserve relates to the changes in the fair value gains or losses on investments classified as available-for-sale.

**f) Insurance receivables**
Insurance receivables are recognised in a manner consistent with the premium income recognition as detailed in the general insurance accounting policy, note 1.5m. The carrying value is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Statement of Comprehensive Income.

**g) Debtors**
Debtors are recognised when due. An assessment is performed at each Statement of Financial Position date whether there is any indication that a debtor is impaired. Where there is objective evidence that the carrying value is impaired, then the impairment loss will be recognised in the Statement of Comprehensive Income.

**h) Cash and cash equivalents**
Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less from the date of acquisition.

**i) Reinsurance**
The Company has a 100% quota share arrangement transferring all economic risk in respect of the Household business underwritten via the specific MGAs. The treaty was effective from 31 December 2019.

Quota share treaties are in force that cede 50% of all business to Allianz Re Dublin Designated Activity Company ("Allianz Re"). This quota share cover acts after the 100% quota share treaty on business from the MGAs detailed above and after the joint catastrophe treaty. The Company cedes insurance premiums and risk through these quota share arrangements to limit the potential for losses and manage the capital requirements of the business.

From 1 January 2022, the Company has two quota share treaties with Allianz Re. For claims incurred in accident years from 2022 onwards, the Company has not transferred any funds in return for the reinsurer assuming the element of ceded reserves passed to them under the quota share arrangement ("Funds Withheld"). The Company transfers funds ("Funds Transferred") for claims incurred prior to the 2022 accident years.

Under a Funds Withheld basis, the reinsurer's share of the net outstanding claims reserve is withheld and shown as a deposit owed to reinsurers on the Company's Statement of Financial Position. Each month the balance of the deposit owed to reinsurers is updated with the latest net outstanding claims reserve pertaining to the treaty. This deposit will unwind as the treaty earns through and claims are settled. This arrangement helps reduce counterparty default risk from the reinsurer and also ensures the quota share structure is consistent with other entities' quota share agreements within the Group.

*Deposits owed to reinsurers*
The Company recognises a liability with respect to deposits owed to reinsurers on the 50% quota share treaty relating to the funds withheld on net claims reserves for accident years 2022 onwards. At the point a net reinsurance recovery reserve is recognised, the Company also recognises a funds withheld balance in relation to the cash due to Allianz Re for net claims incurred but not yet settled. The funds withheld liability reduces as claims are paid to the policyholder.

*Balances due from reinsurers*
Where in a treaty year, the net reserves position (reinsurer's share of the UPR, deferred commission and the claims reserve) is a net receivable balance due to reinsurance recoveries developments on the 100% quota share treaty, the balance represents an asset being the balance due from the reinsurer. This balance due from the reinsurer will unwind as the recoveries that are due to Company on the 100% treaty on the MGA business are agreed.

**j) Creditors**
Creditors are recognised as the Company becomes contractually obliged to make an outflow of resources. They are initially recognised at fair value and subsequently held at amortised cost.

**k) Levies**
Levies payable are treated as costs of underwriting business. A liability to pay a levy is recognised at the date of the obligating event, which may be at a point in time or over a period of time.

**l) Provisions and contingent liabilities**
A provision is recognised by the Company when a past event gives rise to a present legal or constructive obligation, in which the outflow of economic resources is probable and a reliable estimate of the amount of the obligation can be made. If the effect is significant, the provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects a current market assessment for the time value of money and, where appropriate, the risk is specific to the liability.

**m) General insurance**
The results of general insurance business are determined after taking account of unearned premiums, outstanding claims and unexpired risks using the annual basis of accounting and appropriate information regarding its claims exposures. 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.

Premiums are accounted for in the period in which the risk commences as gross written premium. Estimates are included for premiums written but not notified by the period end. For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. Premiums are shown net of Insurance Premium Tax ("IPT") and before deduction of commission. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct business being reinsured.

Unearned premiums represent the proportion of premiums written in the period that relate to unexpired terms of policies in force at the Statement of Financial Position date, calculated on a time-apportioned basis. A proportion of commission and other acquisition expenses relating to unearned premiums is carried forward as deferred acquisition costs ("DAC") or, with regard to reinsurance outwards, as deferred income. Acquisition costs are deferred over the period in which the related premiums are earned. All other costs are recognised as expenses when incurred.

Claims incurred comprises claims and related expenses paid in the period and changes in the provisions for outstanding claims. This includes provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous periods.

Provision is made at the Statement of Financial Position date for the estimated cost of claims and related insurance recoveries incurred but not settled at that date, including the cost of claims incurred but not yet reported to the Company. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. 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 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 in estimating these reserves. In calculating the estimated cost of IBNR and notified unpaid claims, the Company uses a variety of estimation techniques, generally based upon statistical analyses of historic experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made however for changes or uncertainties which may create distortions in the underlying statistics or which may cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims.

An additional unexpired risk provision is recognised if the sum of expected claim costs and claim adjustment expenses, deferred acquisition costs, and administrative costs associated with the run off of the business exceeds related unearned premiums and anticipated investment income. Any required unexpired risk provision will be recognised within gross technical provisions.

**n) Interest receivable and other technical income**

Interest receivable and other technical income relates to instalment fee income on policyholder debt. Income is recognised through the profit and loss in the period to which it relates to on an effective interest rate (“EIR”) basis.

Income associated with the sale of a book of business is recognised in line with contractual obligations being satisfied.

**o) Dividends**

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on these shares are recognised when they have been approved by the Board.

