

Gresham Insurance Company Limited

Registered in England and Wales No. 110410

Annual Report and Financial Statements 2025

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Directors and officer

Directors

N Grady
J C Holliday
T J Latter
S D Shaw
K V Wells

Officer – Company Secretary

Aviva Company Secretarial Services Limited
80 Fenchurch Street
London
United Kingdom
EC3M 4AE

Independent auditors

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

Registered office

8 Surrey Street
Norwich
United Kingdom
NR1 3NG

Company number

Registered in England and Wales no. 110410

Other information

Gresham Insurance Company Limited (“the Company”) is a member of the Association of British Insurers and covered by the Financial Ombudsman Service and is authorised and regulated by the Financial Conduct Authority (“FCA”) and the Prudential Regulation Authority (“PRA”).

The Company is a member of the Aviva plc group of companies (“the Group”).

Strategic report

The directors present their strategic report for the Company for the year ended 31 December 2025.

Review of the Company's business

Principal activities

The Company is a limited company, incorporated under the laws of England and Wales. The principal activity of the Company, which is a wholly owned subsidiary of Aviva Insurance Limited ("AIL"), is the transaction of general insurance business within the UK, predominantly household insurance.

The Company operates under a Framework Services Agreement ("FSA") with AIL and the Company, under which it acts as the exclusive underwriter for all Mass Market Household Insurance products marketed, offered and sold through the Company. With effect from 31 August 2023, the Company ceased writing new business and now provides renewal business only, with renewals continuing to be distributed by the Company.

Customers may also purchase optional add-on products alongside their home insurance policies. These include:

- i. Home Emergency cover, underwritten by AIL, with HomeServe Membership Limited acting as administrator and claims handler; and
- ii. Legal Expenses cover, underwritten by AIL, with Arc Legal Assistance Limited acting as claims administrator.

Where required, marketing of these products is undertaken by the Company.

Significant events

The Company's financial results are affected by a number of external factors, including weather events, trends in claims developments, general economic and market conditions, government policy and legislation. The impact of these events on IFRS performance and Solvency UK may differ due to their different measurement and recognition criteria.

The Company's balance sheet exposure and solvency position has been continually reviewed during the year. At 31 December 2025 the Company had strong solvency levels and expects to continue to meet its capital requirements.

The following significant events impact the Company's business during the year:

- The Company undertook an ordinary share capital reduction, reducing the number of ordinary £1 shares in issue from 76.5 million to 1.
- The Company settled its contingent consideration regarding the acquisition of the Barclays home insurance portfolio.

Financial position and performance

The financial position of the Company at 31 December 2025, with net assets of £96,192 thousand (2024: £89,871 thousand), is shown in the statement of financial position on page 25, with the trading results shown in the income statement on page 23 and the statement of cash flows on page 26.

The profit after tax for the year was £6,321 thousand (2024: £7,781 thousand), with the main year on year movements arising from lower investment returns on the assets held by the Company, as set out in the income statement on page 23.

As described in note 22(a)(i), the Company has a 100% quota share reinsurance arrangement (with the exception of levy expenses) with its parent company, AIL. Since the distribution agreement ended on 30 August 2023, as part of the amended and restated quota share arrangements, AIL pays a ceding commission to Gresham equal to the amortisation of the asset for insurance acquisition cashflows.

Section 172 Statement

We report here on how our directors have performed their duty under Section 172(1) of the Companies Act 2006 ('s.172').

s.172 sets out a series of matters to which the directors must have regard when performing their duty to promote the success of the Company for the benefit of its shareholders, including having regard to other stakeholders.

Our Board considers it crucial that the Company maintains a reputation for high standards of business conduct. The Board is responsible for establishing, monitoring and upholding the culture, values, standards, ethics and reputation of the Company to ensure that our obligations to our stakeholders are met. The Board monitors adherence to our policies and compliance with local corporate governance requirements and is committed to acting where our business falls short of the standards we expect.

Our Board is also focussed on the wider social context within which our businesses operate, including those issues related to climate change which are of fundamental importance to the planet's well-being.

The Company is a wholly owned subsidiary of Aviva plc. The Aviva Group Annual Report and Accounts 2025 includes the activities of the company and provides the information required by the Non-financial and Sustainability Information Statement for the Group as a whole. Further information on the Group's climate-related financial disclosures can be found on the Sustainability section of the Group's website.

Our culture

Our culture is shaped, in conjunction with the wider Aviva Group, by our clearly defined purpose – with you today, for a better tomorrow. As the provider of financial services to millions of customers, Aviva seeks to earn their trust by acting with integrity and a sense of responsibility at all times. We look to build relationships with all our stakeholders based on openness and transparency and we value diversity and inclusivity in our workforce and beyond.

Key strategic decisions in 2025

For each matter that comes before the Board, the Board considers the likely consequences of any decision in the long term, identifies stakeholders who may be affected, and carefully considers their interests and any potential impact as part of the decision-making process.

During 2025, the directors consider all relevant matters set out under the Companies Act 2006 concerning the payment of dividends, including reviewing the Company's distributable reserves and its ability to pay its debts as they fall due, having regard to the entirety of the Company's business and the actual and contingent liabilities.

Strategic report (continued)

Our Stakeholders

This section provides insight into how the Board engages with our stakeholders. The Board recognises that stakeholders have diverse interests and that these interests need to be heard. Engaging with our stakeholders is essential to understand what matters most to them and the likely impact of any key decisions.

The Board receives updates from the Executive Directors which detail any substantial engagement with our stakeholders. There are also regular agenda items to ensure that the Board receives relevant updates on all of our key stakeholders, such as reports from our people function, customer service and our business functions.

The Board carefully considered the likely consequences of its long-term decisions as part of its consideration of Aviva's strategy.

Our Section 172(1) Statement sets out our approach on how our directors have performed their statutory duty. Our Board's activities section provides further information on key decisions taken in 2025, including how stakeholder views and inputs have been factored into the Board's decision making.

Details of how we engaged with our different groups of stakeholders during 2025 can be found on the following pages. The Board regularly reviews its engagement mechanisms with stakeholders to ensure they remain effective.

Our people Our people’s wellbeing and commitment to serving our customers are the foundations for our performance.	
How we have engaged The Company has no employees. The majority of staff engaged in the activities of the Company are employed by fellow subsidiary undertakings of Aviva plc. As part of the Aviva Group, these staff enjoy the benefit of the Aviva Group policies and benefits made available to them.	Outcomes and actions during the year The Board focused on attracting and retaining the best people in the industry.
Our Customers Understanding what’s important to our customers is key to our long-term success.	
How we have engaged The Board receives regular reporting on customer outcomes and strategic initiatives throughout the year.	Outcomes and actions during the year The Board closely monitors customer metrics and engages with the leadership team to understand any issues where performance does not meet customer expectations. The Company's parent entity, AIL, is supported by a Conduct Committee, which oversees customer metrics and engages with senior management to address matters arising from customer complaints, customer feedback and the organisation's approach to treating customers fairly. The Board may escalate any matters it considers necessary to the Conduct Committee for further scrutiny.
Our Shareholders Our retail and institutional shareholders are the owners of the Company.	
How we have engaged The Company’s ultimate shareholder is Aviva plc and there is ongoing communication and engagement with the Aviva plc Board. Any matters requiring escalation are escalated by the Board through the Chair to its parent.	Outcomes and actions during the year Ensuring our shareholders understand our strategy and business model.
Our Communities We recognise the importance of contributing to our communities through volunteering, community investment, and long term partnerships	
How we have engaged The Board supports the community activities of the Aviva Group, including the wellbeing proposition for UK employees, the Aviva Communities initiatives that promote greater diversity and inclusion across the organisation, and programmes that encourage colleagues to volunteer within their local communities.	Outcomes and actions during the year Employees across the Group were offered the opportunity to volunteer their time to support Charities and organisations.
Our Suppliers We operate in conjunction with a wide range of suppliers to deliver services to our customers. It is important that we build strong working relationships with our intermediaries.	
How we have engaged The Company maintains oversight of the management of its most important suppliers and reviews regular reports on their performance.	Outcomes and actions during the year - All supplier related activity is managed in line with the Group’s Procurement & Outsourcing Business Standard. - An important part of our culture is the promotion of high legal, ethical, environmental and employee related standards within our business and also among our suppliers.

Strategic report (continued)

Future outlook

Strategies for the Group as a whole are determined by the Board of Aviva plc and these are shown in the Group 2025 Annual Report and Accounts. The Company will work with the Group to support the implementation of these strategies.

The strategic direction of the Company is set by the directors of the Company. It is anticipated that during 2026, insurance contracts will be renewed into Aviva Insurance Limited ("AIL"), at which point the Company's primary activity will become managing the run-off of in-force contracts and incurred claims.

Principal risks and uncertainties

A description of the principal risks and uncertainties facing the Company and the Company's risk management policies are set out in note 21 to the financial statements.

Risk factors beyond the Company's control that could cause actual results to differ materially from those estimated include, but are not limited to:

- Market risk, the risk of loss or adverse change in the financial situation (including the value of assets, liabilities and income) resulting, directly or indirectly, from fluctuations in the level or the volatility of market variables, such as interest rates and inflation.
- Credit risk, the risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default, rating transition and credit spread movements.
- General Insurance risk, including fluctuations in the timing, frequency and severity of claims and claims settlements relative to expectations when pricing and reserving.

Key performance indicators

The directors consider that the Company's key performance indicators ("KPIs") that communicate the financial performance are as follows:

	2025	2024
Capital Metrics		
Solvency II capital surplus (unaudited) £'000	36,414	26,781
Key Performance Metrics		
Insurance revenue £'000	91,397	93,196
Alternative Performance Metrics		
Combined operating ratio - undiscounted	91.5 %	93.4 %
Combined operating ratio - discounted	91.6 %	93.7 %

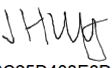
The Company's unaudited Solvency II capital surplus of £36,414 thousand (2024: £26,781 thousand) has increased by £9,633 thousand. The increase in the surplus position was driven by the favourable impact of amortisation on insurance acquisition cashflows and Solvency II technical provisions.

Insurance revenue of £91,397 thousand (2024: £93,196 thousand) has marginally decreased by £1,799 thousand, reflecting the Company no longer writes new business, but continues to offer favourable retention rates.

Combined operating ratio ("COR") is a financial measure of performance and is calculated as insurance service expenses expressed as a percentage of insurance revenue, in both cases presented net of reinsurance. The Company considers COR with claims measured on an undiscounted basis (undiscounted COR) to align more closely to the way in which the business is managed. Undiscounted COR decreased by 1.9pp in 2025.

The numerator used within discounted COR can be derived from the sum of insurance service expenses and amounts recovered from reinsurers which forms part of net expenses from reinsurance contracts, plus £192 thousand (2024: £176 thousand) of other operating expenses that are considered to relate to underwriting activity but do not form part of insurance service expenses. The denominator used within discounted COR can be derived from the sum of insurance revenue and the allocation of premiums paid to reinsurers which forms part of net expenses from reinsurance contracts. For the purposes of calculating undiscounted COR, allowances for discounting of £2,894 thousand (2024: £1,902 thousand) within insurance service expenses and £(2,931) thousand (2024: £(1,956) thousand) within net expenses from reinsurance contracts are removed from the numerator.

By order of the Board on 27 March 2026

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J C Holliday
Director

Registered in England and Wales 110410

Annual Report and Financial Statements 2025

Directors' report

In accordance with Section 415 of the Companies Act 2006 (the Act), the directors present their annual report and audited financial statements for the Company, for the year ended 31 December 2025.

Directors

The names of the directors of the Company who have served during the year and up to the date of signing the financial statements:

S Curson (resigned 12 November 2025)
 N Grady (appointed 22 October 2025)
 J C Holliday
 T J Latter
 C Moran (resigned 14 October 2025)
 S D Shaw (appointed 13 November 2025)
 K V Wells (appointed 13 October 2025)

Company Secretary

The name of the current company secretary of the Company is shown on page 3.

Dividends

Interim ordinary dividends totalling £14,500 thousand on the Company's ordinary shares were declared during 2025 (2024: *£nil*). Of this amount, £14,500 thousand was approved by the Board at its meeting on 1 December 2025. The dividend was set at a level not contingent on completion of the capital reduction and was paid to repatriate capital to the Group. The interim ordinary dividend was settled in February 2026 and therefore has not been accrued for in these financial statements in accordance with company law.

The directors do not recommend a final dividend on the Company's ordinary shares for the year ended 31 December 2025 (2024: *£nil*).

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report, which includes a section describing the principal risks and uncertainties. In addition, the financial statements include notes on: the Company's payables and other financial liabilities (note 16); its risk factors (note 18); its capital structure (note 20) and management of its major risks (note 21).

The Company and its ultimate holding company, Aviva plc, have considerable financial resources and a diversified business model, with a spread of businesses and geographical reach. The directors believe that the Company is well placed to manage its business risks successfully.

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future and to meet its obligations as they fall due. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months (to 27 March 2027) from the date of approval of the financial statements. For this reason, they continue to adopt, and to consider appropriate, the going concern basis in preparing the financial statements.

Important events since the financial year end

Details of significant post balance sheet events that have occurred subsequent to 31 December 2025 are disclosed in note 24.

Future outlook

Likely future developments in the business of the Company are discussed in the strategic report on page 4.

Stakeholder engagement

Statements summarising the Company's employee engagement, and its engagement with suppliers, customers and its other stakeholders are included in the strategic report on page 4.

Employees

The Company has no employees. All staff are employed by a fellow subsidiary undertaking of Aviva plc, Aviva Employment Services Limited ("AES"). Disclosures relating to employees are made in the annual report and financial statements of AES.

Statement of corporate governance arrangements

For the year ended 31 December 2025, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (the "principles"). We set out below how the principles have been applied during 2025.

Principle 1 – Purpose and leadership

The Company is part of the Aviva Group. Aviva's purpose is to be 'with you today, for a better tomorrow' to protect the things that matter most to the Group's customers. To live up to that purpose, the Group has a mission to be 'the leading UK provider and go-to customer brand for all Insurance, Wealth and Retirement solutions, with major businesses in Canada and Ireland' and has a clear strategy and plan to achieve this vision:

- **Growth:** Accelerating growth in capital-light Insurance and Wealth - disciplined in Retirement
- **Customer:** Growing our customer base, serving more needs and transforming experience
- **Efficiency:** Driving operating leverage with technology and artificial intelligence at the core
- **Sustainability:** Committed to climate and social action, and being a sustainable business

Directors' report (continued)

Principle 1 – Purpose and leadership (continued)

The delivery of our strategy and plan is guided by our values:

- **Care:** We care deeply about the positive difference we can make in our customers' lives.
- **Commitment:** We understand the impact we have on the world and take the responsibility that comes with it seriously.
- **Community:** We recognise the strength that comes from working as one team, built on trust and respect.
- **Confidence:** We believe the best is yet to come for our customers, our people, and society.

The Board has made a number of strategic decisions through the year which are aligned to its purpose.

The Board monitors culture of the Company and raises any concerns during meetings and the Board is able to express its views on the culture of the organisation through the Board Effectiveness Reviews. Culture information has been added to the Board's annual planner to ensure the Board has the opportunity to review culture metrics and that employees have the right values, attitudes and behaviours and are focussed on doing the right thing for the customer. The Company complies with the Senior Managers' Certification Regime which further strengthens the drive for individual accountability. Employee engagement is sought through the Voice of Aviva employee surveys, the output of which is reviewed by the Board and an action plan put in place to address areas identified by employees which may require further focus.

The Board is responsible for promoting the long-term success of the Company for the benefit of its members as a whole, taking into account other stakeholders as defined by Section 172 of the Companies Act 2006 and the Articles of Association and including but not limited to; setting the Company's strategic aims, monitoring performance of the Company and management against those aims, setting the Company's risk appetite and monitoring the operation of prudent and effective controls and monitoring compliance with corporate governance principles.

Principle 2 – Board Composition

The Company has a separate Chair and Chief Executive to ensure that the balance of responsibilities, accountabilities and decision making across the Company is effectively maintained. The directors have equal voting rights when making decisions, except the Chair, who has a casting vote. All directors have access to the advice and services of the Company Secretary.

The Board has a skills matrix in place to ensure the composition of the Board contains the appropriate combination of skills, backgrounds, experience and knowledge to understand and guide the business. The skills matrix is a key tool in any Board recruitment process to ensure the most suitable candidates are put forward for appointment to fill any gaps identified and to maintain a focus on succession planning to ensure the Board composition remains appropriate.

The Board is comprised of executive directors. The Board is responsible for organising and directing the affairs of the Company in a manner that is most likely to promote the success of the Company for its shareholders as a whole and in a way that is consistent with its Articles of Association, applicable regulatory requirements and current corporate governance practice.

Principle 3 – Director Responsibilities

The Company operates in accordance with the Aviva Governance Framework, as approved by Aviva plc. The Aviva Governance Framework articulates the interrelation between our purpose, culture, values; our reporting and escalation structures and their alignment with legal and regulatory duties and our risk management framework. The core elements are the legal and regulatory flow of accountability and decision - making and the Company's frameworks, policies and standards and the checks and balances through the operation of the Company's 2nd and 3rd lines of defence which ensure effective board oversight.

Within the Aviva Group, accountability is formally delegated by the Board of the Company to the CEO and by the CEO to their direct reports. The CEO delegations are referenced in the Company's Matters Reserved for the Board. Accountability rests with these individuals and the Board. These accountabilities are aligned with the Senior Managers Certification Regime (SMCR) responsibilities. These roles and responsibilities are clearly documented in the Management Responsibility Maps which form part of our Governance Framework and which are submitted to the Prudential Regulatory Authority ("PRA") and Financial Conduct Authority ("FCA") three times a year. The Company must also adhere to the Subsidiary Governance Principles which are a set of internal governance principles.

The Board held 3 meetings this year. The Board's key areas of focus in 2025 was on monitoring strong business performance and overseeing the customer migration programme to Aviva Insurance Limited ("AIL"), including timeline updates, data-migration activity and regulatory engagement. The AIL migration programme relates to the transition of the Company's product portfolio onto the equivalent AIL Direct product. Under this programme, the Company is moving its remaining policyholders to AIL while continuing to operate as a legal entity. The initiative is designed to ensure continuity of cover for customers, align product offerings within the Group, and support Aviva's strategic objective to consolidate personal lines products within AIL. The migration is being delivered in a controlled and phased manner, ensuring all regulatory, operational and customer obligations are fully met. Customer outcomes remained positive, with high retention, stable pricing and claims trends, and continued improvement under Consumer Duty as insights reduced and remediation actions were completed effectively. The Board also maintained oversight of financial performance and controls—reviewing IFRS and Solvency UK results, reserves, capital planning and dividends—alongside regular risk, conduct, and internal audit updates, all of which confirmed a stable risk profile within appetite. Governance areas such as Board composition changes, adoption of updated Group risk policies, and routine governance approvals were also important features of the year's agenda.

Principle 4 – Opportunity and Risk

The role of the Board is to promote the long-term sustainable success of the company, identifying opportunities to create and preserve value for its shareholder within a framework of prudent and effective controls, which enable risks to be assessed and managed.

When making decisions relating to customer migration timelines, financial reporting and solvency results, capital planning and dividends, pricing and claims performance, and updates to governance and risk policies during the year, the Board actively managed financial and non-financial risks—including conduct risk—through regular and detailed oversight from the CRO, CCCO and Risk functions, supported by comprehensive internal audit updates and risk reporting. The Board received frequent assurance that risks remained within appetite, reviewed Consumer Duty insights and remediation progress, monitored operational and regulatory risks linked to major change programmes, and relied on structured challenge and second-line risk opinions to inform approvals and decisions throughout the year.

Directors' report (continued)

Principle 4 – Opportunity and Risk (continued)

The Company operates a risk management framework that forms an integral part of the management and Board processes and decision-making framework, aligned to the Group's risk management framework. The key elements of the risk management framework comprise risk appetite; risk governance, including risk policies and business standards, risk oversight committees and roles and responsibilities; and the processes the Company uses to identify, measure, manage, monitor and report risks, including the use of risk models and stress and scenario testing.

The Company's position against its risk appetites and tolerances is monitored and reported to the Board on a regular basis. Long-term sustainability depends upon the protection of franchise value and good customer relationships. As such, the Company has a risk preference that it will not accept risks that materially impair the reputation of the Company and requires that customers are always treated with integrity.

Principle 5 – Remuneration

Under the Aviva Group Reward Governance Framework, the Company's remuneration policy operates in accordance with the Remuneration Policy as approved by the Aviva plc Remuneration Committee, which applies to all employees in entities within the Aviva Group. The Remuneration Policy is aligned with the UK Corporate Governance Code requirements relating to remuneration.

The Aviva Group reports on the pay ratio of the Group CEO to UK employees, and details of this can be found in the Directors' Remuneration Report in the Aviva plc Annual Report and Accounts which is available at <http://www.aviva.com/investors/reports/>. Aviva plc also reports in our gender pay gap, and on the steps we are taking in relation to this which can be found at UK Pay Gap Report 2024 - Aviva plc.

As employees of Aviva, staff are able to enjoy the comprehensive flexible benefit offering including the Aviva staff pension scheme and Aviva's broader Wellbeing offering which aims to promote health and wellbeing among Aviva colleagues.

Principle 6 – Stakeholders

Details about Stakeholders can be found in the Section 172 Statement in the strategic report on page 4.

Political donations

The Company did not make any political donations during the year (2024: *£nil*).

Employees

The Company has no employees. The majority of employees engaged in the activities of the Company are employed by subsidiary undertaking of Aviva plc, Aviva Employment Services Limited and Aviva Group Services Ireland Limited. Disclosures relating to employees may be found in the annual report and financial statements of these companies. The Company is recharged with the costs of the staff provided by these companies.

Disclosure of information to the auditors

In accordance with section 418 of the Companies Act 2006, the directors in office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's External Auditor, Ernst & Young, is unaware and each director has taken all steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that Ernst & Young is aware of that information.

Independent auditors

It is the intention of the directors to reappoint the auditors, Ernst & Young LLP, under the deemed appointment rules of section 487 of the Companies Act 2006.

Qualifying indemnity provisions

Aviva plc, the Company's ultimate parent, granted in 2004 an indemnity to the directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985, which continue to apply in relation to any provision made before 1 October 2007. This indemnity is a "qualifying third party indemnity" for the purposes of s309A to s309C of the Companies Act 1985. These qualifying third party indemnity provisions remain in force as at the date of approving the directors' report by virtue of paragraph 15, Schedule 3 of The Companies Act 2006 (Commencement No. 3, Consequential Amendments, Transitional Provisions and Savings) Order 2007.

Directors' report (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

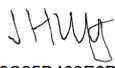
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards. Under company law, directors must not approve the financial statements unless 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-adopted international accounting standards 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 keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board on 27 March 2026

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J C Holliday
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRESHAM INSURANCE COMPANY LIMITED

Opinion

We have audited the financial statements of Gresham Insurance Company Limited ('the company') for the year ended 31 December 2025, which comprise the Income Statement, the Statement of changes in equity, the Statement of financial position, the Statement of cash flows, including the related notes 1 to 25 (excluding the component of note 21 which is marked as 'unaudited') and material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as of 31 December 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

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:

- confirming our understanding of management's going concern assessment process which covers the period up to 27 March 2027;
- verifying the accuracy and reasonableness of management's analysis by testing the inputs, assessing key assumptions and checking the clerical accuracy of the models used;
- evaluating the solvency and liquidity position of the company by reviewing base case solvency and liquidity projections that take into account future funding requirements for the company as well as stress scenarios prepared by management;
- evaluating the financial strength of the parent company to provide support if necessary;
- evaluating the reasonableness of management's forecast analysis to understand the severity of downside scenarios that would result in the elimination of solvency and liquidity headroom and assessed the plausibility of available management actions to mitigate the impact of such key risks;
- performing enquiries of management and those charged with governance to identify risks or events that may impact the company's ability to continue as a going concern. We also obtained management's assessment approved by the Board, minutes of meetings of the Board; and
- assessing the appropriateness of the going concern disclosures by comparing the disclosures with management's assessment and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period up to 27 March 2027.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Overview of our audit approach

Key audit matter	• Valuation of Insurance contract balances and Reinsurance contract balances.
Materiality	• Overall materiality of £1,060k, which represents 2% of equity adjusted to exclude insurance acquisition cash flows.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls and changes in the business environment when assessing the level of work to be performed by the audit engagement team or others.

We took a centralised approach to auditing certain processes and controls, as well as the substantive testing of specific balances. These centralised audit procedures were performed by other UK teams based on our assessment of materiality. This comprised audit work over i) cash and cash equivalents managed by Aviva Investors ii) IT general controls iii) expenses recharged to the company from Group service companies. We exercised appropriate oversight over the work performed by other UK teams, including attending planning meetings and reviewing relevant audit working papers on key areas of the audit. This, together with the additional procedures performed by the audit engagement team, gave us appropriate evidence for our opinion on the company's financial statements.

We exercised appropriate oversight over the centralised work performed, including attending planning meetings, discussions with local management and reviewing relevant audit working papers on key areas of the audit. This, together with the additional procedures performed by the audit engagement team, gave us appropriate evidence for our opinion on the company's financial statements.

Climate change

In planning and performing our audit, we assessed the potential impacts of climate change on the company's business and any consequential material impact on its financial statements - with a particular focus on evaluating management's assessment of the impact of physical and

transition risks and the resulting conclusion that there was no material impact from climate change. The company has explained in note 21 (h) how they have reflected the impact of climate change in their financial statements.

We also challenged the directors' considerations of climate change risks in their assessment of going concern and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these have been considered within the procedures described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter.

Key audit matters

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

Risk	Our response to the risk
Valuation of Insurance and Reinsurance contract assets and liabilities - 2025: £(3,339)K and £59,198k (2024: £15,814k and £9,590k) <i>Refer to accounting policy (H) 'Insurance and reinsurance contract assets and liabilities'; and Note 15 - Insurance and Reinsurance Contracts.</i> The valuation of the liability for incurred claims and assets for incurred claims is highly judgemental and susceptible to management override. The key judgements and focus of our procedures were: • The risk of inappropriate methodologies and assumptions being used to estimate the incurred but not yet reported claims ('IBNR'), which forms part of the liability for incurred claims ('LIC'); and the associated reinsurers share of IBNR claims cash flows, which form part of the assets for incurred claims ('AIC'). • The determination of the bottom -up discount rates (including choice of illiquidity premium in the discount rates) and payment patterns used to derive the cash flows for incurred claims. • The appropriateness of methodologies and assumptions adopted to calculate the amount of the risk adjustment to reflect the entity's view of the compensation that it requires for bearing risk. • The appropriateness of methodologies and assumptions adopted to value reinsurance assets associated with the Adverse Development Covers ('ADC') and internal quota share arrangements ('IQS') measured under the General Measurement Model ('GMM'). The appropriateness of methodologies and assumptions adopted to calculate the Contractual Service Margin (CSM) in respect of reinsurance contracts measured under the GMM.	To obtain sufficient audit evidence to conclude on the appropriateness of the valuation of insurance contract balances and the related reinsurance contract balances, we performed the following procedures with support from our EY actuaries as part of the audit team: • Assessed the design and implementation of key controls over i) source data collection, extraction, and validation process and ii) the reserving calculations performed. • Assessed the reserving methodology applied by management on a gross and net of reinsurance basis - comparing the company's reserving methodology with industry practice and accounting standards. • Performed independent re-projections of attritional classes of business on a sample basis (considering both quantitative and qualitative criteria) by applying our own assumptions and comparing these to management results. • Assessed whether the assumptions, such as inflation, subsidence peril and selected expected loss ratios, applied to key areas of uncertainty are appropriate based on our knowledge of the company, industry practice and regulatory and financial reporting requirements. • Performed benchmarking of material industry issues such as large losses, assumptions used in inherently uncertain classes and new growing classes. In addition, we assessed management's approach to dealing with regulatory and legal changes against the requirements of IFRS 17 and the approach adopted by comparable industry participants. • Compared the approach adopted by management to calculate the discount rate - including the illiquidity premium - for consistency across periods and industry benchmarks. We also compared the changes in yield curves against our expectations based on the movement in the Bank of England risk free rates. • Validated the approach adopted by management to calculate the risk adjustment, including a comparison to other market participants. • Assessed the appropriateness of the actuarial model and methodology used by management to determine the valuation of the reinsurance assets associated with the ADC and IQS contracts measured under the GMM by performing independent tests using sample scenarios and comparing the outputs to those produced by management. • Validated the approach adopted by management to calculate the CSM arising in respect of reinsurance contracts measured under the GMM by performing independent tests on a sample basis and comparing the outputs to those produced by management's actuarial model. • Confirmed the completeness and accuracy of data used within the reserving process by reconciling it to source systems and third-party supporting evidence, where appropriate.
Key observations communicated to the Board Based on our procedures performed, we are satisfied that the methodology and assumptions used in the valuations of insurance and reinsurance contract assets and liabilities are reasonable, and the resultant estimates are within an acceptable range.	

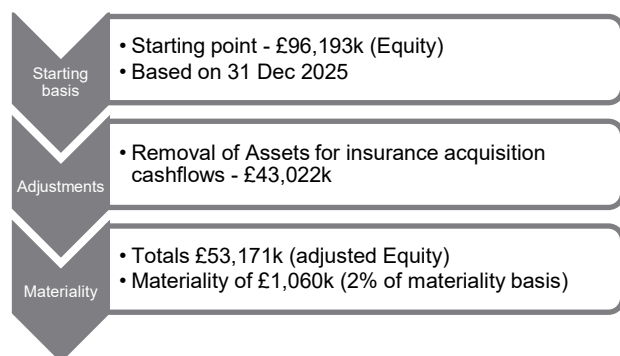
Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be £1,060k (2024: £690k), which is 2% of equity adjusted to exclude assets for insurance acquisition cash flows (2024: 2% of Adjusted equity. Our view is that this capital-based measure is of most interest to the users of the financial statements as it is more closely aligned with Solvency UK own funds.



Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments - our judgement was that performance materiality should be derived from 75% (2024: 50%) of materiality, namely £795k (2024: 345k). The change in our assessment from the prior year reflects our expectation of errors arising and the fact that 2024 was our first as auditors of the company.

Reporting threshold

Our reporting threshold is the amount below which identified misstatements are considered to be clearly trivial. We have reported to the Board all uncorrected misstatements in excess of £53k (2024: £35k). This threshold is derived from 5% of materiality.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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 or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the relevant laws and regulations related to elements of company law and tax legislation, and the financial reporting framework.
- Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the regulators of the company, which include the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We understood how the company is complying with those frameworks by making enquiries of management, internal audit and those responsible for legal and compliance matters. We also reviewed correspondence between the company and the regulatory bodies, reviewed minutes of the Board and obtained an understanding of the company's approach to governance.
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.
- For both direct and other laws and regulations, our procedures involved: making enquiry of those charged with governance and senior management as to their awareness of any non-compliance with laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees and inquiring about the company's methods of enforcing and monitoring compliance with such policies.
- The company operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls that the company has established to address risks identified by the company, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, external pressures and the impact these have on the control environment and their potential to influence management to manage earnings or influence the perceptions of investors and stakeholders. The fraud risk was considered to be higher within the Key audit matter 'Valuation of insurance and reinsurance contract assets and liabilities' discussed above. Our other audit procedures included:
 - Reviewing accounting estimates for evidence of management bias;
 - Evaluating the business rationale for significant and/or unusual transactions; and
 - Testing the appropriateness of journal entries recorded in the general ledger.

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

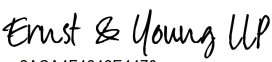
Other matters we are required to address

- Following the recommendation from the Board we were appointed by the company on 7 May 2024 to audit the financial statements for the year ending 31 December 2024 and subsequent financial periods.
- The period of total uninterrupted engagement is two years, covering the year ending 31 December 2025.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.
- The audit opinion is consistent with the additional report to the Board.

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.

Signed by:


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Benjamin Gregory (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

27 March 2026

Accounting policies

Statement of Compliance

The Company (registered in England and Wales no. 110410) is a private limited liability company incorporated and domiciled in England and Wales. The address of the Company's registered office is included on page 3.

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

(A) Basis of preparation

The financial statements of the Company have been prepared and approved by the directors in accordance with UK-adopted international accounting standards and the legal requirements of the Companies Act 2006.

The financial statements have been prepared under the historical cost convention, as modified by insurance and reinsurance contracts at fulfilment cash flows plus the Contractual Service Margin (CSM).

The financial statements have been prepared on the going concern basis as explained in the director's report on page 7.

The Company's financial statements are stated in pounds sterling, which is the Company's functional and presentational currency. Unless otherwise noted, the amounts shown in these financial statements are in round thousands of pounds sterling ("£'000").

Restatement of comparatives

The Company's comparatives for the year ended 31 December 2024 have been restated for the following items, see note 23 for full details and impacts of the restatement:

- An external reinsurance premium liability held within reinsurance contract balances, which was settled during 2024 by the Company's immediate parent, Aviva Insurance Limited, had not been reclassified as an intra-group liability. The adjustment resulted in other reinsurance contract balances transitioning from a reinsurance contract liability position to a reinsurance contract asset position.
- Reinsurance contract balances had been incorrectly presented within receivables and have been reclassified to reinsurance contract balances.
- Reinsurance contract balances had been incorrectly presented within payables and other receivables and have been reclassified to reinsurance contract balances.
- Amounts within intra-group reinsurance contract balances reconciliation tables had been recorded in disclosure lines 'Amounts recoverable from reinsurers' and 'Amounts received' in the 'Asset for remaining coverage'. These amounts should have been recorded in the equivalent lines within the 'Assets for incurred claims'. This reclassification has no impact on the carried forward reinsurance contract balance.

Standards, interpretations and amendments to published standards that are not yet effective and have not been adopted early by the Company

The following standards and amendments to existing standards have been issued, are not yet effective for the Company and have not been adopted early by the Company.

(i) IFRS 18: Presentation and Disclosure in Financial Statements

In April 2024, the IASB published IFRS 18, which aims to improve how companies communicate in their financial statements by:

- Requiring additional defined subtotals in the statement of profit or loss;
- Requiring disclosures about management-defined performance measures; and
- Adding new principles for grouping of information.

IFRS 18 is effective for annual reporting beginning on or after 1 January 2027 and has been endorsed by the UK. The standard is expected to result in presentational changes to the Company's income statement and new disclosures of management-defined performance measures will be required in the notes to the financial statements. The Company is in the process of implementation, and no financial impacts are expected as a result of adoption.

The following new standards and amendments to existing standards have been issued, are not yet effective and have not been adopted early by the Company, and are not expected to have a significant impact on the Company's financial statements.

(i) Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures: Amendments to the Classification and Measurement Financial Instruments

Published by the IASB in May 2024. The amendments are effective for annual reporting beginning on or after 1 January 2026 and have been endorsed by the UK.

(ii) Annual improvements to IFRS Accounting Standards – Volume 11: Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7

Published by the IASB in July 2024. The amendments are effective for annual reporting beginning on or after 1 January 2026 and have been endorsed by the UK.

(iii) Contracts Referencing Nature-dependent Electricity: Amendments to IFRS 9 and IFRS 7

Published by the IASB in December 2024. The amendments are effective for annual reporting beginning on or after 1 January 2026 and have been endorsed by the UK.

(iv) IFRS 19: Subsidiaries without Public Accountability: Disclosures and Amendments to IFRS 19: Subsidiaries without Public Accountability: Disclosures

Published by the IASB in May 2024 and August 2025. IFRS 19 and the amendments to IFRS 19 cannot be applied by the Company because they are only applicable to subsidiaries that have no public accountability. The standard and the amendments are effective for annual reporting beginning on or after 1 January 2027 and have yet to be endorsed by the UK.

(v) Amendments to IAS 21: Translation to a Hyperinflationary Presentation Currency

Published by the IASB in November 2025. The amendments are effective for annual reporting beginning on or after 1 January 2027 and have yet to be endorsed by the UK.

Accounting policies (continued)

(B) Critical accounting policies and the use of estimates

The preparation of financial statements requires the Company to select accounting policies and make estimates and assumptions that affect items reported in the income statement, statement of financial position, other primary statements and notes to the financial statements.

Critical accounting policies

The following accounting policies are those that have the most significant impact on the amounts recognised in the financial statements, with those judgements involving estimation summarised thereafter.

Item	Critical accounting judgement	Accounting policy	Note
Level of aggregation for insurance and reinsurance contracts	For measurement purposes, insurance and reinsurance contracts are aggregated into groups based on an assessment of risks and dividing each portfolio into annual cohorts by year of issue. Judgement is required in assessing if the contracts have similar risks that are managed together. Each annual cohort is further subdivided into three groups (see note H(c)), and judgement is applied to determine the profitability of contracts at initial recognition.	H	1, 3, 16

The following accounting policies are those that have the most significant impact on the amounts recognised in the financial statements, including those judgements involving estimation.