## 2. Line of business analysis

For the year ended 30 September 2024

| | Accident and health £000 | Fire and other damage to property £000 | Third party liability £000 | Miscellaneous £000 | Total £000 |
|---|---|---|---|---|---|
| Gross written premiums | - | 769 | 20 | - | **789** |
| Reinsurers' share of gross written premiums | - | (750) | (19) | - | **(769)** |
| Gross claims incurred | 20 | 13,182 | 387 | 186 | **13,775** |
| Reinsurers' share of claims incurred | (6) | (9,007) | (395) | (74) | **(9,482)** |

For the year ended 30 September 2023

| | Accident and health £000 | Fire and other damage to property £000 | Third party liability £000 | Miscellaneous £000 | Total £000 |
|---|---|---|---|---|---|
| Gross written premiums | 46 | 79,478 | 2,038 | 95 | **81,657** |
| Reinsurers' share of gross written premiums | 23 | 81,310 | 2,069 | 47 | **83,449** |
| Gross claims incurred | 398 | (102,231) | (2,948) | 2,643 | **(102,138)** |
| Reinsurers' share of claims incurred | 78 | (98,962) | (1,531) | 1,403 | **(99,012)** |

## 3. Interest receivable and other technical income

| | 2024<br>£000 | 2023<br>£000 |
|---|---|---|
| Income associated with the sale of ASU book | 194 | 278 |
| **Total interest receivable and other technical income** | **194** | **278** |

## 4. Claims incurred net of reinsurance

| | 2024<br>£000 | 2023<br>£000 |
|---|---|---|
| Gross change in insurance liabilities | | |
| -gross change in claims outstanding | (63,810) | (15,329) |
| -gross change in unexpired risk provisions | (3,199) | (10,336) |
| **Gross change in insurance liabilities** | **(67,009)** | **(25,665)** |
| Gross claims paid | 80,784 | 127,803 |
| **Gross claims paid and change in insurance liabilities** | **13,775** | **102,138** |
| Reinsurers' share of change in insurance liabilities | | |
| -reinsurers' share of change in claims outstanding | 67,101 | (1,810) |
| -reinsurers' share of change in unexpired risk provisions | 2,847 | 2,509 |
| **Reinsurers' share of change in insurance liabilities** | **69,948** | **699** |
| Reinsurers' share of gross claims paid | (79,430) | (99,711) |
| **Reinsurers' share of gross claims paid** | **(9,482)** | **(99,012)** |
| **Total claims incurred net of reinsurance** | **4,293** | **3,126** |

## 5. Acquisition costs

| | 2024<br>£000 | 2023<br>£000 |
|---|---|---|
| Acquisition costs | (347) | 30,960 |
| Change in deferred acquisition costs | 6,608 | 17,207 |
| **Total acquisition costs** | **6,261** | **48,167** |

## 6. Other expenses

| | 2024<br>£000 | 2023<br>£000 |
|---|---|---|
| Recharge from LVGIG - staff related costs | 2,667 | 4,729 |
| Levies | 1,199 | 3,307 |
| Investment management expenses | 42 | 33 |
| Interest expenses | 659 | - |
| Other | 683 | (531) |
| **Total other expenses** | **5,250** | **7,538** |

## 7. Reinsurance commission and expenses

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Reinsurance commissions | 423 | (33,315) |
| Change in reinsurance deferred acquisition costs | (6,608) | (17,666) |
| Expenses recoverable from reinsurers | (600) | (1,787) |
| **Total reinsurance commission and expenses** | **(6,785)** | **(52,768)** |

## 8. Investment (expense)/income

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Investment income | 1,225 | 2,286 |
| Realised losses on available-for-sale financial assets | (1,895) | - |
| **Total investment (expense)/income** | **(670)** | **2,286** |

Investment income consists of £556k (2023: £1,018k) in relation to bonds, £600k (2023: £1,222k) of interest on cash pool funds and £69k (2023: £46k) of interest on cash held by custodian.

## 9. Total tax (credit)/charge

| | 2024 £000 | 2023 £000 |
|---|---|---|
| **Current tax** | | |
| -Current tax for the period | (3,187) | (523) |
| -Adjustments in respect of prior periods | (87) | 123 |
| **Total current tax credit** | **(3,274)** | **(400)** |
| **Deferred tax** | | |
| -Movement in timing differences | 771 | 830 |
| -Impact of change of taxation rates on deferred taxation balances | - | (2) |
| **Total deferred tax charge** | **771** | **828** |
| **Total tax (credit)/charge** | **(2,503)** | **428** |

The income tax for the year can be reconciled to the accounting loss as follows:

| | 2024 £000 | 2023 £000 |
|---|---|---|
| **(Loss)/profit before tax attributable to equity holders** | **(9,475)** | **1,285** |
| Corporation tax at 25% (2023: 22%) | (2,369) | 283 |
| Effects of: | | |
| Adjustments in respect of prior periods | (87) | 123 |
| Impact of change of taxation rates on deferred taxation balances | - | (2) |
| Impact of transfer pricing adjustments | (43) | 24 |
| Adjustment in respect of prior year deferred tax | (4) | - |
| **Total tax attributable to equity shareholders** | **(2,503)** | **428** |

| | 2024 £000 | 2023 £000 |
|---|---|---|
| **Current tax asset/(liability) at 30 September** | **2,694** | **(111)** |

**The Organisation for Economic Co-operation and Development (“OECD”) Pillar Two model rules**

The Allianz SE group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in the UK, the jurisdiction in which the Company is incorporated, and came into effect from 1 January 2024. For the year ended 31 December 2023, the Allianz SE Group applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Under UK legislation, the Allianz SE group is liable to pay a top-up tax for the difference between its Global Anti-Base Erosion Rules (“GloBE”) effective tax rate in the UK and the 15% minimum rate. Based on data collated for 2022 and 2023, the Allianz SE group is expecting the UK to qualify for the Country by Country Reporting Safe Harbour and is not expecting any top-up tax to be due in the jurisdiction for the year ending 31 December 2024.

## 10. Deferred tax asset

| | Net tax asset as at 1 October 2023 £000 | Tax (charged) to the income statement £000 | Tax credit to equity £000 | Net tax asset as at 30 September 2024 £000 |
|---|---|---|---|---|
| Excess of depreciation over capital allowances | 4,397 | (771) | - | 3,626 |
| Available-for-sale financial assets | 1,397 | - | (1,042) | 355 |
| **Deferred tax asset** | **5,794** | **(771)** | **(1,042)** | **3,981** |

| | Net tax asset as at 1 October 2022 £000 | Tax (charged) to the income statement £000 | Tax credit to equity £000 | Net tax asset as at 30 September 2023 £000 |
|---|---|---|---|---|
| Excess of depreciation over capital allowances | 5,225 | (828) | - | 4,397 |
| Available-for-sale financial assets | 2,247 | - | (850) | 1,397 |
| **Deferred tax asset** | **7,472** | **(828)** | **(850)** | **5,794** |

The deferred taxation balances are calculated using the corporation taxation rates which will prevail when the balances unwind. The deferred taxation balances in respect of available-for-sale financial assets at 30 September 2024 are recognised at 25% (30 September 2023: 25%) and excess of depreciation over capital allowances at a rate of 25% (30 September 2023: 24.5%).