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. Actual results may differ from those estimates, possibly significantly.

The table below sets out those estimates considered particularly susceptible to changes in assumptions, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and the relevant accounting policy and note disclosures.

Item	Critical accounting estimates	Accounting policy	Note
Measurement of insurance contract liabilities and reinsurance contract assets	Principal assumptions used in the calculation of general insurance liabilities and reinsurance assets include the allowance for illiquidity in the discount rates used to determine our structured settlements liabilities, the assumption that past claims experience can be used as a basis to project future claims (estimated using a range of standard actuarial claims projection techniques) and the calibration of the risk adjustment.	H	14
Recoverability of insurance acquisition cashflow assets	Management use forecast premium projections to determine the amortisation profile and impairment test by reference to the present value of estimated future profits.	J	14

(C) Product classifications

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments (determined on a present value basis) in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. Contracts can be reclassified as insurance contracts after inception if insurance risk becomes significant.

(D) Insurance service result

The insurance service result represents the Company's profits recognised on insurance and reinsurance contracts (measured in accordance with policy H) in the period, excluding the impact of the time value of money and financial risks related to such contracts. The insurance service result contains three components:

i. Insurance revenue

For insurance contracts applying General Measurement Model (GMM), insurance revenue is comprised of:

- The amortisation of contractual service margin (CSM);
- The release of the risk adjustment included within the liability for remaining coverage;
- Claims and expenses expected to be incurred in the period, as released from the liability for remaining coverage and adjusted for the allocation of loss components; and
- The recovery of insurance acquisition cash flows, which offsets the amortisation included in insurance service expenses.

For insurance contracts applying the premium allocation approach (PAA), insurance revenue is based upon the earning of expected premium receipts. Premium receipts are earned over the contract's coverage period based upon the passage of time or, where there is evidence that the release of risk differs from the passage of time, on the basis of the expected timing of insurance service expenses.

ii. Insurance service expenses

For insurance contracts, insurance service expenses are comprised of:

- Actual claims (excluding investment components) and non-acquisition fulfilment expenses incurred, adjusted for the allocation of loss components;
- The recognition of losses on onerous contracts;
- Other non-financial assumption changes which do not adjust the CSM, including those which affect the valuation of the liability for incurred claims;
- Any impairment of acquisition cash flows, net of reversals; and
- The amortisation of insurance acquisition cash flows.

Accounting policies (continued)

(D) Insurance service result (continued)

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time or, where there is evidence that the release of risk differs from the passage of time, on the basis of the expected timing of insurance service expenses.

iii. Net income and expenses from reinsurance contracts

Net income/(expenses) from reinsurance contracts held represents the insurance service result for groups of reinsurance contracts held and is comprised of:

- The allocation of reinsurance premiums paid, which is calculated using the same principles as used to calculate revenue on insurance contracts;
- Amounts recoverable from reinsurers, which is calculated using the same principles as used to calculate insurance service expenses on insurance contracts;
- The recognition of, and subsequent movements in, reinsurance loss recovery components; and
- The effect of changes in the risk of reinsurers' non-performance.

(E) Insurance finance result

Insurance finance income/(expenses) are calculated on insurance and reinsurance contracts, comprising:

- The accretion of interest on the CSM;
- The unwind of discounting on fulfilment cash flows; and
- The impact of financial assumption changes upon fulfilment cash flows.

Where changes in expected future cash flows and risk adjustment on GMM contracts arise from non-financial assumption changes and experience variances, the difference between measuring the change in fulfilment cash flows using current financial assumptions and the impact which adjusts the CSM using locked in financial assumptions is recognised in the income statement in net finance expenses.

The accounting policies used to calculate amounts within the insurance finance result are discussed in greater detail in policy H.

(F) Investment return

Investment income consists of interest for the year, movements in amortised cost on debt securities, realised gains and losses, and unrealised gains and losses on investments held at fair value through profit or loss (as defined in policy L). Interest income is recognised as it accrues, taking into account the effective yield on the investment.

A gain or loss on a financial investment is only realised on disposal or transfer, and is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate.

Unrealised gains and losses, arising on investments which have not been derecognised as a result of disposal or transfer, represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

(G) Other income

Other income arises from ancillary services provided where the entity acts as an agent. In accordance with IFRS 15, income is recognised at the net amount the entity is entitled to retain for its services when its performance obligation to arrange these ancillary services for customers has been satisfied.

(H) Insurance and reinsurance contracts

Insurance and reinsurance contracts are accounted for in accordance with IFRS 17. The key measurement principles are outlined below.

(a) IFRS 17 measurement models

The Company applies two measurement models to its insurance and reinsurance contracts as follows:

Model	Applicable business
PAA	• General insurance contracts issued • Reinsurance contracts issued or held which meet PAA eligibility requirements
GMM	• Intra-Group reinsurance contracts issued that are not eligible for PAA, being an internal quota share reinsurance with the parent company • Contracts reinsuring the adverse development of incurred claims, including the reinsurance of structured settlements to Aviva Life and Pensions UK Limited

The Company applies judgement when determining eligibility criteria for PAA measurement models (see Accounting policy H section (b)).

Under each measurement model insurance contract liabilities are measured as the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). The LRC represents the obligation under the insurance contract for insured events that have not yet occurred i.e. the obligation that relates to the unexpired portion of the coverage period, including the contractual service margin (CSM). The LIC reflects the obligation to investigate and pay valid claims for insured events that have already occurred, including events that have already occurred but for which claims have not been reported.

The key features of each measurement model are set out below.

i. General measurement model (GMM)

The GMM is the default IFRS 17 measurement model. The fulfilment cash flows comprise the present value of future cash flows within the boundary of the contract, discounted at current rates, and an explicit risk adjustment for non-financial risk.

At inception, a CSM liability is recognised for each new group of contracts which represents the unearned profit to be recognised over the coverage period of the contract. Except for reinsurance contracts held, losses on groups of contracts that are onerous at inception are recognised immediately.

Accounting policies (continued)

(H) Insurance and reinsurance contracts (continued)

The CSM is subsequently remeasured for changes in the fulfilment cash flows relating to non-financial risk, applying locked in financial assumptions. Interest is accreted on the CSM using the locked-in discount rate and the CSM is amortised over the coverage period of the contract. The coverage period is determined based on the service provided to customers including both insurance and investment services. Losses on groups of contracts that are profitable at inception but subsequently become onerous are recognised immediately.

In contrast to insurance contracts, the CSM for groups of reinsurance contracts held can be an asset or liability. If reinsurance is in place when underlying groups of insurance contracts become onerous, the reinsurance CSM recognised is adjusted to offset the gross losses arising. Where the net cost of purchasing reinsurance contracts held relates to events that occurred prior to purchase (for example adverse development cover) no CSM is recognised, and the net cost is recognised immediately in the income statement.

ii. Premium allocation approach (PAA)

The PAA is a simplified measurement model which can be applied to all short duration contracts and to longer duration contracts that meet PAA eligibility criteria. It is applied to all of the Company's insurance and the majority of reinsurance contracts held which meet the Company's eligibility criteria. The exceptions to this are intra-group reinsurance contracts held.

The LRC is measured as the amount of premium received net of acquisition cash flows, less the amount of premiums and acquisition cash flows that have been recognised in profit or loss over the expired portion of the coverage period. Premium receipts and acquisition cash flows are recognised in profit or loss over the life of the contract, based on the passage of time.

Where policyholder premiums are yet to be remitted by intermediaries, these premiums are treated as received within the LRC with a separate financial asset recognised for the amounts due from intermediaries. Commissions due to intermediaries are treated as paid within the LRC with a separate financial liability recognised. Variable commissions which are not yet due and which are dependent upon underwriting performance are measured within the liability for remaining coverage, until the coverage period expires and the liability amount is known, at which point they are reclassified as financial liabilities.

If facts and circumstances indicate that a group of contracts may be onerous, the LRC is measured using GMM principles and losses for onerous contracts are recognised immediately in the income statement.

For most contracts applying PAA, the measurement of the LIC aligns to the GMM, with an explicit risk adjustment for non-financial risk, and discounting applied to expected future cash flows.

(b) Choice of measurement model

The Company's direct business has a duration of one year or less and is automatically eligible for the PAA model.

The Company's intra-group reinsurance contracts do not meet PAA eligibility criteria and are measured under GMM.

(c) Level of aggregation

The unit of account is a group of contracts, so insurance contracts are aggregated into groups for measurement purposes. Discrete CSMs are determined for each group of insurance contracts applying GMM: Groups of insurance contracts have been determined by identifying portfolios of insurance contracts, comprising contracts subject to similar risks that are managed together, and dividing each portfolio into annual cohorts by year of issue. Each annual cohort is then further subdivided into three groups based on the profitability of contracts determined at initial recognition and comprising:

- contracts that are onerous;
- contracts that have no significant possibility of becoming onerous; (based on the probability that changes in assumptions would result in contracts becoming onerous); and
- all remaining contracts.

The Company has not identified any insurance contract groups that have no significant possibility of becoming onerous.

Reinsurance contracts held are also subdivided into three profitability groups, determined by reference to net gains/losses on initial recognition, and comprising:

- contracts that have a net gain at initial recognition;
- contracts that have no significant possibility of a net gain arising subsequently; and
- all remaining contracts.

The Company has not identified any reinsurance contract groups that have no significant possibility of a net gain arising subsequently.

The approach to profitability grouping makes use of sets. Where it can be demonstrated that all contracts within a set are sufficiently homogeneous, they are allocated to the same profitability group without performing an individual contract assessment.

For contracts measured under the PAA, IFRS 17 permits a simplification whereby contract groups are assumed not to be onerous unless facts and circumstances indicate otherwise. The Company uses internal management information, including the Combined Operating Ratio (COR), to identify facts and circumstances that may indicate a group of contracts is onerous. Where the COR for a contract group indicates that the group may be onerous, a further assessment is performed in accordance with IFRS 17 requirements.

(d) Recognition and derecognition

An insurance contract issued by the Company is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Company provides insurance contract services in respect of any premiums within the boundary of the contract);
- the date the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- the date when facts and circumstances indicate that the contract is onerous.

Accounting policies (continued)

(H) Insurance and reinsurance contracts (continued)

Reinsurance contracts are recognised on the following dates:

- Reinsurance contracts that provide proportionate coverage: the later of the date on which any underlying insurance contract is initially recognised and the date the reinsurance is entered into. This applies to the Company's quota share reinsurance contracts.
- Other reinsurance contracts: The beginning of the coverage period of the group of reinsurance contracts. However, if the Company recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date. This applies to the Company excess of loss and catastrophe cover reinsurance contracts.

An insurance or reinsurance contract acquired in a transfer of contracts or a business combination is recognised on the date of acquisition.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Insurance contracts are derecognised when the contract is extinguished, i.e. when the specified obligations expire, are discharged, or are cancelled. The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised.

(e) Estimate of future cash flows

The estimate of future cash flows is assessed at the level of profitability groups and represents the best estimate of the Company's cost to fulfil a contract incorporating current estimates of non-financial assumptions. The estimate allows for all the cash inflows and outflows expected to occur within the contract boundary. Cash flows are modelled separately for gross and reinsurance contracts.

i. Contract boundaries

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide insurance contract services. A substantive obligation to provide services ends when the Company has the practical ability to reassess the risks (insurance and financial risks transferred from the policyholder, so excluding lapse and expense risks) and set a price or level of benefits that fully reflects those reassessed risks for either the particular policyholder or the portfolio that contains the contract.

Cash flows are within the contract boundary of a reinsurance contract held if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company substantive rights and obligations and, therefore, may change over time. Cash flows outside the contract boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

For risk-attaching reinsurance contracts, the contract boundary is deemed to expire after the coverage period on all insurance contracts attaching has expired. For reinsurance contracts reinsuring against adverse development on incurred claims, the contract boundary is deemed to expire after the ultimate cost of all reinsured claims has been determined.

ii. Principal non-financial assumptions

Principal non-financial assumptions used in the calculation of the insurance and reinsurance fulfilment cashflows use past claims experience to project future claims (estimated using a range of standard actuarial claims projection techniques). Expenses must be directly attributable to fulfilling insurance contracts, including an allocation of overheads to the extent that they can be allocated to groups of contracts in a systematic and rational way.

The estimate of future cash flows is assessed at the level of profitability groups and represents the best estimate of the Company's cost to fulfil a contract incorporating current estimates of non-financial assumptions. The estimate allows for all the cash inflows and outflows expected to occur within the contract boundary. Cash flows are modelled separately for gross and reinsurance contracts.

iii. Financial assumptions

Discount rates

Discounting is applied to the estimate of future cash flows. The Company uses a bottom-up discount rate for all insurance contracts.

Bottom-up discount rates

The discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium').

The illiquidity premium is determined as a percentage of the current spread over the risk-free yield on an index of covered bonds. The percentage applied reflects the liquidity characteristics of the liabilities including the propensity and ability of policyholders to lapse or surrender their contracts; for example, 100% for periodic payment orders with a lower percentage applied for other types of business that are considered partially liquid.

Inflation assumptions

Future inflation assumptions are treated as a financial assumption when applied to claims payments that are directly linked to an inflation index.

Accounting policies (continued)

(H) Insurance and reinsurance contracts (continued)

Presentation of financial assumption changes

The Company recognises the impact of financial assumption changes in the income statement.

(f) Risk Adjustment

The risk adjustment reflects the compensation required by the Company to accept the uncertainty about the amount and timing of future cash flows that arises from non-financial risk. The calculation of the risk adjustment is calibrated to the Company pricing and capital allocation framework, leveraging the Solvency II view of non-financial risk, considering a lifetime view, and including diversification between risks.

The change in risk adjustment relating to current or past service is recognised within insurance revenue in the income statement. The impact of discounting the risk adjustment for GMM and PAA contracts is disaggregated and recognised within net finance expenses from insurance contracts.

(g) CSM

The CSM represents a liability for unearned profit measured at inception and recognised in the income statement over the life of the contract as insurance related services are provided to the customer.

For profitable groups of insurance contracts, the CSM is established to ensure no profit is recognised at inception, hence it is equal and opposite to the net present value of the expected cash flows (including initial premiums and insurance acquisition cash flows) and the risk adjustment. For groups of gross insurance contracts issued that are onerous at initial recognition, the CSM is set to nil and losses are recognised in the income statement. For reinsurance contracts the CSM is initially recognised at a value that ensures no gain or loss is recognised but may be adjusted for loss offsetting as set out in (h).

Subsequently, the CSM is adjusted for:

- Accretion of interest at locked-in discount rates (groups of GMM contracts only), which is charged to net finance expenses in the income statement;
- New contracts added to the same group;
- Changes in fulfilment cash flows (including risk adjustment) that relate to future service arising from non-financial assumption changes and experience variances, measured using locked in financial assumptions;
- For reinsurance contracts held, income recognised in profit or loss on initial recognition of onerous underlying contracts and adjustments to the loss recovery component set out in (h); and
- Currency exchange differences.

Changes in fulfilment cash flows that relate to past or current service do not adjust the CSM and are recognised immediately in the income statement.

The balance on the CSM at the end of the period is available for release to profit or loss. The amount of CSM recognised in insurance revenue each period (the CSM amortisation) is determined by considering, for each group of contracts, coverage units that reflect the quantity of the benefits provided in each period and the expected coverage period.

Coverage units for reinsurance contracts held are typically consistent with the underlying gross contracts, adjusted for differences in the services provided. Coverage units for adverse development cover reinsurance are based upon the settlement profile of the underlying claims reinsured under the relevant contract.

(h) Loss components and loss offsetting

Losses on onerous contracts are recognised immediately within insurance service expenses in the income statement, and a loss component is established. Subsequent losses, and reversals of losses, arising from changes in fulfilment cash flows that relate to future service adjust the loss component and are recognised immediately in insurance service expenses to the extent that a balance remains on the loss component. A variable proportion approach is used to systematically allocate changes in fulfilment cash flows that relate to past or current service to the loss component, resulting in a deduction from the amount of these changes that is recognised within insurance revenue in the income statement with an offsetting adjustment to insurance service expenses. The variable proportion is determined each reporting date as the proportion of the balance on the loss component relative to the fulfilment cash flows for that group of contracts.

A reinsurance loss recovery component is established for a group of reinsurance contracts that covers a group of onerous underlying contracts. At initial recognition this is the amount that the reinsurance CSM has been adjusted as a result of recognising income to offset losses recognised at inception on underlying insurance contracts, based on the percentage of the claims that are recoverable through the reinsurance. Subsequently the loss recovery component is adjusted for changes in the reinsurance fulfilment cash flows that correspond to changes in fulfilment cash flows that relate to future service for the underlying onerous contracts. The balance on the loss recovery component is systematically allocated to the income statement using a similar approach to loss components.

(I) Levy expense

Levies imposed by government authorities are recognised as an expense when the obligating event specified in the relevant legislation occurs, creating a present obligation for the Company. The liability is included within other liabilities and is measured at the amount payable under the legislation and is not discounted unless settlement is deferred beyond normal credit terms. Levy expenses are presented within operating expenses in the Income Statement.

(J) Insurance acquisition cash flows

Insurance acquisition cash flows are initially deferred on the balance sheet as an insurance acquisition cash flow asset and then allocated against groups of insurance contracts to which they are directly attributable. This includes instances where insurance acquisition cash flows are directly attributable to the future renewal of existing contract groups for some of the Company's products. For contract groups applying PAA, the Company has chosen not to apply an election to recognise insurance acquisition cash flows as an expense at the point they are incurred.

Insurance acquisition cash flows allocated to contract groups applying PAA are recognised in the income statement over the life of the contract based on the expected timing of incurred claims.

Insurance acquisition cash flow assets are assessed for impairment where facts and circumstances indicate that they may be impaired. The Company uses data on customer retention rates and the profitability of products to identify such facts and circumstances.

Accounting policies (continued)

(K) Recognition and classification of financial assets

Financial assets are measured initially at fair value plus eligible transaction costs for financial assets held at amortised cost. Financial assets are subsequently measured at amortised cost or fair value through the profit and loss (FVTPL) based on a business model assessment and the extent to which the contractual cash flows associated with the financial assets are solely payments of principal and interest (SPPI). The Company measures financial assets at FVTPL if they do not meet the SPPI criteria or if they are held within a business model where they are managed and evaluated on a fair value basis resulting from the Company's management of capital on a regulatory basis. A financial asset is classified at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise to cash flows that are SPPI on the principal amount outstanding.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its objectives for managing those financial assets, in which case all affected financial assets are reclassified on the first day of the next reporting period.