## 11. Intangible assets

| | 2024 £000 | 2023 £000 |
|---|---|---|
| **Cost** | | |
| As at 1 October | - | 68,836 |
| Write offs | - | (68,836) |
| **As at 30 September** | **-** | **-** |
| | | |
| **Accumulated amortisation** | | |
| As at 1 October | - | 68,836 |
| Write offs | - | (68,836) |
| **As at 30 September** | **-** | **-** |
| | | |
| **Closing net book value** | **-** | **-** |
| | | |
| **Opening net book value** | **-** | **-** |

In November 2022, the Company completed a strategic project to integrate its operations within the wider LVGIG and AzH operations. As a result, all existing computer software and software under development was decommissioned and written off in the Company's accounting records.

### 12. Tangible assets

| | 2024 | 2023 |
|---|---|---|
| | £000 | £000 |
| **Cost** | | |
| As at 1 October | - | 4,632 |
| Write offs | - | (4,632) |
| **As at 30 September** | **-** | **-** |
| | | |
| **Accumulated amortisation** | | |
| As at 1 October | - | 4,632 |
| Write offs | - | (4,632) |
| **As at 30 September** | **-** | **-** |
| | | |
| **Closing net book value** | **-** | **-** |
| | | |
| **Opening net book value** | **-** | **-** |

In November 2022, the Company completed a strategic project to integrate its operations within the wider LVGIG and AzH operations. As a result, all existing plant and equipment was decommissioned and written off in the Company's accounting records.

### 13. Investment in group undertakings

The details of the Company's subsidiary are set out below:

| Name of subsidiary | Principal activities | Registered office |
|---|---|---|
| Buddies Enterprises Limited | Intermediary | England and Wales |

The registered office of the subsidiary is 57 Ladymead, Guildford, Surrey, GU1 1DB. The subsidiary is 100% owned and has a 31 December financial year end. The carrying value of the Company's investment in its subsidiary is £nil (2023: £nil) after this investment was fully impaired in 2019.

### 14. Prepayments and accrued income

| | 2024 | 2023 |
|---|---|---|
| | £000 | £000 |
| Accrued interest | 380 | 1,063 |
| Deferred acquisition costs | - | 6,608 |
| Accrued income | - | 234 |
| Prepayments | 397 | 1,182 |
| **Total prepayments and accrued income** | **777** | **9,087** |

**Movement in gross and reinsurance deferred acquisition costs**

| | Gross 2024 | Reinsurance 2024 | Gross 2023 | Reinsurance 2023 |
|---|---|---|---|---|
| As at 1 October | 6,608 | (6,607) | 23,815 | (24,273) |
| Acquisition costs movement in provision | (6,608) | 6,607 | (17,207) | 17,666 |
| **As at 30 September** | **-** | **-** | **6,608** | **(6,607)** |
| | | | | |
| **To be amortised within 12 months from the reporting date** | **-** | **-** | **6,608** | **(6,607)** |

## 15. Available-for-sale financial assets

| | 2024 £000 | 2023 £000 |
|---|---|---|
| **Financial assets designated as available-for-sale** | | |
| Debt securities | 21,885 | 67,246 |
| **Total available-for-sale financial assets** | **21,885** | **67,246** |
| | | |
| Maturity date within 12 months of the reporting date | 7,708 | 18,031 |
| Maturity date after 12 months from the reporting date | 14,177 | 49,215 |
| **Total available-for-sale financial assets** | **21,885** | **67,246** |

None of the financial assets have been pledged as collateral.

**Fair value hierarchy**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date.

Fair value measurements are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's view of market assumptions in the absence of observable market information. The Company utilises techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

The levels of fair value measurement bases are defined as follows:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The following table presents the Company's assets by FRS 102 hierarchy levels:

| **As at 30 September 2024** | **Total £000** | **Level 1 £000** | **Level 2 £000** | **Level 3 £000** |
|---|---|---|---|---|
| Debt securities and other fixed income securities | **21,885** | 21,885 | - | - |

| **As at 30 September 2023** | **Total £000** | **Level 1 £000** | **Level 2 £000** | **Level 3 £000** |
|---|---|---|---|---|
| Debt securities and other fixed income securities | **67,246** | 20,270 | 46,976 | - |

## 16. Technical provisions

| | Gross 2024 £000 | Reinsurance 2024 £000 | Gross 2023 £000 | Reinsurance 2023 £000 |
|---|---|---|---|---|
| Provision for unearned premiums | - | - | 17,341 | (17,341) |
| Claims outstanding | 65,549 | (51,324) | 129,358 | (118,426) |
| Unexpired risk provision | - | - | 3,199 | (2,847) |
| **Total technical provisions** | **65,549** | **(51,324)** | **149,898** | **(138,614)** |

The reinsurer's share of claims outstanding includes an amount of £nil (2023: £10,640k) in relation to gross claims payments already made in respect of Household business underwritten through the MGA for which the corresponding reinsurance share is yet to be agreed with the reinsurer. The reinsurer's share of all gross claim payments due to the Company as at 30 September 2024 for the MGA book of business has been confirmed with the reinsurer. It has therefore been reflected within receivables arising out of reinsurance operations in note 17. The provision for unearned premiums and unexpired risk provision are both £nil in the current year due to premiums being fully earned.

**Expected gross and net insurance claim cash flows**

| | Date of undiscounted cash flow | | | | | | Carrying value |
|---|---|---|---|---|---|---|---|
| | 0-1 year | 1-2 years | 2-3 years | 3-4 years | 4+ years | Total | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **As at 30 September 2024** | | | | | | | |
| Gross claims outstanding | 38,453 | 17,249 | 7,447 | 2,284 | 116 | 65,549 | 65,549 |
| Net claims outstanding | 8,344 | 3,743 | 1,616 | 496 | 26 | 14,225 | 14,225 |
| **As at 30 September 2023** | | | | | | | |
| Gross claims outstanding | 79,635 | 28,443 | 13,479 | 6,160 | 1,641 | 129,358 | 129,358 |
| Net claims outstanding | 6,730 | 2,404 | 1,139 | 521 | 138 | 10,932 | 10,932 |

Insurance cash flows are based on the expected date of settlement.

| **Movement in claims outstanding** | Gross 2024 | RI 2024 | Gross 2023 | RI 2023 |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| As at 1 October | 129,358 | (118,426) | 144,688 | (116,616) |
| Claims arising | 4,399 | (3,831) | 100,325 | (98,629) |
| Claims paid | (80,784) | 79,430 | (127,803) | 99,711 |
| Adjustments to prior period | 12,576 | (8,497) | 12,148 | (2,892) |
| **As at 30 September** | **65,549** | **(51,324)** | **129,358** | **(118,426)** |

**Movement in unearned premium**

| | Gross 2024 | RI 2024 | Net 2024 | Gross 2023 | RI 2023 | Net 2023 |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| As at 1 October | 17,341 | (17,341) | - | 67,045 | (60,469) | 6,576 |
| Movement in provision | (17,341) | 17,341 | - | (49,704) | 43,128 | (6,576) |
| **As at 30 September** | **-** | **-** | **-** | **17,341** | **(17,341)** | **-** |

## 17. Debtors

| | 2024 | 2023 |
|---|---|---|
| | £000 | £000 |
| **Receivables arising out of direct insurance operations - intermediaries** | - | 10,531 |
| **Receivables arising out of reinsurance operations - related parties (note 29)** | 15,021 | 1,628 |
| | | |
| Amounts owed by group undertakings | 13,269 | 1,865 |
| Other receivables | 7,359 | 7,656 |
| **Other debtors** | **20,628** | **9,521** |
| | | |
| **Total debtors** | **35,649** | **21,680** |

All amounts are due within 12 months from the Statement of Financial Position date.

The Company has £nil (2023: £10,531k) of pipeline premium receivables from intermediaries that are past due. This is on a specific book of business with an MGA, which is subject to 100% quota share in respect of all economic risk arising on or after 1 January 2020.

Receivables arising out of reinsurance operations of £11,735k relate to amounts due for the reinsurer's share of all gross claim payments as at 30 September 2024 for the MGA book of business. As this balance has been confirmed with the reinsurer, it has been reflected within receivables arising out of reinsurance operations. This was £nil in 2023.

Other receivables include cash balances provided to certain suppliers and MGA partners to fund policyholder claims payments of £7,292k (2023: £7,650k) on behalf of the Company.

Included within amounts owed by group undertakings is £12,579k (2023: £1,066k) receivable from Allianz SE. This is money transferred by the Company to the Allianz SE group cash pool as part of the wider Allianz SE group cash management processes. Also included is £42k (2023: £799k) receivable from LVGIG (note 29).

## 18. Balances due from reinsurers

| | 2024 | 2023 |
|---|---|---|
| | £000 | £000 |
| Recoveries due from reinsurers | - | 4,207 |
| **Total recoveries due from reinsurers** | **-** | **4,207** |

The quota share arrangement to which this balance relates is with Allianz Re, a fellow member of the wider Allianz SE group. The underlying 2023 quota share arrangement treaty resulted in a net receivable position due to reserves and related reinsurance recoveries developments. The balance is £nil in 2024 as the amounts due to the Company have been confirmed with the reinsurer and been reflected in note 17 Debtors.

## 19. Cash at bank and in hand

| | 2024 | 2023 |
|---|---|---|
| | £000 | £000 |
| Cash at bank and in hand | 454 | 3,143 |
| **Total cash at bank and in hand** | **454** | **3,143** |

## 20. Claims development triangles

The tables below present changes in the historical provision for losses and loss adjustment expenses since 2019 and the provision for losses and loss adjustment expenses arising in each subsequent accident year. For this purpose, the 2021 and prior accident years cover the period from 1 January until 31 December, the 2022 accident year covers the period from 1 January 2022 until 30 September 2022, the 2023 accident year covers the period from 1 October 2022 until 30 September 2023 and the 2024 accident year from 1 October 2023 to 30 September 2024.

From 1 April 2022, a delegated claims handling agreement was put in place with all newly reported claims being handled by LVIC at an agreed cost per claim to the Company. With all policies now in runoff, the volume of new claims has significantly reduced. The estimated cost at 30 September 2024 payable by the Company to LVIC for handling future new claims was deemed to be minimal and an overall gross claims handling provision of £55k (2023: £104k) has been assumed. This figure includes an additional allowance should volumes exceed expected levels.

**Gross of reinsurance**

| **Accident year** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **Total** |
|---|---|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Estimate of ultimate claims costs: | | | | | | | |
| - At end of accident year | 241,444 | 249,256 | 180,302 | 113,502 | 100,325 | 4,399 | 889,228 |
| - One year later | 246,317 | 240,899 | 186,817 | 107,860 | 103,516 | - | 885,409 |
| - Two years later | 249,973 | 238,693 | 198,701 | 107,560 | - | - | 794,927 |
| - Three years later | 249,843 | 241,616 | 198,428 | - | - | - | 689,887 |
| - Four years later | 253,211 | 245,413 | - | - | - | - | 498,624 |
| - Five years later | 254,338 | - | - | - | - | - | 254,338 |
| Estimate of cumulative claims | 254,338 | 245,413 | 198,428 | 107,560 | 103,516 | 4,399 | 913,654 |
| Cumulative payments | (249,420) | (238,751) | (188,065) | (95,943) | (80,124) | (1,759) | (854,062) |
| Outstanding claims provision | 4,918 | 6,662 | 10,363 | 11,617 | 23,392 | 2,640 | 59,592 |
| Outstanding claims provision for prior accident years | - | - | - | - | - | - | 5,902 |
| Claims handling provision | - | - | 19 | 23 | 13 | - | 55 |
| Total claims liabilities recognised in the Statement of Financial Position | 4,918 | 6,662 | 10,382 | 11,640 | 23,405 | 2,640 | 65,549 |