(L) Impairment of financial assets

Financial assets held at amortised cost and lease receivables are in the scope of expected credit loss requirements under IFRS 9. This includes financial assets held at amortised cost such as loans to banks, other loans, and receivables.

Expected credit loss is an unbiased, probability-weighted estimate of credit losses. It considers all reasonable and supportable information, including forward looking economic assumptions and a range of possible outcomes.

Expected credit losses are calculated on either a 12-month or lifetime basis depending on the extent to which credit risk has increased significantly since initial recognition, except where the Company uses the simplified approach to apply lifetime expected credit losses to trade receivables that do not contain a significant financing component.

The gross carrying amount of a financial asset is written off to the extent that there is no reasonable expectation of recovery. Subsequent recoveries in excess of the financial asset's written-down carrying value are credited to the income statement.

(M) Derecognition and offset of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is extinguished (that is when the obligation is discharged, or cancelled or expires).

The difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

If the terms of a financial asset or financial liability measured at amortised cost are substantially modified, then the contractual rights to cash flows from the original financial asset or financial liability are deemed to have expired or extinguished. The original financial asset or financial liability is derecognised and a new financial asset or financial liability is recognised at fair value.

A financial asset measured at amortised cost is not derecognised if the contractual terms are not substantially modified and a modification gain or loss is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently enforceable legal right to set off the recognised amounts and there is the ability and intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(N) Receivables and other financial assets

Receivables from Group operations and receivables from intermediaries that are outside the scope of insurance contract measurement are recognised as receivables only when they represent unconditional rights to consideration (such as amounts due after insurance coverage is provided). They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for expected credit losses.

Expected credit loss is an unbiased, probability-weighted estimate of credit losses. It considers all reasonable and supportable information, including forward looking economic assumptions and a range of possible outcomes. The Company makes use of the simplified approach when calculating expected credit losses on receivables and therefore calculates expected credit losses over the lifetime of the instrument in question. Expected credit losses on third party trade receivables and accrued income are calculated with reference to the Company's historical experience of losses adjusted for forward looking information, along with an analysis of payment terms. Short term financial assets (where all amounts are receivable within 12 months from the reporting date) do not generally attract an expected credit loss charge, unless there is objective evidence that losses are likely to arise. The Company does not expect any material credit losses on receivables with related parties. Changes in the allowance for expected credit losses are recognised in the income statement.

The gross carrying amount of a receivable or other financial asset is written off to the extent that there is no reasonable expectation of recovery. Subsequent recoveries in excess of the written-down carrying value are credited to the income statement.

(O) Payables and other financial liabilities

Payables and other financial liabilities are recognised as payables only when they represent unconditional obligations to deliver cash or another financial asset (for example, amounts due for goods or services received, or financing obtained).

Payables and other financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

A financial liability is removed from the statement of financial position when the obligation is settled, cancelled, or has expired. Any difference between the carrying amount of the liability removed and the consideration paid is recognised in profit or loss.

Accounting policies (continued)

(P) Other liabilities

Other liabilities include accruals, insurance premium tax payables, levy payables, and other obligations arising from past events that are expected to result in an outflow of economic benefits and are not presented separately elsewhere in the Statement of Financial Position. Accruals and other obligations are recognised when the Company has a present obligation as a result of a past event and when the amount can be measured reliably. Insurance premium tax payables and levy payables are recognised when the Company has a present obligation in respect of the relevant underlying transactions.

Accruals are measured at the best estimate of expenditure required to settle the obligation, and insurance premium tax payables and levy payables are measured according to tax law or levy rules respectively.

(Q) Statement of cash flows

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are those with less than three months' maturity from the date of acquisition, or which are redeemable on demand with only an insignificant change in their fair values.

For the purposes of the statement of cash flows, cash and cash equivalents also include bank overdrafts, which are included in payables and other financial liabilities on the statement of financial position.

Operating cash flows

Purchases and sales of loans and financial investments, and related investment income, are included within operating cash flows as the purchases are funded from cash flows associated with the origination of insurance contracts, net of payments of related claims.

(R) Contingent liabilities

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

(S) Income tax

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before taxation and amounts charged or credited to components of other comprehensive income and equity as appropriate.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The rates enacted or substantively enacted at the statement of financial position date are used to value the deferred tax assets and liabilities.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where there is a history of tax losses, deferred tax assets are only recognised in excess of deferred tax liabilities if there is convincing evidence that future profits will be available.

(T) Share capital

Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

- (i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and
- (ii) the instrument is a non-derivative that contains no contractual obligation to deliver a variable number of shares or is a derivative that will be settled only by the Company exchanging a fixed amount of cash or other assets for a fixed number of the Company's own equity instruments.

Ordinary shares in issue in the Company rank *pari passu*. All the ordinary shares in issue carry the same right to receive all dividends and other distributions declared, made or paid by the Company.

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 shareholders.

Gresham Insurance Company Limited

Annual Report and Financial Statements 2025

Income Statement

For the year ended 31 December 2025

	Note	2025 £'000	2024 £'000
Insurance revenue	1	91,397	93,196
Insurance service expense	3	(74,302)	(48,678)
Net expense from reinsurance contracts	3	(14,927)	(42,757)
Insurance service result		2,168	1,761
Investment return	2	4,673	6,109
Net finance expense from insurance contracts	2	(2,569)	(1,105)
Net finance income from reinsurance contracts	2	2,109	477
Net financial result	2	4,213	5,481
Other income	4	2,281	3,309
Other operating expenses	3	(234)	(176)
Profit before tax		8,428	10,375
Tax expense	8	(2,107)	(2,594)
Profit for the year after tax		6,321	7,781

The Company has no recognised income and expenses other than that included in the results above and therefore a separate statement of comprehensive income has not been presented. The Company's profit for the year arises from continuing operations.

The accounting policies (identified alphabetically) on pages 15 to 22 and notes (identified numerically) on pages 27 to 55 are an integral part of the financial statements.

Gresham Insurance Company Limited

Annual Report and Financial Statements 2025

Statement of changes in equity

For the year ended 31 December 2025

				2025
	Note	Ordinary Share Capital	Retained earnings	Total equity
		£'000	£'000	£'000
Balance at 1 January		76,500	13,371	89,871
Profit for the year		—	6,321	6,321
Total comprehensive income for the year		—	6,321	6,321
Capital reduction	12 & 13	(76,500)	76,500	—
Balance at 31 December		—	96,192	96,192

				2024
		Ordinary Share Capital	Retained earnings	Total equity
		£'000	£'000	£'000
Balance at 1 January		76,500	5,590	82,090
Profit for the year		—	7,781	7,781
Total comprehensive income for the year		—	7,781	7,781
Balance at 31 December		76,500	13,371	89,871

The accounting policies (identified alphabetically) on pages 15 to 22 and notes (identified numerically) on pages 27 to 55 are an integral part of the financial statements.

Gresham Insurance Company Limited
Annual Report and Financial Statements 2025
Statement of financial position
As at 31 December 2025

	Note	2025 £'000	Restated ¹ 2024 £'000
Assets			
Insurance contract assets	14	3,380	21,811
Reinsurance contract assets	14	59,198	16,353
Receivables	10	5,071	6,281
Prepayments and accrued income	11	4	7
Cash and cash equivalents	19	95,047	105,106
Total assets		162,700	149,558
Equity			
Ordinary share capital	12	—	76,500
Retained earnings	13	96,192	13,371
Total equity		96,192	89,871
Liabilities			
Insurance contract liabilities	14	6,719	5,997
Current tax liabilities	15	4,701	2,594
Payables and other financial liabilities	16	51,394	28,672
Other liabilities	17	3,694	22,424
Total liabilities		66,508	59,687
Total equity and liabilities		162,700	149,558

¹See note 23 for details of the 2024 restatement.

The financial statements on pages 23 to 55 were approved and signed on behalf of the Board of Directors on 27 March 2026 by:

DocuSigned by:

8C25D403E6DA421...
J C Holliday
Director

The accounting policies (identified alphabetically) on pages 15 to 22 and notes (identified numerically) on pages 27 to 55 are an integral part of the financial statements.

Gresham Insurance Company Limited
Annual Report and Financial Statements 2025

Statement of cash flows
For the year ended 31 December 2025

	Note	2025 £'000	2024 £'000
Cash flows from operating activities			
Cash generated from/(used in) operating activities ¹	19(a)	(10,396)	1,562
Total net cash (used in)/generated from operating activities		(10,396)	1,562
Total net (decrease)/increase in cash and cash equivalents net of bank overdrafts		(10,396)	1,562
Cash and cash equivalents net of bank overdrafts at 1 January		105,009	103,447
Cash and cash equivalents net of bank overdrafts at 31 December	19	94,613	105,009

¹Cash flows from operating activities includes interest received on financial investments of £4,673 thousand (2024: £6,638 thousand).

The accounting policies (identified alphabetically) on pages 15 to 22 and notes (identified numerically) on pages 27 to 55 are an integral part of the financial statements.

Notes to the financial statements

1. Insurance revenue

	2025 £'000	2024 £'000
Contracts measured under the PAA	91,397	93,196
Total insurance revenue	91,397	93,196

2. Net financial result

The following table analyses the Company's net financial results in the income statement.

	2025 £'000	2024 £'000
Interest and similar income from amortised cost financial assets	4,676	6,109
Other investment expenses	(3)	—
Total investment return	4,673	6,109
Interest accreted	(2,221)	(2,423)
Effect of, and changes in, interest rates and other financial assumptions	(348)	1,318
Total net finance expense from insurance contracts	(2,569)	(1,105)
Interest accreted	1,923	1,926
Effect of, and changes in, interest rates and other financial assumptions	186	(1,449)
Net finance income from reinsurance contracts	2,109	477
Net financial result	4,213	5,481

3. Details of expenses

	Note	2025 £'000	2024 £'000
Claims and benefits incurred			
Claims and benefits incurred - general insurance		54,573	39,821
Claim recoveries from reinsurers	14(b)(ii) & (iii)	(53,385)	(25,443)
Claims and benefits incurred, net of recoveries from reinsurers		1,188	14,379
Fee and commission expense			
Acquisition costs		12,918	3,785
Amount attributed to insurance acquisition cash flows incurred during the year		5,917	4,196
Fee and commission expense		18,835	7,981
Other expenses			
Other attributable expenses		894	876
Other operating expenses		234	176
Total expenses		21,151	23,411
<i>Represented by expenses included within the income statement:</i>			
Insurance service expense		74,302	48,678
Net expense recovery from reinsurance contracts		(53,385)	(25,443)
Other operating expenses		234	176
Total expenses		21,151	23,411

Net expense recovery from reinsurance contracts is presented in the income statement within net expense from reinsurance contracts of £14,927 thousand (2024: £42,757 thousand). The table below provides a breakdown of this:

	2025 £'000	2024 £'000
Net expense recovery from reinsurance contracts	53,385	25,443
Premiums paid to reinsurers	(68,312)	(68,200)
Net expense from reinsurance contracts	(14,927)	(42,757)

Other attributable expenses relate to share of costs being recharged from the parent Company in relation activities not directly related to insurance. The Company's expenses (with the exception of levy expenses) are subject to a 100% quota share reinsurance agreement.

Notes to the financial statements (continued)

4. Other income

Other income of £2,281 thousand (2024: £3,309 thousand) consists primarily of ancillary services provided to customers, including Homeserve Emergency Cover ("HEC"). HEC is a non-insurance product for which the Company acts as an introducer on behalf of Aviva Insurance Limited ("AIL"). Revenue and expenses relating to HEC are recognised net as other income in the Company's financial statements. HEC is not treated as insurance income or expense in the Company's income statement.

5. Employee information

The Company has no employees (2024: none).

All staff are employed by a fellow subsidiary undertaking of Aviva plc, Aviva Employment Services Limited, and a recharge is made to the Company. Disclosures relating to employees may be found in the annual report and financial statements of Aviva Employment Services Limited.

6. Directors' remuneration

All of the Company's directors were remunerated during the year for their roles as employees across the Group. They were not remunerated directly for their services as directors of this Company and no cost is borne by the Company for these services.

During the year, one of the directors exercised share options (2024: none) and six of the directors received shares under long term incentive schemes (2024: four) in relation to shares of the Company's ultimate parent company, Aviva plc.

7. Auditors' remuneration

The total remuneration payable by the Company, excluding VAT, to its auditors, Ernst & Young LLP, is as follows:

	2025 £'000	2024 £'000
Fees payable for the statutory audit of the Company's financial statements	67	65
Audit related assurance services	5	—
	72	65

All audit fees in 2025 (2024: all) were paid by Aviva Central Services UK Limited, a fellow Group company, and recharged as appropriate to the Company and fellow Group companies in respect of the statutory audit. Audit related assurance services relate an ELTO audit conducted for the Company by its auditors.

The Company is exempt under SI 2008/489 from the obligation to disclose fees in respect of 'Other services' as the Company is a subsidiary of Aviva plc, which prepares consolidated financial statements. Fees paid to the Company's auditors, Ernst & Young LLP and its associates, for services other than the statutory audit and audit-related assurance services of the Company and other Group undertakings are disclosed in the consolidated financial statements of Aviva plc.

8. Tax expense

(a) Tax charged to the income statement

(i) The total tax charge comprises:

	2025 £'000	2024 £'000
Current tax		
For this year	(2,107)	(2,594)
Total current tax	(2,107)	(2,594)
Total tax charged to the income statement	(2,107)	(2,594)

(b) Tax reconciliation

The tax on the Company's profit before tax is the same as the theoretical amount that would arise using the tax rate in the United Kingdom as follows:

	2025 £'000	2024 £'000
Total profit before tax	8,428	10,375
Tax calculated at standard UK corporation tax rate of 25.0% (2024: 25.0%)	(2,107)	(2,594)
Total tax charge to income statement	(2,107)	(2,594)

The Company (as part of the Aviva Group) is subject to the reform of the international tax system proposed by The Organisation for Economic Co-operation and Development (OECD) which introduces a global minimum effective rate of corporation tax of 15% and took effect in 2024. No current tax charge is included in respect of these provisions.

In accordance with the amendments to IAS 12, endorsed in the UK on 19 July 2023, the Company has applied the exemption and not provided for deferred tax in respect of the global minimum tax reforms.

Notes to the financial statements (continued)

9. Dividends

	2025	2024
	£'000	£'000
<i>Ordinary dividends declared in the year:</i>		
Interim dividend - £14.5m per share, (2024: <i>£nil per share</i>), paid in February 2026	14,500	—

Interim ordinary dividends of £14,500 thousand (2024: *£nil*) were declared in December 2025 and settled in February 2026, therefore the interim ordinary dividend has not been accrued for in these financial statements in accordance with company law.

10. Receivables

	2025	Restated ¹ 2024
	£'000	£'000
Insurance premium tax receivable from contract holders	4,220	5,346
Amounts owed by intermediaries	522	506
Other receivables	329	429
Total as at 31 December	5,071	6,281
Expected to be recovered in less than one year	5,071	6,281

¹See note 23 for details of the 2024 restatement.

Concentrations of credit risk with respect to receivables, external to the Group, are limited due to the size and spread of the Company's trading base. No further credit risk provision is therefore required in excess of provisions already recognised for expected credit loss.

11. Prepayments and accrued income

Prepayments and accrued income of £4 thousand (2024: *£7 thousand*) are expected to be recovered within one year of the statement of financial position date.

12. Ordinary share capital

	2025		2024	
Allotted, called up and fully paid	Number of shares (£1 per share)	Share capital £'000	Number of shares (£1 per share)	Share capital £'000
At 1 January	76,500,000	76,500	76,500,000	76,500
Share capital reduction	(76,499,999)	(76,500)	—	—
At 31 December	1	—	76,500,000	76,500

13. Retained earnings

	2025	2024
	£'000	£'000
Balance at 1 January	13,371	5,590
Profit for the year	6,321	7,781
Capital reduction	76,500	—
Balance at 31 December	96,192	13,371

The Company is required to hold sufficient capital to meet acceptable solvency levels based on rules applicable to insurance companies imposed by the PRA. Its ability to transfer retained earnings to its parent company is therefore restricted to the extent these earnings exceed regulatory capital requirements.

Notes to the financial statements (continued)

14. Insurance and reinsurance contracts

The Company has presented the information about its two insurance portfolios (home policies which were issued directly to retail policyholders, and legacy motor policies), within one reportable product group (Personal Lines), all measured using the PAA measurement model.

The Company has presented the information about reinsurance contracts held as follows:

Reportable product group	Products and services	Measurement model
Intra-group reinsurance held ("Intra-group")	General insurance business ceded to related entities	Measured using the GMM
Other reinsurance	All other reinsurance contracts held	Measured using the PAA

The following reconciliations show how the carrying amounts of insurance and reinsurance contracts changed during the year as a result of cash flows and amounts recognised in the income statement.

For each reportable product group, a table is presented that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the income statement.

A second reconciliation is presented for reinsurance contracts measured under the GMM, which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

(a) Carrying amount

Insurance contract liabilities relate to legacy motor liabilities which were historically written by the Company. Following the recognition of an asset for insurance acquisition cashflows in 2023 in relation to the Company's Household portfolio, the Household portfolio is classified as an insurance contract asset.

Insurance contracts at 31 December comprised:

	Note	Personal Lines £'000	2025 Total £'000	Personal Lines £'000	2024 Total £'000
Insurance contracts					
Insurance contract liabilities					
Insurance contract balances	14(b)(i)	(6,719)	(6,719)	(5,997)	(5,997)
Assets for insurance acquisition cashflows	14(c)	—	—	—	—
Total insurance contract liabilities		(6,719)	(6,719)	(5,997)	(5,997)
Insurance contract assets					
Insurance contract balances	14(b)(i)	(39,642)	(39,642)	(33,306)	(33,306)
Assets for insurance acquisition cashflows	14(c)	43,022	43,022	55,117	55,117
Total insurance contract assets		3,380	3,380	21,811	21,811

Reinsurance contracts at 31 December comprised:

	Note	Intra-group £'000	Other £'000	2025 £'000	Intra-group £'000	Other £'000	Restated ¹ 2024 £'000
Reinsurance contracts							
Reinsurance contract assets	14(b)(ii)&(iii)	57,043	2,155	59,198	12,719	3,634	16,353

¹See note 23 for details of the 2024 restatement.