**Net of reinsurance**

| **Accident year** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **Total** |
|---|---|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Estimate of ultimate claims costs: | | | | | | | |
| - At end of accident year | 138,433 | 76,607 | 62,046 | 28,801 | 7,142 | 568 | 313,597 |
| - One year later | 143,736 | 63,070 | 57,796 | 29,525 | 9,006 | - | 303,133 |
| - Two years later | 146,254 | 77,146 | 64,680 | 32,492 | - | - | 320,572 |
| - Three years later | 150,503 | 75,986 | 67,091 | - | - | - | 293,580 |
| - Four years later | 151,380 | 76,519 | - | - | - | - | 227,899 |
| - Five years later | 153,930 | - | - | - | - | - | 153,930 |
| Estimate of cumulative claims | 153,930 | 76,519 | 67,091 | 32,492 | 9,006 | 568 | 339,606 |
| Cumulative payments | (151,696) | (74,306) | (63,980) | (29,382) | (8,401) | (568) | (328,333) |
| Outstanding claims provision | 2,234 | 2,213 | 3,111 | 3,110 | 605 | - | 11,273 |
| Outstanding claims provision for prior accident years | - | - | - | - | - | - | 2,925 |
| Claims handling provision | - | - | 9 | 11 | 7 | - | 27 |
| Total claims liabilities recognised in the Statement of Financial Position | | | | | | | 14,225 |

## 21. Deposits owed to reinsurers

| | 2024 | 2023 |
|---|---|---|
| | £000 | £000 |
| Quota share funds withheld | 3,629 | 701 |
| **Total deposits owed to reinsurers** | **3,629** | **701** |

The deposits owed to reinsurers relates to the quota share arrangement with Allianz Re. This balance has increased due to the confirmation of the reinsurer's share of all gross claim payments as at 30 September 2024 for the MGA book of business. Subsequently, as the amounts due to the Company have been confirmed with the reinsurer, this balance has been reflected as a debtor. This was £nil in 2023. The balance is expected to mature in line with the claims.

## 22. Creditors

| | 2024 | 2023 |
|---|---|---|
| | £000 | £000 |
| Creditors arising out of direct insurance operations - policyholders | 154 | 3,614 |
| Creditors arising out of reinsurance operations | 4,749 | 21,741 |
| Other creditors | 41 | 20,490 |
| **Total creditors** | **4,944** | **45,845** |

All creditors are expected to be settled within twelve months of the Statement of Financial Position date.

Within creditors arising out of reinsurance operations, £52k (2023: £277k) is due to related parties.

Creditors arising out of direct insurance operations represent redress cheques dating back to June 2020 that have been issued to customers that have not yet been cashed.

Within other creditors is £18k (2023: £13,401k) due to related parties and £nil (2023: £7,089k) relating to taxation creditors.

## 23. Provisions for other liabilities and charges

| | Total |
|---|---|
| | £000 |
| **At 1 October 2022** | - |
| **At 30 September 2023** | - |
| Provided during the year | 1,000 |
| Utilised in the year | (201) |
| **At 30 September 2024** | **799** |

Provisions relate to the remediation costs associated with issuing redress cheques that date back to June 2020 as detailed in note 22. The remediation project is ongoing and payments will be made for the foreseeable future. No provision was raised during the prior year as an agreement with the regulator was not concluded until February 2024.

## 24. Accruals and deferred income

| | 2024 | 2023 |
|---|---|---|
| | £000 | £000 |
| Accruals | 11 | 929 |
| Reinsurance share of deferred acquisition costs | - | 6,607 |
| **Total accruals and deferred income** | **11** | **7,536** |

All accruals and deferred income are expected to be settled no more than twelve months after the Statement of Financial Position date.

Reinsurance share of deferred acquisition costs is £nil due to all premiums being fully earned as the Company is in run off.

## 25. Commitments

**Guarantee**
Tata Consultancy Services ("TCS") provided software support and related systems maintenance services for the benefit of the Company. In the course of the services, TCS was required to have access to Flood Re data and thus it entered into a data sharing agreement ("DSA") with Flood Re on Flood Re's standard terms. Legal & General Resources Limited ("LGRL") granted an indemnity to TCS to compensate it for any Flood Re claims under the DSA (on the terms of agreement between LGRL and TCS). The Company, as the beneficiary of the services, granted an uncapped indemnity in favour of LGRL in respect of this TCS indemnity. The Company no longer has any services provided to it via LGRL under the transitional services arrangement. The indemnity is no longer in effect, however there is a potential residual risk in respect of the period that the indemnity applied.

## 26. Share capital

**Share capital - allotted, called up and fully**

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | **No.** | **£** | **No.** | **£** |
| Ordinary shares of £1 each | 36,999,999 | 36,999,999 | 36,999,999 | 36,999,999 |

## 27. Dividends

| | 2024 £000 | 2023 £000 |
|---|---|---|
| **Interim dividends paid** | | |
| Interim dividend of £nil (2023: £0.81) per each ordinary share | - | 30,000 |
| **Total dividends** | **-** | **30,000** |

The Directors do not recommend the payment of a final dividend for the year ended 30 September 2024 (2023: £nil).

## 28. Parent and Ultimate Parent Undertaking

The immediate parent undertaking is LVGIG, a company registered in England and Wales.

The ultimate parent undertaking Allianz SE is incorporated in Germany and is the parent of the largest and smallest group of undertakings for which Allianz SE group financial statements are drawn up and of which the Company is a member.

The most senior parent entity producing publicly available financial statements is Allianz SE. These financial statements are available upon request from Allianz SE, Königinstrasse 28, 80802 München, Germany.

## 29. Related party transactions

**Transactions with and balances from or to related parties**
The Company enters into transactions with fellow group undertakings and key management personnel in the normal course of business. Details of transactions carried out during the year with related parties are as follows;

| | Credit/(charge) | | Receivable/(payable) | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | £000 | £000 | £000 | £000 |
| a. Management charge to the Company from LVGIG | (1,667) | (4,070) | 42 | 799 |
| b. Cash pool | 600 | 1,222 | 12,579 | 1,066 |
| c. Investment management fees | (42) | (33) | (11) | - |
| d. i) Reinsurance premium (Az RE) | (20) | (7,017) | 71 | (178) |
| ii) Reinsurance commission (Az RE) | 8 | 2,517 | (27) | - |
| iii) Reinsurance claims (Az RE) | 6,663 | 13,698 | 15,021 | 1,628 |
| iv) Funds withheld (Az RE) | - | - | (3,629) | (701) |
| v) Interest on funds withheld (Az RE) | (168) | (3) | (18) | (3) |
| vi) Recoveries due from reinsurers (Az RE) | - | - | - | 4,207 |
| e. i) Revolving credit facility with LVIC | - | - | - | (5,600) |
| ii) Interest on facilities with LVIC | (490) | 24 | - | (24) |
| f. Claims recharges (LVIC) | - | - | (150) | (7,420) |
| g. Claims handling expenses (LVIC/LVGIG) | (45) | (624) | - | (355) |
| h. Provision recharges (LVGIG) | (1,000) | - | 799 | - |

a. The Management charge payable to LVGIG.