Intra-group reinsurance contracts relate to the Company's quota share arrangement with AIL and the Company's arrangement with Aviva Life & Pensions UK Limited, a fellow Group company, for the outwards reinsurance of its obligations in respect of structured settlements, also known as periodical payment orders. See note 22 for further details. Other reinsurance contracts relate entirely to external reinsurance arrangements.

At 31 December 2025, the maximum exposure to credit risk from insurance contracts is £42,729 thousand (2024: £41,874 thousand), which primarily relates to premiums receivable for services that the Group has already provided, and the maximum exposure to credit risk from reinsurance contracts is £59,198 thousand (2024: £16,353 thousand).

Notes to the financial statements (continued)

14. Insurance and reinsurance contracts (continued)

(b) Movements - Insurance and reinsurance contracts

The following movements have occurred in the carrying amount for gross insurance contract balances in the period:

	2025	2024
	£'000	£'000
Carrying amount at 1 January	39,303	50,022
Insurance revenue	(91,397)	(93,196)
Insurance service expenses	74,302	48,678
Insurance finance expense	2,569	1,105
Premiums received	89,833	93,337
Claims and expenses paid	(48,722)	(46,789)
Acquisition cash flows	(19,527)	(13,854)
Carrying amount at 31 December	46,361	39,303

Included within the carrying amounts are the present value of expected future cashflows, representing a best estimate view and the risk adjustment for non-financial risk. The movements and totals are shown net of the insurance contract assets and liabilities.

The carrying amount for reinsurance contracts are recognised separately from insurance contract balances. Detailed movements on both are included in following tables.

The following table summarises movements in the CSM that have occurred on intra-group reinsurance contracts during the period:

	2025	2024
	£'000	£'000
CSM in respect of reinsurance contracts		
At 1 January	8,734	3,224
CSM recognised for services received	(14,541)	(12,344)
Other movements in CSM	11,116	17,854
At 31 December	5,309	8,734
Net CSM at 1 January	8,734	3,224
Net CSM at 31 December	5,309	8,734

Other movements in CSM include:

- Remeasurement of existing contracts (covering non-financial assumption changes and experience variances for all contracts); and
- Interest accretion on the CSM balance which is recognised within net finance expense/income from reinsurance contracts.

The CSM in respect of reinsurance contracts has decreased as the recognition of new contracts and remeasurement of future service on existing contracts (both included within other movements in CSM) is smaller than the CSM recognised for services provided. The CSM recognised in the period of £14,541 thousand (2024: £12,344 thousand) is a key component of net reinsurance expense.

The following summarises movements in the gross risk adjustment that have occurred during the period:

		2025		2024
	Note	Personal Lines £'000	Total £'000	Personal Lines £'000
				Total £'000
Risk adjustment in respect of insurance contracts				
At 1 January		2,107	2,107	2,553
Change in risk adjustment for risk expired		(944)	(944)	—
Other movements in risk adjustment		1,633	1,633	(446)
Gross risk adjustment at 31 December	14(b)(i)	2,796	2,796	2,107

Notes to the financial statements (continued)

14. Insurance and reinsurance contracts (continued)

(b) Movements - Insurance and reinsurance contracts (continued)

The following table summarises movements in the reinsurance risk adjustment that have occurred during the period:

	Note	Intra Group £'000	Other £'000	2025 Total £'000	Intra Group £'000	Other £'000	2024 Total £'000
Risk adjustment in respect of reinsurance contracts							
At 1 January		1,917	443	2,359	3,132	491	3,624
Change in risk adjustment for risk expired		(1,308)	(372)	(1,680)	(1,879)	—	(1,879)
Other movements in risk adjustment		2,058	212	2,270	664	(48)	616
Reinsurance risk adjustment at 31 December	14(b)(ii)&(iii)	2,667	283	2,950	1,917	443	2,359

The net risk adjustment has increased in the period, where the addition of risk adjustment on new business has not been more than offset by the release of risk adjustment for risk expired and increases due to the decrease in discount rates.

The current year methodology in determining the presentation of change in risk adjustment for risk expired and other movements in risk adjustment has been revised from the previous year but this change is not material and has not been retrospectively adjusted for 2024.

The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts changed during the period as a result of cash flows and amounts recognised in the income statement.

(i) Insurance contracts

The following table shows insurance contracts analysed by remaining coverage and incurred claims:

2025	Note	Liabilities for remaining coverage £'000	Assets for incurred claims		Total £'000
			Estimates of present value of future cash flows £'000	Risk adjustment for non-financial risk £'000	
Opening insurance contracts within insurance contract assets		(5,467)	36,808	1,965	33,306
Opening insurance contracts within insurance contract liabilities		—	5,856	141	5,997
Carrying amount at 1 January		(5,467)	42,664	2,106	39,303
Changes in comprehensive income					
Insurance revenue	1	(91,397)	—	—	(91,397)
Insurance service expenses	3	18,835	54,871	596	74,302
Incurred claims and other insurance service expenses		—	52,465	1,223	53,688
Amortisation of insurance acquisition cash flows		18,835	—	—	18,835
Adjustments to liabilities for incurred claims		—	2,406	(627)	1,779
Insurance service result		(72,562)	54,871	596	(17,095)
Net finance expenses from insurance contracts	2	—	2,475	94	2,569
Total changes in comprehensive income		(72,562)	57,346	690	(14,526)
Cash flows					
Premiums received		89,833	—	—	89,833
Claims and other insurance service expenses paid		—	(48,722)	—	(48,722)
Insurance acquisition cash flows		(19,527)	—	—	(19,527)
Total cash flows		70,306	(48,722)	—	21,584
Carrying amount at 31 December		(7,723)	51,288	2,796	46,361
Closing insurance contracts within insurance contract assets		(8,447)	45,496	2,593	39,642
Closing insurance contracts within insurance contract liabilities		724	5,792	203	6,719
Carrying amount at 31 December		(7,723)	51,288	2,796	46,361

Notes to the financial statements (continued)

14. Insurance and reinsurance contracts (continued)

(b) Movements - Insurance and reinsurance contracts (continued)

(i) Insurance contracts (continued)

2024	Note	Assets for incurred claims			Total
		Liabilities for remaining coverage	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
		£'000	£'000	£'000	£'000
Opening insurance contracts within insurance contract assets		266	40,902	2,391	43,559
Opening insurance contracts within insurance contract liabilities		—	6,301	162	6,463
Carrying amount at 1 January		266	47,203	2,553	50,022
Changes in comprehensive income					
Insurance revenue	1	(93,196)	—	—	(93,196)
Insurance service expenses	3	7,981	41,189	(492)	48,678
Incurred claims and other insurance service expenses		—	44,088	1,048	45,136
Amortisation of insurance acquisition cash flows		7,981	—	—	7,981
Adjustments to liabilities for incurred claims		—	(2,899)	(1,540)	(4,439)
Insurance service result		(85,216)	41,190	(492)	(44,518)
Net finance expenses from insurance contracts	2	—	1,060	45	1,105
Total changes in comprehensive income		(85,216)	42,250	(447)	(43,413)
Cash flows					
Premiums received		93,337	—	—	93,337
Claims and other insurance service expenses paid		—	(46,788)	—	(46,788)
Insurance acquisition cash flows		(13,854)	—	—	(13,854)
Total cash flows		79,483	(46,788)	—	32,695
Carrying amount at 31 December		(5,467)	42,664	2,106	39,303
Closing insurance contracts within insurance contract assets		(5,467)	36,808	1,965	33,306
Closing insurance contracts within insurance contract liabilities		—	5,856	141	5,997
Carrying amount at 31 December		(5,467)	42,664	2,106	39,303

Notes to the financial statements (continued)

14. Insurance and reinsurance contracts (continued)

(b) Movements - Insurance and reinsurance contracts (continued)

(ii) Intercompany contracts held

The following table shows reinsurance contracts analysed by remaining coverage and incurred claims:

Carrying amount	Note	Assets for incurred claims			2025
		Liabilities for remaining coverage	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
		£'000	£'000	£'000	£'000
Opening assets at 1 January		(24,988)	36,321	1,386	12,719
Changes in the income statement					
Allocation of reinsurance premiums paid	3	(61,174)	—	—	(61,174)
Amounts recoverable from reinsurers	3	144	52,831	750	53,725
Recoveries of incurred claims and other insurance service expenses		144	49,904	—	50,048
Adjustments to assets for incurred claims		—	2,927	750	3,677
Net expenses from reinsurance contracts		(61,030)	52,831	750	(7,449)
Net finance income from reinsurance contracts	2	(225)	2,183	—	1,958
Total changes in the income statement		(61,255)	55,014	750	(5,491)
Cash flows					
Premiums paid		94,630	—	—	94,630
Amounts received		—	(44,815)	—	(44,815)
Total cash flows		94,630	(44,815)	—	49,815
Closing assets at 31 December		8,387	46,520	2,136	57,043

Amount in recoveries incurred claims and other insurance service expense for assets for remaining coverage relates to profit commission.

Carrying amount	Note	Assets for incurred claims			Restated ¹ 2024
		Liabilities for remaining coverage	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
		£'000	£'000	£'000	£'000
Opening assets at 1 January		(36,521)	38,898	1,717	4,094
Changes in the income statement					
Allocation of reinsurance premiums paid	3	(59,835)	—	—	(59,835)
Amounts recoverable from reinsurers	3	(59)	26,790	(331)	26,400
Recoveries of incurred claims and other insurance service expenses		(59)	28,175	834	28,950
Adjustments to assets for incurred claims		—	(1,385)	(1,165)	(2,550)
Net expenses from reinsurance contracts		(59,894)	26,790	(331)	(33,435)
Net finance income from reinsurance contracts	2	(866)	1,260	—	394
Total changes in the income statement		(60,760)	28,050	(331)	(33,041)
Cash flows					
Premiums paid		72,293	—	—	72,293
Amounts received		—	(30,627)	—	(30,627)
Total cash flows		72,293	(30,627)	—	41,666
Closing assets at 31 December		(24,988)	36,321	1,386	12,719

¹See note 23 for details of the 2024 restatement.

Notes to the financial statements (continued)

14. Insurance and reinsurance contracts (continued)

(b) Movements - Insurance and reinsurance contracts (continued)

(ii) Intercompany contracts held (continued)

The following table shows reinsurance contracts analysed by measurement component (contracts measured under the GMM):

					2025
Carrying amount	Note	Estimates of present value of future cash flows £'000	Risk adjustment for non-financial risk £'000	CSM £'000	Total £'000
Opening assets at 1 January		2,068	1,917	8,734	12,719
Changes in comprehensive income					
Changes that relate to current services		6,943	6	(14,541)	(7,592)
CSM recognised for services received		—	—	(14,541)	(14,541)
Change in risk adjustment for non-financial risk for risk expired		—	(744)	—	(744)
Experience adjustments		6,943	750	—	7,693
Changes that relate to future services		(11,148)	695	10,596	143
Contracts initially recognised in the year		(6,565)	651	5,914	—
Changes in estimates that adjust the CSM		(4,691)	9	4,682	—
Adjustments to assets for incurred claims		108	35	—	143
Net expenses from reinsurance contracts		(4,205)	701	(3,945)	(7,449)
Net finance income from reinsurance contracts	2	1,389	49	520	1,958
Total changes in comprehensive income		(2,816)	750	(3,425)	(5,491)
Cash flows					
Premiums paid		94,630	—	—	94,630
Amounts received		(44,815)	—	—	(44,815)
Total cash flows		49,815	—	—	49,815
Closing assets at 31 December		49,067	2,667	5,309	57,043

					Restated ¹ 2024
Carrying amount	Note	Estimates of present value of future cash flows £'000	Risk adjustment for non-financial risk £'000	CSM £'000	Total £'000
Opening assets at 1 January		(2,262)	3,132	3,224	4,094
Changes in comprehensive income					
Changes that relate to current services		(18,822)	(2,209)	(12,344)	(33,375)
CSM recognised for services received		—	—	(12,344)	(12,344)
Change in risk adjustment for non-financial risk for risk expired		—	(1,879)	—	(1,879)
Experience adjustments		(18,822)	(330)	—	(19,152)
Changes that relate to future services		(18,112)	899	17,153	(60)
Contracts initially recognised in the year		(12,203)	1,380	10,823	—
Changes in estimates that adjust the CSM		(5,932)	(399)	6,330	(1)
Adjustments to assets for incurred claims		23	(82)	—	(59)
Net expenses from reinsurance contracts		(36,934)	(1,310)	4,809	(33,435)
Net finance income from reinsurance contracts	2	(402)	95	701	394
Total changes in comprehensive income		(37,336)	(1,215)	5,510	(33,041)
Cash flows					
Premiums paid		72,293	—	—	72,293
Amounts received		(30,627)	—	—	(30,627)
Total cash flows		41,666	—	—	41,666
Closing assets at 31 December		2,068	1,917	8,734	12,719

¹See note 23 for details of the 2024 restatement.

Notes to the financial statements (continued)

14. Insurance and reinsurance contracts (continued)

(b) Movements - Insurance and reinsurance contracts (continued)

(iii) Others reinsurance contracts held

The following table shows reinsurance contracts analysed by remaining coverage and incurred claims:

Carrying amount	Note	Assets for incurred claims			2025
		Liabilities for remaining coverage	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
		£'000	£'000	£'000	£'000
Opening assets at 1 January		(1,523)	4,714	443	3,634
Changes in the income statement					
Allocation of reinsurance premiums paid	3	(7,138)	—	—	(7,138)
Amounts recoverable from reinsurers	3	—	(169)	(171)	(340)
Recoveries of incurred claims and other insurance service expenses		—	470	12	482
Adjustments to assets for incurred claims		—	(639)	(183)	(822)
Net expenses from reinsurance contracts		(7,138)	(169)	(171)	(7,478)
Net finance income from reinsurance contracts	2	—	140	11	151
Total changes in the income statement		(7,138)	(29)	(160)	(7,327)
Cash flows					
Premiums paid		6,562	—	—	6,562
Amounts received		—	(714)	—	(714)
Total cash flows		6,562	(714)	—	5,848
Closing assets at 31 December		(2,099)	3,971	283	2,155

Carrying amount	Note	Assets for incurred claims			Restated ¹ 2024
		Liabilities for remaining coverage	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
		£'000	£'000	£'000	£'000
Opening assets at 1 January		(790)	10,949	491	10,650
Changes in the income statement					
Allocation of reinsurance premiums paid	3	(8,365)	—	—	(8,365)
Amounts recoverable from reinsurers	3	—	(901)	(56)	(957)
Recoveries of incurred claims and other insurance service expenses		—	795	213	1,008
Adjustments to assets for incurred claims		—	(1,696)	(269)	(1,965)
Net expenses from reinsurance contracts		(8,365)	(901)	(56)	(9,322)
Net finance income from reinsurance contracts	2	—	75	8	83
Total changes in the income statement		(8,365)	(826)	(48)	(9,239)
Cash flows					
Premiums paid		7,632	—	—	7,632
Amounts received		—	(5,409)	—	(5,409)
Total cash flows		7,632	(5,409)	—	2,223
Closing assets at 31 December		(1,523)	4,714	443	3,634

¹See note 23 for details of the 2024 restatement.

Notes to the financial statements (continued)

14. Insurance and reinsurance contracts (continued)

(c) Assets for insurance acquisition cashflows

	2025	2024
	£'000	£'000
Balance at 1 January	55,117	62,049
Amounts incurred during the year	5,977	11,163
Amounts derecognised and included in the measurement of insurance contracts	(18,072)	(18,095)
Balance at 31 December	43,022	55,117

Assets for insurance acquisition cash flows are presented in the carrying amount of the related portfolio of insurance contracts as follows:

	2025	2024
	£'000	£'000
Balance at 1 January		
Insurance contracts assets	55,117	62,049
Balance at 31 December		
Insurance contracts assets	43,022	55,117

The following table sets out when the Company expects to derecognise its assets for insurance acquisition cash flows after the reporting date:

	2025	2024
	£'000	£'000
Less than one year	9,698	11,813
One to two years	8,042	9,761
Two to three years	6,675	8,095
Three to four years	5,527	6,719
Four to five years	4,558	5,563
Five to ten years	8,522	13,166

(d) Effect of contracts initially recognised in the year

The following tables summarise the effect on the measurement components arising from the initial recognition of intra-group reinsurance contracts measured under the GMM for the year.

Reinsurance contracts:

	2025			2024		
	Profitable contracts issued	Onerous contracts issued	Total	Profitable contracts issued	Onerous contracts issued	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Estimates of present value of cash outflows	(50,871)	—	(50,871)	(47,159)	—	(47,159)
Estimates of present value of cash inflows	44,306	—	44,306	34,956	—	34,956
Risk adjustment	651	—	651	1,380	—	1,380
CSM	5,914	—	5,914	10,823	—	10,823
Losses recognised on initial recognition	—	—	—	—	—	—

The following table sets out when the Company expects to recognise the remaining CSM in profit or loss after the reporting date for intra-group reinsurance contracts which are measured under the GMM:

	1 year or less	1 to 2 years	Greater than 2 years	Total
	£'000	£'000	£'000	£'000
31 December 2025	5,309	—	—	5,309
31 December 2024	8,734	—	—	8,734

Notes to the financial statements (continued)

14. Insurance and reinsurance contracts (continued)

(e) Loss development tables - General insurance claims development

The tables below illustrate how estimates of cumulative claims for the Company have developed over time on a gross and net of reinsurance basis. The tables shows how the Company's estimates of total claims for each accident year have developed over time and reconciles the cumulative claims to the amount included in the statement of financial position.