b. The Company transfers money daily to Allianz SE cash pool for cash management.

c. The Company engages the services of PIMCO to manage the investment portfolio.

d. Reinsurance premium, commission and claims accepted/paid by Allianz Re as part of the Company's catastrophe and reinsurance quota share treaty. The balances shown are the net position owed on the arrangements with Allianz Re of a £15,021k debtor (2023: £1,628k) as per note 17, and a £52k creditor (2023: £277k) as per note 22. The funds withheld balance with Allianz Re of a £3,629k creditor (2023: £701k) is calculated as Allianz Re Dublin's share of the Company's reserves less recoveries from other reinsurance arrangements under the 2022 quota share treaty reinsurance arrangement as per note 21. There is interest payable on the funds withheld.

For the underlying quota share arrangement with Allianz Re, the treaty resulted in a net receivable position of £nil (2023: £4,207k) due to reserves and related reinsurance recoveries developments as per note 18. This balance will unwind as the treaty earns through and claims are settled.

e. LVIC provided a revolving credit loan facility to the Company. Refer to note 31 for further details.

f. LVIC recharges the Company's claims processed by LVIC under a delegated authority arrangement entered into during the year ended 30 September 2023.

g. LVIC recharges claims handling expenses related to the Company's claims processed by LVIC under a delegated authority arrangement entered into during the year ended 30 September 2023.

h. LVGIG recharges expenses related to provisions held by the Company.

None of these balances are secured on the assets of any Allianz SE group undertaking.

**Investment in subsidiaries**
No restrictions are placed on subsidiaries to transfer funds to the parent company in the form of cash dividends.

No guarantees or collateral were provided to subsidiaries. The Company is not liable for any contingent liabilities arising on the side of the subsidiaries and will not settle any liabilities on behalf of them.

## 30. Significant accounting estimates and judgements

The following are the critical judgements, estimations and assumptions have the most significant effect on the amounts recognised in the financial statements:

**Valuation of general insurance contract liabilities**
For general insurance contracts, estimates are made for the expected ultimate cost of claims reported as at the Statement of Financial Position date and the cost of claims incurred but not yet reported ("IBNR") to the Company. It can take a significant period of time before the ultimate cost of claims can be established with certainty, and the final outcome may be better or worse than that provided.

Standard actuarial claims projection techniques, such as the basic Chain Ladder method and exposure based methods are used to estimate the majority of outstanding claims. Claims provisions are analysed separately by line of business.

Such methods extrapolate the development of paid and incurred claims, recoveries from third parties, and other metrics, based upon the observed development of earlier years and expected loss ratios. The main assumption underlying these techniques is that past claims development experience can be used to project ultimate claims costs. Allowance for one-off occurrences or changes in legislation, policy conditions or portfolio mix, is also made in arriving at the estimated ultimate cost of claims, in order that it represents the most likely outcome, taking account of all the uncertainties involved. To the extent that the ultimate cost is different from the estimate, where experience is better or worse than that assumed, the surplus or deficit will be credited or charged to the Statement of Profit and Loss and Other Comprehensive Income in future years.

**Significant accounting estimate**
The estimation of the ultimate liability arising from claims made under insurance contracts is the most critical accounting estimate for the general insurance business. Estimates are made for the expected ultimate cost of claims as at the Statement of Financial Position date and the cost of claims incurred but not yet reported.

There are several sources of uncertainty that need to be considered in the estimate of the liability that will ultimately be paid for such claims.

A key area of uncertainty is around the impact of the high levels of inflation on the ultimate cost of claims. The actuarial claims projections reflect increased claims costs observed in claims settled to date and the anticipated impact of inflation on claims yet to be settled.

There remains a significant amount of uncertainty around the ultimate cost of subsidence claims on the Household business. Although hot weather was more benign in 2024, there is a risk that future extended periods of hot and dry weather could lead to re-opening of past claims and result in prior year deteriorations. The MGA Household book is fully reinsured for the 2020 and later accident years meaning there is significantly less exposure on a net basis.

The Company's reserves have been assessed based on the latest information available and judgement applied based on this information. An indication of the financial impact arising from the uncertainty around the reserves is considered in the sensitivity analysis set out in the risk management and control note.

An additional margin is held to cover the uncertainty associated with adverse claims experience on the main Household and the MGA business.

## 31. Risk management and control

The Company's primary objective in undertaking risk management activity is to manage risk exposure in line with risk appetite, minimising its exposure to unexpected financial loss and limiting the potential for deviation from anticipated outcomes. In this respect, a framework of limits and qualitative statements, aligned with the Company's risk appetite, is in place for material exposures.

A significant part of the Company's business involves the acceptance and management of risk. The Company operates a formal risk management framework to ensure that all significant risks are identified and managed.

- Insurance risk;
- Market risk;
- Credit risk;
- Intercompany debtor risk;
- Liquidity risk; and
- Operational risk.

**Insurance risk**
*Reserving policy*
The Company has a documented reserving policy setting out the basis on which liabilities are to be determined using statistical analysis and actuarial experience. Discussion of the key drivers of uncertainty in the Company's reserves can be found in note 30.

*The principal product of the Company is:*

**Household (2024 GWP: £789k;** 2023 GWP: £81,516k**)**
These contracts provide cover in respect of householders' homes, investment properties, contents, personal belongings and incidental liabilities which they may incur as a property owner, occupier and individual. Exposure is normally limited to the rebuilding cost of the home, the replacement cost of belongings and a policy limit in respect of liability claims. The Company uses reinsurance to manage the exposure to an accumulation of claims arising from any one incident, usually severe weather. The Company has a catastrophe treaty in place which is a joint treaty and covers the whole LVGIG group. This treaty provides protection to LVIC, HICO and the Company. Under this treaty all losses are combined and ceded to the treaty. The treaty reinsures for total losses between £50,000k and £763,000k (2023: £50,000k and £750,000k) for a single event. A quota share treaty is in force that reinsures 50% of all business meaning 50% of all premium (net of all other reinsurance) is paid to the reinsurer with 50% of claims being recovered from the reinsurer. The Company's exposure to Household insurance risk is declining as the business runs off.