Gross of reinsurance	All prior years	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
31 December 2025	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Estimates of undiscounted cumulative claims</i>	266,869	63,784	57,473	71,077	54,260	51,375	42,498	61,164	53,517	48,373	54,562	824,952
At end of accident year		61,599	57,621	67,223	56,104	49,635	39,463	54,615	57,900	55,601	54,562	
One year		62,485	56,705	67,328	51,246	47,720	42,662	57,566	48,645	48,373		
Two years		62,208	56,226	69,171	52,332	48,649	42,845	61,358	53,517			
Three years		62,034	56,457	69,940	53,036	50,016	42,221	61,164				
Four years		61,955	56,658	69,834	53,631	50,414	42,498					
Five years		62,000	56,947	70,310	53,572	51,375						
Six years		62,576	56,996	70,515	54,260							
Seven years		63,147	57,207	71,077								
Eight years		63,170	57,473									
Nine years		63,784										
<i>Cumulative gross claims paid</i>	(252,265)	(63,476)	(57,075)	(69,915)	(52,969)	(49,279)	(41,341)	(54,775)	(47,548)	(42,084)	(31,488)	(762,215)
At end of accident year		(42,517)	(39,550)	(45,797)	(36,658)	(31,995)	(24,752)	(26,504)	(32,554)	(32,378)	(31,488)	
One year		(59,041)	(53,812)	(63,669)	(48,826)	(43,915)	(39,014)	(48,015)	(45,063)	(42,084)		
Two years		(60,465)	(55,040)	(66,175)	(50,621)	(46,071)	(40,597)	(53,002)	(47,548)			
Three years		(60,921)	(55,247)	(67,636)	(51,634)	(47,491)	(40,907)	(54,775)				
Four years		(61,479)	(55,878)	(68,252)	(52,081)	(48,689)	(41,341)					
Five years		(61,511)	(56,139)	(69,040)	(52,380)	(49,279)						
Six years		(62,092)	(56,591)	(69,471)	(52,969)							
Seven years		(62,626)	(56,903)	(69,915)								
Eight years		(62,843)	(57,075)									
Nine years		(63,476)										
Gross outstanding claims provisions	14,604	308	398	1,162	1,291	2,096	1,157	6,389	5,969	6,289	23,074	62,737
Effect of discounting	(7,818)	(11)	(23)	(66)	(72)	(139)	(93)	(609)	(538)	(547)	(1,530)	(11,446)
Effect of the risk adjustment for non-financial risk	259	16	20	62	69	111	60	328	308	332	1,228	2,793
Gross liabilities for incurred claims included in the statement of financial position	7,045	313	395	1,158	1,288	2,068	1,124	6,108	5,739	6,074	22,772	54,084

Net of reinsurance¹	All prior years	2023	2024	2025	Total
31 December 2025	£'000	£'000	£'000	£'000	£'000
Estimate of undiscounted cumulative claims	1,470	2,878	2,440	2,398	9,186
Cumulative net claims paid	(2,264)	(2,878)	(2,440)	(2,398)	(9,980)
Net outstanding claims provisions	(794)	—	—	—	(794)
Effect of discounting	(1,264)	—	—	—	(1,264)
Effect of the risk adjustment for non-financial risk	166	—	—	—	166
Reinsurance of adverse claims development presented in net liabilities for remaining coverage	3,066	—	—	—	3,066
Net liabilities for incurred claims included in the statement of financial position	1,174	—	—	—	1,174

¹Values for accident years 2015 to 2023 inclusive are £nil.

Accident years 2015 to 2024 are reinsured under the quota share reinsurance arrangement with its immediate parent undertaking Aviva Insurance Limited ("AIL") which took effect from 1 January 2006 (refer section 22(a)(i)). The net of reinsurance table above shows net liabilities for incurred claims of £1,174 thousand in respect of all accident years prior to 2015. This has arisen from residual claims exposure net of reinsurance which is not covered by the quota share reinsurance arrangement with AIL.

Notes to the financial statements (continued)

14. Insurance and reinsurance contracts (continued)

(f) Significant accounting judgements and estimates

This note gives details of the significant judgements made in applying IFRS 17, explaining the inputs, assumptions, methods and estimation techniques used to measure insurance and reinsurance contracts. Accounting policy B sets out the critical accounting judgements and the material accounting estimates that are considered particularly susceptible to changes in estimates and assumptions. This note provides further detail of how these are applied in the context of IFRS 17.

Significant judgements, estimates and assumptions associated with measuring insurance products and associated reinsurance are outlined below.

(i) Fulfilment cash flows

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment (discount rate) to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment.

Estimates of future cash flows

In estimating future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Company's view of current conditions at the reporting date, using market variables consistent with observable market prices, where applicable.

When estimating future cash flows, the Company takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted. For cashflows which are contractually linked to an index of prices or wages, the Company derives an assumption for future RPI from RPI swap curves, and adjusts this to derive future inflation assumptions for other price and wage indices.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include claims associated costs and administration costs.

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows are attributed to acquisition activities, other fulfilment activities and other activities using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics.

Contract boundaries

The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgement and consideration of the Company's substantive rights and obligations under the contract.

Excess of loss reinsurance - the Company's excess of loss reinsurance contracts held provide coverage for claims incurred during an accident year. Thus, all cash flows arising from claims incurred and expected to be incurred in the accident year are included in the measurement of the reinsurance contracts held. Some of these contracts include mandatory reinstatement reinsurance premiums, which are guaranteed per the contractual arrangements and are thus within the contract boundary.

Risk attaching reinsurance - the Company's risk-attaching treaties have varying coverage periods, ranging from annual treaties to indefinite treaties. Such treaties provide unilateral rights to the Company and reinsurer to terminate the cession of new business by giving notice to the other party based upon notice periods defined by the treaty. On initial recognition, the cash flows within the reinsurance contract boundary are determined to be those arising from underlying contracts that the Company expects to issue and cede under the reinsurance contract within the termination notice period. Subsequently risks attaching beyond the end of the initial termination notice period are considered cash flows of new reinsurance contracts and are recognised, separately from the initial contract, as they fall within subsequent termination notice periods.

Claims

The Company establishes reserves for claim events that occurred before the valuation date, whether reported or not. When calculating claim costs, the Company takes into account estimated future recoveries from salvage and subrogation. Where contracts are onerous, the measurement of the loss component includes an estimate of future claims that are expected to occur within the remaining coverage period.

The undiscounted ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods. Historical claims development is mainly analysed by accident period, although underwriting or notification period is also used where this is considered appropriate.

Notes to the financial statements (continued)

14. Insurance and reinsurance contracts (continued)

(f) Significant accounting judgements and estimates (continued)

Claims (continued)

The assumptions used in most actuarial projection techniques, including future rates of claims inflation are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future in order to arrive at a point estimate for the ultimate cost of claims that represents the expected outcome. The ultimate cost of outstanding claims includes provision for expenses associated with handling claims.

Lump sums payable to bodily injury claimants

Lump sum payments in settlement of bodily injury claims are influenced by the Personal Injury Discount Rate (also known as the Ogden discount rate in England and Wales) among other factors. The Ogden discount rate is set by the Lord Chancellor and is applied when calculating the present value of future care costs and loss of earnings for claims settlement purposes. The Lord Chancellor's announced in December 2024 that the Ogden discount rate applicable to claims settled from 11 January 2025 is +0.5% (previously -0.25%), and the impacts of that change have been included in the Company's reserves at 31 December 2025.

Discount rates

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. For the risk-free yield curves, the Company generally uses the risk-free interest rate curves published by the PRA and the European Insurance Occupational Pensions Authority ("EIOPA") for regulatory reporting.

The Company uses a bottom-up discount rate for all insurance contracts.

Under the bottom-up approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium').

The illiquidity premium is determined as a percentage of the current spread over the risk-free yield on an index of covered bonds which represents the additional return above the risk free rate that could be generated by investing in illiquid assets.

Different percentages are applied to classes of claims liability based upon their liquidity characteristics, including the ability of claimants to expedite the claims process and realise their benefits. For example, 100% is applied to periodic payment orders as these are ordered by a court and it is impossible for claimants to realise the remaining value of their claim through a lump sum settlement. Lower factors are applied to latent claims and other claims liabilities based upon their liquidity characteristics.

The tables below set out the yield curves used to discount the cash flows of insurance contracts for major currencies:

2025							2024						
	1 year	5 years	10 years	15 years	20 years	40 years	1 year	5 years	10 years	15 years	20 years	40 years	
Non-life contracts													
Structured settlements													
GBP	3.83 %	3.95 %	4.33 %	4.65 %	4.82 %	4.72 %	4.87 %	4.45 %	4.49 %	4.65 %	4.72 %	4.45 %	
Other general insurance claims													
GBP	3.68 %	3.81 %	4.19 %	4.51 %	4.68 %	4.58 %	4.66 %	4.25 %	4.28 %	4.44 %	4.51 %	4.24 %	

Risk adjustment for non-financial risk

Risk adjustment for non-financial risk reflects the compensation required by the Company to accept the uncertainty about the amount and timing of future cash flows that arises from non-financial risk. The calculation of the risk adjustment is calibrated with reference to the Company's pricing and capital allocation framework. The calibration leverages the Solvency II view of non-financial risk, considering a lifetime view, and includes diversification between risks within the Company. The risk adjustment includes diversification between different portfolios of insurance contracts, financial and non-financial risks using correlation matrix techniques. The diversification benefit includes diversification between different portfolios of insurance contract groups, expired and unexpired insurance risks.

The risk adjustment is allocated to the individual group of contract level based upon their capital intensity, with a greater amount allocated to contract groups with greater valuation uncertainty.

Initially, the Company applies these techniques on a net of reinsurance basis before calculating gross up factors for each group of contracts and calculating the reinsurance risk adjustment as the difference between the gross and net.

The risk adjustment for non-financial risk corresponds to a 61st percentile (2024: 61st percentile) confidence level, net of reinsurance. This reflects the Company's confidence that the value of the liability for incurred claims, including the risk adjustment, is sufficient to meet the ultimate cost of claims. The percentile benefits from the Company's scale and diverse risk profile and is an uncertain estimate made as of 31 December which could reasonably change within 12 months. Factors which could cause it to change include variations in the Company's risk profile or quantification thereof, for example as might arise from changes in risk-free discount rates and other economic factors or changes in the composition of insurance liabilities. The figures assume that there are no changes in estimate of future cashflows when in reality a lot of factors which influence the risk adjustment calibration will also impact the estimate of future cashflows.

Notes to the financial statements (continued)

14. Insurance and reinsurance contracts (continued)

Risk adjustments for non-financial risk

	2025 £'000	2024 £'000
Movement in net risk adjustment required for 2.5pp confidence level increase	12	68
Movement in net risk adjustment required for 2.5pp confidence level reduction	(11)	(68)

This represents the confidence level that net claims liabilities recognised are sufficient to cover the ultimate cost of claims. Net claims liabilities include the liability for incurred claims, asset for incurred claims and the asset for remaining coverage on reinsurance contracts held that reinsure against adverse development on incurred claims.

(ii) Contractual service margin

Determination of coverage units

The amount of CSM recognised in profit or loss to reflect services provided/received in each year is determined by considering coverage units that reflect the quantity of the benefits provided in each period. The only CSM recognised by the Company is on group quota share reinsurance contracts held. For annual cohorts of contracts attaching to the reinsurance treaty, coverage units are determined with reference to the volume of underlying contracts attached to the quota share on in which a valid claim can be made in each period.

Coverage units for reinsurance contracts held are typically consistent with the underlying gross contracts, adjusted for differences in the services provided/received.

15. Tax assets and liabilities

(a) Current tax

Total current tax liabilities payable in less than one year are £4,701 thousand (2024: £nil). Current tax liabilities payable in more than one year are £nil (2024: £2,594 thousand).

(b) Deferred tax

The Company had no deferred tax assets or liabilities at 31 December 2025 (2024: £nil).

16. Payables and other financial liabilities

	Note	2025 £'000	Restated ¹ 2024 £'000
Payables arising out of direct insurance and assumed reinsurance		16	70
Bank overdrafts	19	434	98
Amounts due to other Group companies	22(a)(iii)	50,712	28,504
Other financial liabilities		232	—
Total as at 31 December		51,394	28,672
Expected to be settled within one year		51,394	28,672
Expected to be settled in more than one year		—	—
Total as at 31 December		51,394	28,672

¹See note 23 for details of the 2024 restatement.

All payables and other financial liabilities are carried at amortised cost, which approximates to fair value.

17. Other liabilities

	2025 £'000	2024 £'000
Accruals ¹	18	25
Levy payable ¹	631	666
Net insurance premium tax payable ²	2,698	2,781
Other liabilities ²	347	18,952
Total as at 31 December	3,694	22,424
Expected to be settled within one year	3,694	22,424
Expected to be settled in more than one year	—	—
Total as at 31 December	3,694	22,424

¹Levy payable was previously reported within accruals. The comparatives have been re-presented for consistency in presentation.

²Net insurance premium tax payable was previously reported within other liabilities. The comparatives have been re-presented for consistency in presentation.

Notes to the financial statements (continued)

17. Other liabilities (continued)

Included in other liabilities for 2024 is a contingent consideration of £14,500 thousand regarding the acquisition of the Barclays home insurance portfolio. The deal includes an initial consideration and a variable consideration amount, dependent on Policies In Force, due in August 2025. This was a financial liability valued at £14,500 thousand based upon the best estimate of future cashflows. During 2025, the contingent consideration was settled.

18. Contingent liabilities and other risk factors

(a) Uncertainty over claims provisions

Note 14 gives details of the estimation techniques used in determining the general business outstanding claims provisions. These approaches are designed to allow for a degree of prudence, to give a result within the normal range of outcomes. However, the actual cost of settling these liabilities may differ, for example because experience may be worse than that assumed, or future general insurance business claims inflation may differ from that expected, and hence there is uncertainty in respect of these liabilities.

(b) Regulatory compliance

The Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) regulate and authorise the Company's UK business and in addition monitor the financial resources and organisation of the Company as a whole. The PRA and FCA have broad powers including the authority to grant, vary the terms of, or cancel a regulated firm's authorisation; to investigate marketing and sales practices; and to require the maintenance of adequate financial resources. The Company's regulators outside the UK typically have similar powers, but in some cases they also operate a system of 'prior product approval'.

The directors believe that the Company dedicates appropriate resources to its compliance programme, endeavours to respond to regulatory enquiries in a constructive way, and takes corrective action when warranted. However, all regulated financial services companies face the risk that the regulator could find that they have failed to comply with applicable regulations or have not undertaken corrective action as required.

The impact of any such finding could have a negative impact on the Company's reported results or on its relations with current or potential customers. Regulatory action against the Company could result in adverse publicity for, or negative perceptions regarding, the Company, or could have a material adverse effect on the business of the Company, its results of operations and/or financial condition and divert management's attention from the day-to-day management of the business.

(c) Other

In the course of conducting insurance and investment business, the Company receives liability claims, and becomes involved in actual or threatened related litigation.

The Company pays contributions to levy schemes in the country in which it operates. Given the economic environment, there is a heightened risk that the levy contributions will need to be increased to protect policyholders if an insurance company falls into financial difficulties.

19. Statement of cash flows

(a) The reconciliation of profit before tax to the cash generated from operating activities is:

	2025	Restated ¹ 2024
	£'000	£'000
Profit before tax	8,428	10,375
<i>Adjustments for:</i>		
Change in economic assumptions on net claims reserves	—	(1,133)
Change in insurance acquisition cashflows	—	(8,000)
Change in deferred consideration	—	8,000
Changes in working capital:		
Increase in net reinsurance assets	(42,845)	(21,195)
Decrease in receivables	1,210	2,003
Decrease in prepayments and accrued income	3	340
Increase in net insurance liabilities	19,152	47,626
Increase/(decrease) in payables and other financial liabilities	22,386	(37,549)
(Decrease)/increase in other assets and liabilities	(18,730)	1,095
Total cash generated from operating activities	(10,396)	1,562

¹See note 23 for details of the 2024 restatement.

For 2025, changes in financial assumptions on net claims reserves are included in net reinsurance assets and net insurance liabilities. Had the Company adopted the treatment from 2024 then the change in financial assumptions on net claims reserves would have shown an impact of £(1,708) thousand.

Notes to the financial statements (continued)

19. Statement of cash flows (continued)

(b) Cash and cash equivalents in the statement of cash flows at 31 December comprise:

	Note	2025 £'000	2024 £'000
Cash at bank and in hand		447	106
Cash equivalents		94,600	105,000
Cash and cash equivalents per the Statement of financial position		95,047	105,106
Bank overdrafts	16	(434)	(98)
Cash and cash equivalents net of bank overdrafts at 31 December		94,613	105,009

20. Capital structure

The Company maintains an efficient capital structure from equity shareholders' funds, consistent with the Company's overall risk profile and the regulatory and market requirements of the business. This note describes the way the Company manages capital and shows how this is structured.

(a) General

IFRS underpins the Company's capital structure and accordingly the capital structure is analysed on this basis. The Company measures its capital requirements under the Solvency UK regime.

(b) Capital management

In managing its capital, the Company seeks to:

- (i) Match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- (ii) Maintain financial strength to support new business growth and satisfy the requirements of its policyholders and regulators;
- (iii) Retain financial flexibility by maintaining strong liquidity; and
- (iv) Allocate capital efficiently to support growth and repatriate excess capital where appropriate.

The Company considers not only traditional sources of capital funding but alternative sources of capital including reinsurance, as appropriate, when assessing its deployment and usage of capital.

(c) Different measures of capital

The Company measures its capital on a number of different bases. These include measures which comply with the regulatory regime within which the Company operates and those which the directors consider appropriate for the management of the business. The measures which the Company uses are:

(i) Accounting basis

The Company is required to report its results on an IFRS basis.

(ii) Regulatory basis

Relevant capital and solvency regulations are used to measure and report the Company's financial strength. These measures are based on the regulatory requirements under Solvency II. The regulatory capital tests verify that the Company retains an excess of solvency capital above the required minimum level calculated using a risk-based capital model. The risk management note (note 21) gives further details.

Solvency II eligible "own funds" represents the amount of regulatory capital resources that are available to meet regulatory capital requirements under the Solvency II regime, and is a closely monitored metric. At 31 December 2025 the Company's estimated own funds under Solvency II were £40,967 thousand (2024: £31,545 thousand) (unaudited). Solvency II Own Funds are lower than IFRS net assets as the asset for insurance acquisition cashflows is not recognised under Solvency II. Additionally, the interim dividend declared in December 2025, and paid in February 2026, of £14,500 thousand is not accrued within IFRS net assets as per company law, but is recognised under Solvency II as a foreseeable dividend. The Company's own funds are sufficient to meets its capital requirements under Solvency II. The Company fully complied with the relevant regulatory requirements during the year.

(d) Company capital structure

IFRS net assets	2025 £'000	2024 £'000
Equity shareholders' funds	96,192	89,871
Total capital	96,192	89,871

Notes to the financial statements (continued)

21. Risk management

Risk Environment

During the year, the global economy experienced slowing growth, with Advanced economies below the average. Central banks regularly cut interest rates throughout the year, to combat persistent inflation, weak growth and sluggish labour market data. Market expectations for 2026 suggest the rate cut cycle will continue targeting 3% in H2 reflecting slowing inflation and weak growth. The Bank of England is committed to easing but cautious about overshooting. Sticky inflation or faster wage growth would pause projected cuts. Geo-political and economic concerns remain with ongoing conflicts, rising instability, political shifts in trade relationships, including potential changes in tariffs, and policy and persistent services and wage inflation. Uncertainty remains a key feature with new paradigms emerging. Cost of Living concerns continue to impact the majority of customers and the Company continues to actively manage customer experience and outcomes.

Reserving uncertainty persists due to certain areas that directly impact the Company, such as potential for impacts from the continuing volatility and frequency of weather events, and claims inflation.

The Company continues to maintain strong solvency and liquidity positions and is resilient to a range of Stress and Scenario Tests (SST) to which the Company could become exposed to and maintains a set of plausible and timely management actions which include retention of dividends and capital injections from AIL (immediate parent Company) or Aviva Group Holdings (ultimate parent Company).

The Group remains committed to supporting a low carbon economy that will improve the resilience of our economy, society and the financial system in line with the 2015 Paris Agreement target on climate change. In March 2021, the Group set an ambition to become a Net Zero carbon Group by 2040 and actions continue to be taken to mitigate and manage the impact of climate change on the business. The Group calculates a Climate Value at Risk ("VaR") against the Intergovernmental Panel on Climate Change ("IPCC") scenarios to assess the climate-related risks and opportunities under different emission projections and associated temperature pathways. A range of different financial indicators at the AIL/UKGI Business Unit level (which the Company is a part of) are used to assess the impact on the Company's investments.

(a) Risk management framework (RMF)

The Company's RMF has a key role in supporting the business to deliver its purpose for our customers, our people and our shareholders, helping the business discover, predict, understand and manage our risks, thereby maintaining a safe risk environment. The RMF comprises the systems of governance, including Risk Policies and Business Standards, risk management processes and Risk Appetite Framework (RAF), risk oversight committees (both Board and Management) and clearly defined roles and responsibilities along with the processes the Company uses to identify, measure, manage, monitor and report (IMMMR) risks, including the use of risk models, sensitivity testing and SST.

The Company's RAF outlines the risks that the Company selects and manages in pursuit of return, the risks the Company accepts and retains a moderate level of, and the risks the Company actively avoids or takes action to mitigate as far as practical. It comprises:

- a. **Risk preferences:** qualitative statements that express where the business prefers to take risk (or else accept or avoid) and why, applied to individual key risk types (e.g. insurance, market & credit, climate and Artificial Intelligence).
- b. **Risk appetites:** overarching statements, metrics and thresholds that express the level of risk the business is willing to accept. The Company has risk appetites for Solvency, Liquidity, Operational, Climate and Conduct (albeit the latter two are reported at an AIL/UKGI Business Unit level) (of which the Company is a part of). Risk appetites are reviewed and approved annually by the Board and monitored at least quarterly by relevant management committees.
- c. **Risk limits:** quantify more granular limits for specific defined risk exposure (e.g. maximum credit exposure limits to particular counterparties). These are also reported at an AIL / UKGI Business Unit level (which the Company is a part of).
- d. **Risk tolerances:** 'hard' limits that may constrain specific risk-taking activities for the most material (i.e. GI Catastrophe and macroeconomic risks) or volatile and unrewarded (i.e. interest rate) individual risk types or combinations of risk type. These are approved annually by the Board and monitored at least quarterly by relevant management committees. Within the Operational Risk and Control Management ("ORCM") Framework, there are operational risk tolerances which are set for individual operational risk types.

Board oversight of risk and risk management across the Company is maintained on a regular basis. The Board has overall responsibility for setting the Company's risk preferences and risk appetites.

To promote a consistent and rigorous approach to risk management across the business, the Company has adopted a number of Risk Policies and Business Standards. The Risk Policies set out the Board's risk strategy appetite for risk and its expectations in respect of the management of risk while the Business Standards set out the mandated controls which together with any local controls aim to keep key operational risks within tolerance. The immediate parent company Chief Executive Officer makes an annual attestation that the system of governance and internal controls are effective and fit for purpose for the Company throughout the year and this declaration is supported by an opinion from the immediate parent company's Chief Risk Officer.

A variety of tools and processes are available to support risk identification; both bottom up and top down, and whilst run separately, these are designed to complement each other and are used to generate risk reports which are shared with the relevant Risk Committees. These different processes, which ensure all material risks to which it is or may be exposed, both quantifiable and non-quantifiable, are appropriately identified include Risk and Control Self Assessment (RCSA), Risk review of the Business Plan, Emerging Risk Spectrum, and Risk Identification (Risk ID). With the exception of RCSA, risk identification processes consider risks across all risk categories. The RCSA process only covers operational risks that arise from within internal processes, systems or people and which might prevent the business from achieving its objectives.

Risk models are an important tool in the measurement of risks and are used to support the monitoring and reporting of the risk profile with consideration to the risk management actions available. A range of stress tests (where one risk factor, such as a downgrade in reinsurer credit rating is assumed to vary) are undertaken to evaluate their impact on the business and the management actions available to respond to the conditions envisaged. For those risk types managed through the holding of capital, being the Company's principal risk types except for liquidity risk, the Company measures and monitors its risk profile on the basis of the Solvency II Solvency Capital Requirement (SCR).

Notes to the financial statements (continued)

21. Risk management (continued)

(a) Risk management framework (RMF) (continued)

Aviva staff on behalf of the Company are involved in the management and mitigation of risk, with the RMF embedded in the day-to-day management and decision-making processes. The 'three lines model' is adopted by the Company and the Aviva Group (as required by the RMF policy). First Line (the Business) is accountable for the management of all risks relevant to the business of the Company, including the implementation of the RMF and embedding of the risk culture. Second line (the Risk Function) is responsible for providing independent objective quantitative and qualitative oversight and challenge of the IMMMR processes and for developing the RMF. The third line (Internal Audit) provides an independent assessment of the RMF and internal control processes.

As of 31 August 2023, the Company became a closed book. As at this date the Company also assumed accountability for both distribution and underwriting, with policy renewals from that point onwards also being issued under the Aviva brand. This does not impact the Company's implementation of the Risk Management Framework, with no significant or material changes to existing risk exposures arising given the controls already in place.

Further information on the types and management of specific risk types and the changing risk profile is given in sections below.

(b) Credit risk

Credit risk is the risk of loss or adverse outcomes due to a third-party default event or to a change to a third-party credit standing. Credit risk is taken so that the Company can provide the returns required to satisfy policyholder liabilities and to generate returns to the Company's shareholders.

The Company's approach to managing credit risk recognises that there is a risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default, rating transition and credit spread movements. The Company's credit risks arise principally through exposures to debt security investments, cash and cash equivalents, reinsurance counterparties and other receivables. Risks arising from Climate Change are treated as cross cutting risks and included in Credit Risk assessments.

The Company's approach to managing credit risk management processes (including limit frameworks) complies with the Aviva Group credit limit framework. The immediate parent Company (AIL) Asset & Liability Committee (ALCO) oversees financial risks including credit risk, and ensures detailed reporting and monitoring of exposures against pre-established risk criteria (including the credit quality of receivables and other financial assets, with provisions made for irrecoverable amounts; see section (i) below. Any material updates are provided to the Company's Board for decision.

(i) Financial exposures by credit ratings

Financial assets are graded according to current external credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as sub-investment grade. "Not rated" assets capture assets not rated by external ratings agencies. The following table provides information regarding the aggregated credit risk exposure of the Company for financial assets with external credit ratings.

31 December 2025	£'000 AA/AA-	£'000 A+/A/A-	£'000 BBB	£'000 Below BBB	£'000 Not-rated	£'000 Carrying value
Reinsurance contract assets	59,198	—	—	—	—	59,198
Restated ¹						
31 December 2024	£'000 AA/AA-	£'000 A+/A-	£'000 BBB/B	£'000 Below BBB	£'000 Not-rated	£'000 Carrying value
Reinsurance contract assets	16,353	—	—	—	—	16,353

¹See note 23 for details of the 2024 restatement.

(ii) Credit concentration risk

The Company has significant financial exposure to amounts due from its immediate parent company, arising from its reinsurance arrangement, as described in note 22(a)(i). The credit risk arising from its immediate parent company failing to meet all or part of its obligations is considered remote.

(iii) Impairment of financial assets

In assessing the extent to which credit losses should be recognised, due consideration is given to the factors outlined in accounting policy L. In 2025, no provision for expected credit losses on financial assets has been recognised (2024: £nil).

(c) Market risk

Market risk is the risk of loss or adverse outcomes due directly or indirectly to fluctuations in interest rates and inflation rates. Market risk arises due to fluctuations in both the value of liabilities and the value of investments held. The Company seeks some market risks as part of its investment strategy. However, it has limited appetite for interest rate risk because it does not believe interest rate risk is adequately rewarded.

The Company manages market risk using its market risk framework and within regulatory constraints. Market risk is managed in line with established Group policy, including established criteria for matching assets and liabilities to limit the impact of mismatches due to market movements.

Interest rate risk arises primarily from the Company's investments in liquidity funds included in the cash and cash equivalents and their movement relative to the value placed on the insurance liabilities, noting the significant reinsurance arrangement in place (as described in note 22(a)(i)).

The sensitivity of profit before tax and shareholder funds, to changes in interest rates is given in section g(ii) 'risk and capital management' below.

The Company operates within the UK and there is no exposure to foreign currency exchange rates.

Oversight of market risk for the Company is undertaken by the Board.

Notes to the financial statements (continued)

21. Risk management (continued)

(d) Liquidity risk

Liquidity risk is the risk of not being able to make payments as they become due because there are insufficient assets in cash form, or assets cannot be quickly converted into cash without incurring significant losses, either in normal and/or stressed conditions.

The Company seeks to ensure that it maintains sufficient financial resources to meet its obligations as they fall due through the application of a financial Risk Policy and Liquidity Risk Business Standard. The Company monitors its position relative to its agreed liquidity risk appetite which is set by the Company's parent (AIL) to which it is subject to a 100% quota share arrangement. While the Company relies upon AIL to manage its financial resources via the UKGI Business Unit, oversight of liquidity risk for the Company is undertaken by the Board.

Maturity analyses

The following table shows the maturities of the Company's provisions for insurance liabilities and payables and other financial liabilities.

Financial assets and Liabilities

(i) Analysis of maturity of financial liabilities and insurance and reinsurance contracts

The Company's payables and other financial liabilities of £51,394 thousand (2024 Restated: £28,672 thousand) and other liabilities of £3,694 thousand (2024: £22,424 thousand) were all due on demand or within 1 year.

The following table shows the Company's insurance contract liabilities (discounted) and reinsurance contract liabilities analysed by duration:

	Total £'000	Within 1 year £'000	1 to 2 years £'000	2 to 3 years £'000	3 to 4 years £'000	4 to 5 years £'000	5-15 years £'000	Over 15 years £'000
2025 - Insurance contract liabilities	46,361	22,075	8,801	4,291	2,961	2,181	4,763	1,289
2024 - Insurance contract liabilities	39,303	19,466	7,840	3,642	2,308	1,589	3,244	1,214

¹See note 23 for details of the 2024 restatement.

(ii) Analysis of maturity of financial assets and reinsurance assets

The Company's receivables of £5,071 thousand (2024 Restated: £6,281 thousand) and cash and cash equivalents (excluding bank overdrafts) of £95,047 thousand (2024: £105,106 thousand) were all due on demand or within 1 year.

The Company's net reinsurance contracts are analysed below using the estimated timing of expected cash flows:

	Total £m	Within 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	5-15 years £m	Over 15 years £m
2025 - Reinsurance contract assets	59,198	40,170	6,955	3,390	2,339	1,722	3,739	883
2024 Restated ¹ - Reinsurance contract assets	16,353	2,457	5,545	2,575	1,632	1,123	2,275	746

¹See note 23 for details of the 2024 restatement.

(e) General insurance risk

General insurance risk in the Company arises from:

- Fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations.
- Unexpected claims arising from a single source or cause.
- Inadequate claims reserving assumptions.
- Inaccurate pricing of risks or inappropriate underwriting of risks when underwritten, and/or
- Inadequate reinsurance protection or other risk transfer techniques.

The general insurance business underwritten by the Company is predominantly of a short-tail nature such as household insurance. The Company recognises that the severity and frequency of weather-related events has the potential to adversely impact provisions for insurance liabilities and earnings, with the result that there is some seasonality in the Company's results from period to period.

The Group's underwriting strategy and appetite is communicated via specific policy statements, related business standards and guidelines. The Company's underwriting strategy is set consistent with both UKGI at a Business Unit level and Group strategy. Underwriting strategy is communicated to underwriters with underwriting licences granted to individual underwriters according to competence and experience.

As of 31 August 2023, the Company became a closed book. As at this date the Company also assumed accountability for both distribution and underwriting, with policy renewals from that point onwards also being issued under the Aviva brand.

The adequacy of the Company's general insurance gross and net claims provisions is overseen by the AIL Reserve and Projections Committee. Actuarial claims reserving is the responsibility of the Company's actuaries, with periodic independent external reviews by consulting actuaries. Reserving processes are further detailed in note 14.

The Company's general insurance business is managed and priced in the same country as the domicile of the customer, predominantly in the UK.

The Company's largest reinsurance arrangements include a 100% quota share reinsurance arrangement with its parent company, AIL, as described in note 22(a)(i), which has substantially reduced its net insurance risk exposure.

Oversight of insurance risk for the Company is undertaken by the Board.

Notes to the financial statements (continued)

21. Risk management (continued)

(f) Operational risk

Operational risk is the risk of direct or indirect loss, arising from inadequate or failed internal processes, people and systems, or external events including changes in the regulatory environment. The Company has a very low appetite for operational risks which could result in material losses (direct or indirect), a financial misstatement or have a material negative impact on reputation, customers, employees or other stakeholders.

The Company's Operational Risk and Control Management framework (ORCM) integrates the results of the risk identification and assurance activities carried out across the Company's three lines of defence. Operational risks are initially identified and assessed against implemented controls. Residual risk outside tolerance is given prioritised management action to reduce it within tolerance.

Operational risk is quantitatively assessed on the basis of financial loss and misstatement. Potential reputational and conduct impacts are qualitatively assessed. Management use key indicator data to help monitor the status of the risk and control environment. They also identify and capture loss events, taking appropriate action to address actual control breakdowns and promote internal learning.

In addition, specifically with respect to conduct risks, the Company has a very low appetite for poor customer outcomes and seeks to avoid customer harms across all its business activities. Further, it seeks to avoid market abuse or activities which might impact market stability, integrity of fair competition and takes reasonable steps to comply with all conduct regulations and deliver positive customer outcomes.

Oversight of operational risk for the Company is undertaken by the Board.

(g) Risk and capital management

The Company uses a standard formula capital model, a standardised calculation method. Management gives due consideration to the risks inherent in the Company's business and its risk profile in order to assure itself of the appropriateness of this approach.

(i) General insurance

General insurance liabilities are estimated by using standard actuarial claims projection techniques. These methods extrapolate the claims development for each accident year based on the observed development of earlier years. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historic claims data. Where this is not appropriate, adjustments and explicit allowances are made. As such in the analysis below, the sensitivities of general insurance claims liabilities are primarily based on the financial impact of changes to the reported loss ratio.

(ii) Sensitivity results

Illustrative results of sensitivity testing for the Company's business are set out below. For each sensitivity the impact of a reasonably possible change in a single factor is shown, with other assumptions left unchanged. Each test allows for any consequential impact on the asset and liability valuations. See below for further details on the limitations of the sensitivity analysis.

Sensitivity factor	Description of sensitivity factor applied
Market risk variables	
Interest rates and investment returns	The impact of a change in market interest rates by $\pm 1\%$. The test allows consistently for similar changes to investment returns and movements in the market value of cash and cash equivalents and liability valuations
Credit spreads	The impact of a 0.5% increase in credit spreads over risk free interest rates on corporate bonds and other non-sovereign credit assets. The test allows for any consequential impact on liability valuations.
Underwriting risk variables	
Expenses	The impact of an increase in expenses by 10%
Gross loss ratios	The impact of an increase in gross loss ratios by 5%

The above sensitivity factors are applied using actuarial and statistical models. The impacts are shown in tables below:

Market risk variables

For business where the change in market risk variables could impact on profit, the following table presents how a possible shift in those variables might impact insurance contract balances, the corresponding investment assets, profit before tax and shareholders' equity after tax, all net of reinsurance.

	2025			Restated ¹ 2024		
	Net insurance contracts profit or loss	Total profit before tax	Shareholder equity after tax	Net insurance contracts profit or loss	Total profit before tax	Shareholder equity after tax
	£'000	£'000	£'000	£'000	£'000	£'000
100 bps increase in interest rate	94	94	71	92	92	69
100 bps decrease in interest rate	(136)	(136)	(102)	(134)	(134)	(101)
50 bps increase in corporate bond spread	9	9	7	9	9	7

¹Comparative market risk variables have been restated to be net of the Company's reinsurance quota share with Aviva Insurance Limited which reduces the Company's market risk exposure.

Notes to the financial statements (continued)

21. Risk management (continued)

Underwriting risk variables

The following table presents information on how reasonably possible changes in assumptions made by the Company with regard to underwriting risk variables impact insurance and reinsurance contract balances, profit before tax and shareholders' equity after tax. The affected underlying insurance contracts and related reinsurance contracts are measured under IFRS 17.

	2025				2024			
	Insurance contracts profit or loss	Reinsurance contracts profit or loss	Total profit before tax	Shareholder equity after tax	Insurance contracts profit or loss	Reinsurance contracts profit or loss	Total profit before tax	Shareholder equity after tax
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
10% increase in expenses	(80)	80	—	—	(80)	80	—	—
5% increase in gross loss ratios	(2,092)	2,092	—	—	(2,109)	2,109	—	—

The impact of the expense sensitivity on profit also includes the increase in ongoing administration expenses, in addition to the increase in the claims handling expense provision.

Limitations of sensitivity analysis

The tables above demonstrate the effect of an instantaneous change in a key assumption while other assumptions remain unchanged. In reality, changes may occur over a period of time and there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into account that the assets and liabilities are actively managed and may vary at the time that any actual market movement occurs. For example, the Company's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risks that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty, and the assumption that all interest rates move in an identical fashion.

Assets are held at fair value in accordance with the relevant accounting policy. The majority of such assets are valued based on quoted market information or observable market data and the remaining assets recorded at fair value are based on estimates. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models calibrated to market observable data where possible. Whilst such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not significantly change their fair value.