As at 30 September 2024, the gross IBNR for Household has been set at £18,905k. As highlighted in note 30, there is uncertainty around the eventual claims outcomes particularly in relation to subsidence and inflation, the impact of which emerges over time and can be difficult to predict. Further quantitative analysis of the potential impact of subsidence is covered in the sensitivity tests provided below. Given that the Company is in run-off, the gross IBNR is expected to reduce over time. Furthermore, a large proportion of the gross IBNR relates to the MGA business which, as noted above, is subject to a 100% quota share reinsurance agreement which provides risk mitigation, from 1 January 2020.

**Market risk**
The Company's exposure to market risk is influenced by external factors such as changes in interest rates. Interest rate risk is the risk that the Company is exposed to lower returns or loss as a direct or indirect result of fluctuations in the value of, or income from, specific assets and liabilities arising from changes in underlying interest rates. The Company is exposed to these risks on the investment portfolio that is maintained to meet the obligations to policyholders. During the year, the Company invested in government and corporate bonds and so is not exposed to equity and property price fluctuations.

The Company invests in sterling denominated assets only and so is not exposed to losses as a result of fluctuations in the value of, or income from, assets denominated in foreign currencies. As the Company's investment portfolio runs off, the Company's exposure to market risk continues to decrease.

**Credit risk**
Credit risk is the exposure to loss if another party fails to perform its financial obligations to the Company.
The Company's exposure to credit risk includes:
- Banking counterparty risk;
- Intercompany debtors;
- Investment counterparty risk; and
- Reinsurer credit risk.

Banking and investment counterparty risks are controlled through limits on the exposure to individual counterparties. Reinsurer credit risk is controlled through a requirement that all reinsurers have S&P ratings of A- or better or AM Best rating of A- or better and who are approved by the Allianz SE group Risk Security Vetting Team for the type of business being reinsured. Limits are placed on premium and supplier risks to mitigate exposure.

The credit profile of the Company's assets exposed to credit risk is shown in the table below. The credit rating bands are provided by independent rating agencies. For unrated assets, internal ratings are maintained which are used to manage exposure to these counterparties. No provision for impairment has been made at the year end (2023: £nil) on the basis that balances are considered to be recoverable, other than that in respect of premium debtors disclosed in note 17. The Company's exposure to credit risk has been decreasing as the business runs off, with the exception of the specific MGA agreement that is subject to a 100% quota share arrangement covering all economic risk from 1 January 2020.

| | AAA £000 | AA £000 | A £000 | BBB £000 | BB & below £000 | Unrated £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| **As at 30 September 2024** | | | | | | | |
| Debt securities (note 15) | 9,326 | 12,559 | - | - | - | - | 21,885 |
| Cash at bank and in hand (note 19) | - | - | 454 | - | - | - | 454 |
| **Financial assets** | **9,326** | **12,559** | **454** | **-** | **-** | **-** | **22,339** |
| Reinsurers' share of technical provisions (note 16) | - | 51,324 | - | - | - | - | 51,324 |
| Debtors (note 17) | - | 31,803 | - | - | - | 3,846 | 35,649 |
| Accrued interest (note 14) | 275 | 105 | - | - | - | - | 380 |
| Other prepayments and accrued income (note 14) | - | - | - | - | - | 397 | 397 |
| **Total** | **9,601** | **95,791** | **454** | **-** | **-** | **4,243** | **110,089** |

| | AAA £000 | AA £000 | A £000 | BBB £000 | BB & below £000 | Unrated £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| **As at 30 September 2023** | | | | | | | |
| Debt securities (note 15) | 26,573 | 13,201 | 8,143 | 19,147 | 182 | - | 67,246 |
| Cash at bank and in hand (note 19) | - | - | 3,143 | - | - | - | 3,143 |
| **Financial assets** | **26,573** | **13,201** | **11,286** | **19,147** | **182** | **-** | **70,389** |
| Reinsurers' share of technical provisions (note 16) | - | 135,394 | 3,220 | - | - | - | 138,614 |
| Debtors (note 17) | - | 3,492 | - | - | - | 18,188 | 21,680 |
| Accrued interest (note 14) | - | - | - | - | - | 1,063 | 1,063 |
| Other prepayments and accrued income (note 14) | - | - | - | - | - | 1,416 | 1,416 |
| **Total** | **26,573** | **152,087** | **14,506** | **19,147** | **182** | **20,667** | **233,162** |

**Liquidity risk**
Liquidity risk is the risk that the Company either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can only secure such liquid financial resources either at an excessive borrowing cost relative to that achieved in the recent past or that typically payable by a comparably rated borrower or through the sale of illiquid assets at a price significantly below the fair value of such assets in the recent past.

The Company maintains sufficient liquid assets and standby facilities to meet a prudent estimate of the cash outflows that may arise from all contingent events with a probability of occurrence of up to 1 in 200 years, as identified through stress and scenario testing and the annual planning process.

The Company had access to a £30,000k intra-group overdraft facility with a balance of £nil (2023: £nil). The facility was cancelled on 4 October 2024 due to not being required. The facility forms part of a centralised cash pooling arrangement managed and operated by Allianz SE.

The Company's investment portfolio is entirely made up of highly rated government and corporate bonds. These assets are also considered to be appropriate sources of liquidity.

The following aspects of liquidity risk are relevant to the Company:

*Projected market conditions cash flow risk*
The risk that a change in the economy, market conditions or the business environment may change the size or timing of the financial obligations resulting in the need to increase its liquidity levels.

*Cash flow timing risk*
The risk that the actual timing of cash flows may vary to those projected. However, the nature, type and effect of timing differences will differ for those associated with insurance business funds.

*Contingent liquidity risk*
The risk from the occurrence of high impact events for which no provision has been made in liquidity forecasts due to the events having an extremely low probability of occurrence.

**Operational risk**
The Company aims to implement cost-effective controls to reduce operational risk exposures. Control performance is monitored regularly and weaknesses or failures reported, with appropriate action plans. The Company's Executive Committee reviews operational risk exposures and controls bi-monthly.

Internal processes and customer service standards while carefully controlled and managed may fail or be impacted by external factors such as fraud or terrorist action giving rise to adverse customer reaction and a resultant loss to the Company.

**Sensitivity analysis**
*a) Claims events*
The following tables show material sensitivities to claims events for the Company on pre-tax profit and equity, net of reinsurance. This analysis has been carried out prospectively taking into account the reinsurance the Company had in place from 1 October 2024 (2023: 1 October 2023). The Company’s largest insurance risks were from large subsidence events and an increase in frequency and severity of smaller events. The impact of these is explored through the increase in claims ratio sensitivity. As the net ratio for the current year is nil, the net impact of these is also nil. The Company is also exposed to reserve risk where the actual claims are higher than expected. This is explored through the 5% surplus over net claims liabilities sensitivity.

| | Impact on pre-tax profit gross of reinsurance 2024 £000 | Impact on equity gross of reinsurance 2024 £000 | Impact on pre-tax profit gross of reinsurance 2023 £000 | Impact on equity gross of reinsurance 2023 £000 |
|---|---|---|---|---|
| **Sensitivity test** | | | | |
| Subsidence event - worst claim ratio in last 30 years | (6,617) | (4,963) | (47,909) | (37,369) |
| 5% decrease in overall Household claims ratio | 906 | 680 | 6,568 | 5,123 |
| 5% surplus over net claims liabilities | 3,277 | 2,458 | 6,468 | 5,045 |

| Sensitivity test | Impact on pre-tax profit net of reinsurance 2024 £000 | Impact on equity net of reinsurance 2024 £000 | Impact on pre-tax profit net of reinsurance 2023 £000 | Impact on equity net of reinsurance 2023 £000 |
|---|---|---|---|---|
| Subsidence event - worst claim ratio in last 30 years | - | - | (2,704) | (2,109) |
| 5% decrease in overall Household claims ratio | - | - | 370 | 288 |
| 5% surplus over net claims liabilities | 711 | 533 | 547 | 426 |

As at 30 September 2024 there is no ongoing net exposure since policies have either fully expired or the MGA business is 100% reinsured. Therefore the single storm event scenario, which was explored last year, would no longer lead to any claims.

*b) Market condition*
In addition to Insurance risk the Company is also exposed to market risk through the investment portfolio it holds. The Company's investment portfolio is made up of bonds and cash and so the key risks the Company is exposed to are changes in interest rates which will result in market value fluctuations. The impact of this market risk on the Company's pre-tax profit and equity are explored in the following sensitivities.

| Sensitivity test | Impact on pre-tax profit 2024 £000 | Impact on equity 2024 £000 | Impact on pre-tax profit 2023 £000 | Impact on equity 2023 £000 |
|---|---|---|---|---|
| 100bps increase in interest rates | 219 | 164 | (1,192) | (930) |

**Capital**
The Company's capital resources are measured and monitored on a regulatory basis to comply with the minimum capital requirements. Following the implementation of the Solvency II regulatory regime, as adopted by the PRA, capital resources are managed on a Solvency II basis. The regulatory capital requirement is determined using the 'Standard Formula'.

The capital that the Company needs to hold above its liabilities to meet the Company's objectives and ensure continued solvency is assessed on a quarterly basis. The results of these calculations are presented to relevant internal governance forums. Solvency ratios are disclosed in detail in the Company's unaudited Solvency and Financial Condition Report which can be found on the Group's website. As at 30 September 2024, the Company held £29,837k (2023: £23,450k) of surplus eligible Own Funds above the solvency capital requirement, representing a regulatory capital coverage ratio of 735% (2023: 306%). This buffer of capital resources over the regulatory requirement ensures that the Company is able to more than meet its insurance obligations after a 1-in-200 year event. In line with its risk management approach, the Company maintained an appropriate capital buffer throughout the previous year and remain well above its risk appetite action level.

The risk appetite, which is set by the Board, sets out the Company's approach for managing Own Funds, target capital coverage ratios and actions to be taken when managing Own Funds. The Company aims to maintain an appropriate buffer of capital resources over the regulatory capital requirements and the internal liquidity targets. The capital coverage is projected over the business planning horizon. Solvency and liquidity levels are monitored on a monthly basis, and used to inform any dividend recommendations.

## 32. Employee information

The Company had no direct employees during 2024. As a result, the Company incurred no direct staff costs and made no direct contributions towards retirement benefits (2023: none). Staff resources were provided by LVGIG and AMS and these costs were recharged to the Company.

## 33. Auditors' remuneration

The total remuneration payable by the Company excluding VAT, to its auditors in respect of the audit of these financial statements, is shown below. The Company's audit fees are borne by LVGIG.

| | 2024 | 2023 |
|---|---|---|
| | £000 | £000 |
| Audit of these financial statements | 372 | 462 |
| Overruns charged for prior year statutory audit services | 37 | - |
| Other audit related assurance services | - | 83 |
| **Total** | **409** | **545** |

## 34. Directors’ emoluments

The remuneration of the Directors was paid by other companies within the Group and there was no recharge to the Company either via a management recharge or a direct charge. The only exception to this was the remuneration of M. S. Blackburn who was paid by LVGIG up to his resignation date and LVGIG made a recharge to the Company during the year ended 30 September 2024 of £nil (aggregate Directors' emoluments recharged for the year ended 30 September 2023: £48k).

## 35. Prior period adjustment

In 2023, the amortisation related to financial investments held by the Company amounting £1,593k which was a non-cash item was incorrectly presented in the Statement of Cash Flows affecting the following lines:

- Net decrease in financial investments amount impacting net cash inflow investing activities.
- Interest received amount impacting net cash (outflow)/inflow from operating activities.

The net decrease in financial investments amounting £14,497k consisted of £12,904k in relation to proceeds from sale of financial investments and £1,593k of amortisation related to financial investments.

Following prior period adjustments to 2023 reported Statement of Cash Flows:

- Net decrease in financial investments from £14,497k to £12,904k and presented as ‘proceeds from sale of financial investments’. Consequently, net cash inflow from investing activities has been restated from £14,497k to £12,904k.
- Interest received from £2,425k to £4,018k and resultantly net cash (outflow)/inflow from operating activities has been restated from £1,213k to £2,807k.

The net decrease in cash and cash equivalents in the Statement of Cash Flows, the Statement of Financial Position and the Statement of Comprehensive Income remain unchanged for both the years ended 30 September 2023 and 30 September 2024.

## 36. Subsequent events

There have been no subsequent events after the Statement of Financial Position date.