(h) Climate Change

The Company considers climate change to be a significant risk to our strategy and business model and its impacts are already being felt. Global average temperatures over the last five years have been the hottest on record, with 2025 being the joint second hottest year, and past the 1.5°C warming limit set by the Paris Accord. Despite the United Nations Framework Convention on Climate Change Paris Agreement, the current trend of increasing CO₂ emissions is expected to continue and in the absence of radical and coordinated action by governments, global temperatures are likely to exceed pre-industrial levels by at least 2°C and weather events (floods, droughts and windstorms) increase both in frequency and severity.

The Aviva Group is acting now through its Sustainability Ambition to mitigate and manage its impacts both today and in the future. The ambition is take action on climate change, building stronger, more resilient communities and running ourselves as a sustainable business. Through these actions, resilience to climate-related transition, physical and liability risks continue to be built. Climate-related risks are 'cross-cutting' rather than standalone risks in our Risk Taxonomy, recognising that climate impacts other risks. The most affected risks are credit risk, market risk and general insurance risk.

The material climate-related impacts were described in the PRA 2015 report 'The impact of climate change on the UK insurance sector' and are defined by the Aviva Group and the Company below.

Our scenario analysis approach consists of a combination of quantitative (using our Climate VaR metric) and qualitative views, considering transition risks and opportunities, physical risks and litigation risks.

Transition: covers the projected costs of policy action related to limiting greenhouse gas emissions and projected profits from green revenues arising from the development of new technologies and patents across the market.

Physical: covers the financial impact from extreme weather events (acute) (e.g. flood, wind storm and tropical cyclones) and those associated with longer-term shifts in climate patterns (chronic effects such as sea level rise). Although we recognise that the most extreme physical effects are most likely to be felt in the second half of the century, extreme weather events attributed to climate change are already occurring and impacts may be greater and sooner than expected as earth systems react to temperature rises.

Litigation: In light of the increased occurrence of climate-related litigation we have qualitatively assessed its potential impact accordingly.

Further climate-related regulatory developments have included the PRA Supervisory Statement SS3/19, which enhances banks' and insurers' approaches to managing financial risks from climate change; and the various guides and practical tools to help financial firms manage climate-related risks produced by the Climate Financial Risk Forum (CFRF), jointly convened by the PRA and the Financial Conduct Authority (FCA). PRA Supervisory Statement SS4/25 (Dec. 2025) sets out enhanced expectations for UK banks, building societies, insurers, and designated investment firms in managing climate-related financial risks and requires plans to be shared with the PRA in 2026. Analysis into the impact of the requirements remains ongoing and is in line with regulatory expectations.

Notes to the financial statements (continued)

21. Risk management (continued)

(h) Climate Change (continued)

Climate considerations continue to be integrated into the Company’s strategy, planning, governance, disclosures and risk management processes. As part of this, the Company has integrated climate into its risk management framework and has qualitatively defined its climate risk appetite statement as:

“We have a very low appetite for climate-related risks which could have a material negative impact upon our balance sheet and business model as well as our customers and wider society. We actively seek to reduce our exposure over time to the downside risks arising from the transition to a low carbon economy. We seek to identify and support solutions that will drive a transition to a low-carbon, climate resilient economy. We seek to limit our net exposure to the more acute and chronic physical risks that will occur in the event the Paris Agreement target is not met. We actively avoid material exposure to climate litigation risks.”

The Company’s climate risk appetite statement is supported by metrics aligned to the Aviva Group Sustainability Ambition and Company plan targets. The position against these metrics is reported on a regular basis to the Company’s Board Committees and is considered (where applicable) within key business decisions. ALL also has Risk Preferences for each of the categories of Climate risk.

The materiality and time horizon over which climate-related risks and opportunities affect our business depend on the specific insurance products, geographies and investments being considered. Notwithstanding that the impact on general insurance liabilities is mitigated by the short-term nature of the business, the ability to re-price annually, and by the Company’s reinsurance programmes, the physical effects of climate change will most likely result in more risks and perils becoming either uninsurable or unaffordable over the longer term and the need for more urgent action increases.

Notes to the financial statements (continued)

22. Related party transactions

The Company has the following transactions with related parties which include parent company in the normal course of business.

(a) The Company had the following related party transactions

(i) Quota share arrangement

The Company has a quota share reinsurance arrangement with Aviva Insurance Limited ("AIL"), with effect from 1 January 2006.

The key terms of the agreement remain:

- a 100% cession rate on premiums, claims costs and underwriting expense costs is applied in respect of the underwriting year; and
- a requirement for the Company to retain a percentage in relation to the Financial Services Compensation Scheme levy.
- On 31 August 2023, the Company acquired the renewal rights to a back-book of home insurance policies previously owned by Barclays for consideration of £66,500 thousand funded by AIL. The Company has accounted for the consideration it paid as an insurance acquisition cashflow. The outwards quota share reinsurance arrangement between the Company and AIL has been modified to include the amortisation of this insurance acquisition cash flow.

As at 31 December 2025 the Company has a reinsurance contract receivable with AIL in relation to the quota share arrangement of £20,424 thousand (2024: £19,544 thousand payable). This balance was previously disclosed within payables and other financial liabilities, note 16. The Company has identified the amount is a reinsurance contract balance and therefore reallocated the amount accordingly, see note 14. The comparative has been restated, see note 23.

In total, the Company holds reinsurance recoveries of £53,241 thousand (2024 Restated: £9,015 thousand) due from AIL, refer to note 14.

The Company settles the quota share arrangement with AIL on a net basis.

(ii) Structured settlements arrangement

The Company has an arrangement with Aviva Life & Pensions UK Limited ("UKLAP"), a fellow Group company, for the outwards reinsurance of its obligations in respect of structured settlements, also known as periodical payment orders.

Refer to the table in Note 14(b)(ii), which presents intra group reinsurance contracts held analysed by remaining coverage and incurred claims, and relates to the quota share reinsurance contract that the Company holds with AIL and the arrangement with UKLAP for the outwards reinsurance of its obligations in respect of structured settlements as at 31 December 2025. The values relating to UKLAP in respect of structured settlements are £3,802 thousand (2024 Restated: £3,702 thousand).

(iii) Other transactions - provided to and by related parties

	2025		Restated ¹ 2024	
	Expenses incurred in the year	Payable at year end	Expenses incurred in the year	Payable at year end
	£'000	£'000	£'000	£'000
Parent	22,208	(50,712)	5,546	(28,504)

¹See note 23 for details of the 2024 restatement.

Expenses incurred in the year of £22,208 thousand (2024 restated: £5,546 thousand) represents recharges of costs payable to Aviva Insurance Limited, the Company's immediate parent entity.

(b) Key management compensation

The key management of the Company are considered to be the statutory directors of the Company. Note 6, Directors' remuneration, gives details of their compensation as directors of the Company.

(c) Immediate Parent entity

The Company's immediate parent company is Aviva Insurance Limited, registered in Scotland.

(d) Ultimate controlling entity

The ultimate controlling entity, and parent of the largest and smallest groups which consolidate the results of the Company, is Aviva plc. Its Group Financial Statements are available on application to the Group Company Secretary, Aviva plc, 80 Fenchurch Street, London EC3M 4AE, and on the Aviva plc website at www.aviva.com.

Notes to the financial statements (continued)

23. Restatement of 2024 comparatives

(a) Statement of financial position and supporting notes

During the year ended 31 December 2025, the Company identified the following items that result in the 2024 comparatives being restated:

- £6,763 thousand relating to external reinsurance premium payable had previously been recognised within other reinsurance contract liabilities, note 14. During 2024, the Company's immediate parent company, Aviva Insurance Limited ("AIL") had settled the liability with the external reinsurers, but had not recharged the amount to the Company. Accordingly, the balance should have been derecognised from other reinsurance contract liabilities and an intra-group liability recognised in its place.
- The previous adjustment resulted in the previously reported reinsurance contract liabilities, relating to other reinsurance contracts, transitioning to an asset position. The Company has recognised a presentational switch on the face of the statement of financial position.
- £1,484 thousand of reinsurance contract balances had been incorrectly presented within receivables, note 10, and has now been reclassified to reinsurance contract balances, note 14. £643 thousand of these balances related to intra-group reinsurance contract balances. £841 thousand related to other reinsurance contract balances.
- £19,544 thousand of reinsurance contract balances had been incorrectly presented within payables and other liabilities, note 16, and has now been reclassified to reinsurance contract balances. The entire £19,544 thousand related to intra-group reinsurance contract balances.
- £13,026 thousand within intra-group reinsurance contract balances initially recorded in disclosure lines 'Amounts recoverable from reinsurers' and 'Amounts received' in the 'Asset for remaining coverage'. This amount should have been recorded in the equivalent lines within the 'Assets for incurred claims'. This reclassification has no impact on the closing intra-group reinsurance contract balance.

None of the restatements identified have impacted the Company's income statement.

(i) The impact of the restatement on the comparative statement of financial position is as follows:

Statement of financial position	Note	As previously reported	Adjustment [A]	Adjustment [B]	Adjustment [C]	Adjustment [D]	As restated
As at 31 December 2024		£'000	£'000	£'000	£'000	£'000	£'000
Assets							
Insurance contract assets	14	21,811	—	—	—	—	21,811
Reinsurance contract assets	14	31,620	—	2,793	1,484	(19,544)	16,353
Receivables	10	7,765	—	—	(1,484)	—	6,281
Prepayments and accrued income	11	7	—	—	—	—	7
Cash and cash equivalents	19	105,106	—	—	—	—	105,106
Total assets		166,309	—	2,793	—	(19,544)	149,558
Equity							
Ordinary share capital	12	76,500	—	—	—	—	76,500
Retained earnings	13	13,371	—	—	—	—	13,371
Total equity		89,871	—	—	—	—	89,871
Liabilities							
Insurance contract liabilities	14	5,997	—	—	—	—	5,997
Reinsurance contract liabilities	14	3,970	(6,763)	2,793	—	—	—
Current tax liabilities	15	2,594	—	—	—	—	2,594
Payables and other financial liabilities	16	41,453	6,763	—	—	(19,544)	28,672
Other liabilities	17	22,424	—	—	—	—	22,424
Total liabilities		76,438	—	2,793	—	(19,544)	59,687
Total equity and liabilities		166,309	—	2,793	—	(19,544)	149,558

(ii) The impact of the restatement on the comparative receivables note is as follows:

Note 11: Receivables	As previously reported	Adjustment [C]	As restated
2024	£'000	£'000	£'000
Amounts owed by contract holders	5,346	—	5,346
Amounts owed by intermediaries	506	—	506
Amounts due from reinsurers	1,484	(1,484)	—
Other receivables	429	—	429
Total as at 31 December	7,765	(1,484)	6,281

Notes to the financial statements (continued)

23. Restatement of 2024 comparatives (continued)

(iii) The impact of the restatement on the comparative payables and other financial liabilities note is as follows:

Note 17: Payables and other financial liabilities	As previously reported	Adjustment [A]	Adjustment [D]	As restated
2024	£'000	£'000	£'000	£'000
Payables arising out of direct insurance and assumed reinsurance	70	—	—	70
Payables arising out of reinsurance operations				—
- Amount due to other Group companies	19,544	—	(19,544)	—
Bank overdrafts	98	—	—	98
Amounts due to other Group companies	21,741	6,763	—	28,504
Total as at 31 December	41,453	6,763	(19,544)	28,672

(iv) The impact of the restatement on the comparative insurance and reinsurance contract assets and liabilities is as follows:

The following table details the impact of the restatement on the comparative intercompany reinsurance contracts held analysed by remaining coverage and incurred claims:

Intra group reinsurance contracts held	As previously reported	Adjustment [C]	Adjustment [D]	Adjustment [E]	As restated
2024 carrying amount	£'000	£'000	£'000	£'000	£'000
Opening assets at 1 January					
Liabilities for remaining coverage	(7,689)	—	(28,832)	—	(36,521)
Assets for incurred claims	40,119	496	—	—	40,615
Estimates of present value of future cash flows	38,402	496	—	—	38,898
Risk adjustment for non-financial risk	1,717	—	—	—	1,717
	32,430	496	(28,832)	—	4,094
Total changes in the income statement					
Liabilities for remaining coverage	(73,786)	—	—	13,026	(60,760)
Assets for incurred claims	40,598	147	—	(13,026)	27,719
Estimates of present value of future cash flows	40,929	147	—	(13,026)	28,050
Risk adjustment for non-financial risk	(331)	—	—	—	(331)
	(33,188)	147	—	—	(33,041)
Total cash flows					
Liabilities for remaining coverage	76,033	—	9,286	(13,026)	72,293
Assets for incurred claims	(43,655)	—	2	13,026	(30,627)
Estimates of present value of future cash flows	(43,655)	—	2	13,026	(30,627)
Risk adjustment for non-financial risk	—	—	—	—	—
	32,378	—	9,288	—	41,666
Closing assets at 31 December					
Liabilities for remaining coverage	(5,442)	—	(19,546)	—	(24,988)
Assets for incurred claims	37,062	643	2	—	37,707
Estimates of present value of future cash flows	35,676	643	2	—	36,321
Risk adjustment for non-financial risk	1,386	—	—	—	1,386
	31,620	643	(19,544)	—	12,719

Notes to the financial statements (continued)

23. Restatement of 2024 comparatives (continued)

The following table details the impact of the restatement on the comparative intercompany reinsurance contracts held analysed by measurement component (contracts measured under the GMM):

Intra group reinsurance contracts held	As previously reported	Adjustment [C]	Adjustment [D]	As restated
2024 carrying amount	£'000	£'000	£'000	£'000
Opening assets at 1 January				
Estimates of present value of future cash flows	26,074	496	(28,832)	(2,262)
Risk adjustment for non-financial risk	3,132	—	—	3,132
Contractual service margin ("CSM")	3,224	—	—	3,224
	32,430	496	(28,832)	4,094
Total changes in comprehensive income				
Estimates of present value of future cash flows	(37,483)	147	—	(37,336)
Risk adjustment for non-financial risk	(1,216)	—	1	(1,215)
CSM	5,511	—	(1)	5,510
	(33,188)	147	—	(33,041)
Total cash flows				
Estimates of present value of future cash flows	32,378	—	9,288	41,666
Risk adjustment for non-financial risk	—	—	—	—
CSM	—	—	—	—
	32,378	—	9,288	41,666
Closing assets at 31 December				
Estimates of present value of future cash flows	20,969	643	(19,544)	2,068
Risk adjustment for non-financial risk	1,916	—	1	1,917
CSM	8,735	—	(1)	8,734
	31,620	643	(19,544)	12,719

Notes to the financial statements (continued)

23. Restatement of 2024 comparatives (continued)

The following table details the impact of the restatement on the comparative other reinsurance contracts held analysed by remaining coverage and incurred claims:

Other reinsurance contracts held	As previously reported	Adjustment [A]	Adjustment [C]	As restated
2024 carrying amount	£'000	£'000	£'000	£'000
Opening assets at 1 January				
Liabilities for remaining coverage	(790)	—	—	(790)
Assets for incurred claims	5,797	—	5,643	11,440
Estimates of present value of future cash flows	5,306	—	5,643	10,949
Risk adjustment for non-financial risk	491	—	—	491
	5,007	—	5,643	10,650
Total changes in the income statement				
Liabilities for remaining coverage	(8,365)	—	—	(8,365)
Assets for incurred claims	(727)	—	(147)	(874)
Estimates of present value of future cash flows	(679)	—	(147)	(826)
Risk adjustment for non-financial risk	(48)	—	—	(48)
	(9,092)	—	(147)	(9,239)
Total cash flows				
Liabilities for remaining coverage	869	—	—	869
Assets for incurred claims	(754)	6,763	(4,655)	1,354
Estimates of present value of future cash flows	(754)	6,763	(4,655)	1,354
Risk adjustment for non-financial risk	—	—	—	—
	115	6,763	(4,655)	2,223
Closing assets at 31 December				
Liabilities for remaining coverage	(8,286)	—	—	(8,286)
Assets for incurred claims	4,316	6,763	841	11,920
Estimates of present value of future cash flows	3,873	6,763	841	11,477
Risk adjustment for non-financial risk	443	—	—	443
	(3,970)	6,763	841	3,634

(v) The impact of the restatement on the comparative risk management note is as follows:

The carrying amount of the reinsurance contract assets disclosed within the financial exposures by credit rating section have been restated to align with the above. The credit rating of these balances remain unchanged.

(vi) The impact of the restatement on the related party transactions note is as follows:

The carrying amount of the payable at the 2024 year end to the Company's immediate parent entity, AIL, has been adjusted for the £6,763 thousand relating to external reinsurance premium payable settled by AIL.

Notes to the financial statements (continued)**23. Restatement of 2024 comparatives (continued)****(b) Statement of cash flows**

During the year ended 31 December 2025, the Company identified the following items that results in the 2024 comparatives being restated:

- The impact of the reinsurance contract balance sheet reclassifications highlighted above.

Statement of cash flows	As previously reported	Adjustment [A]	Adjustment [C]	Adjustment [D]	As restated
For the year 31 December 2024	£'000	£'000	£'000	£'000	£'000
Profit before tax	10,375	—	—	—	10,375
Adjustments for:					
Change in economic assumptions on net claims reserves	(1,133)	—	—	—	(1,133)
Change in insurance acquisition cashflows	(8,000)	—	—	—	(8,000)
Change in deferred consideration	8,000	—	—	—	8,000
	(1,133)	—	—	—	(1,133)
Changes in working capital:					
Increase in net reinsurance assets	(32,492)	(6,763)	(1,484)	19,544	(21,195)
Decrease in receivables	519	—	1,484	—	2,003
Decrease in prepayments and accrued income	340	—	—	—	340
Decrease in net insurance liabilities	47,626	—	—	—	47,626
Increase in payables and other financial liabilities	(24,768)	6,763	—	(19,544)	(37,549)
Decrease in other assets and liabilities	1,095	—	—	—	1,095
	(7,680)	—	—	—	(7,680)
Total cash generated from operating activities	1,562	—	—	—	1,562
Cash and cash equivalents net of bank overdrafts at 1 January	103,447	—	—	—	103,447
Cash and cash equivalents net of bank overdrafts at 31 December	105,009	—	—	—	105,009

24. Subsequent events

Management has evaluated subsequent events for the period from 31 December 2025 to the date of these financial statements. Interim ordinary dividends of £14,500 thousand (2024: £nil) were declared in December 2025 and subsequently settled in February 2026. There has been no other material subsequent events during the aforementioned period.