

Company Registration No. 02280426

Direct Line Insurance Group Limited
formerly Direct Line Insurance Group plc

Annual Report and Financial Statements

31 December 2025

Churchill Court
Westmoreland Road
Bromley
BR1 1DP



Direct Line Insurance Group Limited
Annual Report and Financial Statements

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Direct Line Insurance Group Limited
Directors and officer

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Directors:

The directors of the Company in office at the date of signing of the financial statements were:

J E Adamson
R Aronson
C J Clark
I E Clark
F Fry
D Haria
C C Jones
M C Nestares Lopez
C W M Scott
J P Storah

Officer – Company Secretary:

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

Independent Auditors:

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Registered office:

Churchill Court
Westmoreland Road
Bromley
BR1 1DP

Company number:

02280426

Company registration:

Registered in England and Wales

Other information:

Direct Line Insurance Group Limited (the "Company") is a member of Aviva Group (the "Group") whose ultimate parent company is Aviva plc ("Aviva"), of which the Company is a subsidiary.

Direct Line Insurance Group Limited**02280426****Strategic report****For the year ended 31 December 2025**

The Directors present their Strategic report for the year ended 31 December 2025.

Review of the Company's business**Principal activities**

The Company is a private limited company, incorporated and domiciled in the United Kingdom. On 3 December 2025 the Company re-registered at Companies House from a public limited company to private, changing its name from Direct Line Insurance Group plc to Direct Line Insurance Group Limited.

From 1 July 2025, the Company has been a member of Aviva Group (the "Group") whose ultimate parent company is Aviva plc ("Aviva"). Prior to this date the Company was the ultimate parent company of the Direct Line Group.

The principal activities of the Company are as an intermediate holding company, including managing the investments in its subsidiaries, and providing loans to and receipt of dividends from those subsidiaries. Prior to the Company's acquisition, as the ultimate parent company of the Direct Line Group, its activities also included the payment of dividends to its shareholders.

The Group provides the Company with access to central resources and provides policies in all key areas such as finance, risk, human resources and environmental. Key performance indicators across the Group taken as a whole are referred to in the 2025 Aviva plc Annual Report and Accounts ("Aviva annual report") and accordingly, for an understanding of the development, performance or position of the Company's business, please refer to the Aviva annual report alongside the review of the year section below. Copies can be obtained through the Group's website at www.aviva.com

The Company is managed by an ('aligned' Board') with Aviva Insurance Limited ("AIL"). The aligned Board has responsibility for setting the respective companies overall strategic aims and priorities including those relating to risk appetite and risk management.

Business review

The Company is not a trading entity and amounts reported in the current and prior year income statement and statement of financial position relate to the Company's ongoing activity as an intermediate insurance holding company.

Significant events in the year included:

- Following the purchase of the Company by Aviva in July, Aviva was substituted in place of the Company as principal debtor under the Tier 2 Notes and related Trust Deed, removing subordinated liabilities from the Company's balance sheet
- The Company re-registered from a Public Limited Company to Private on 3 December 2025.
- The Company received a capital injection of £150 million, in the form of a purchase of 1,375 million Ordinary shares, from its parent during the year which, in turn, was used to increase its own investment in its U K Insurance Limited subsidiary, when on 16 December 2025 it subscribed for and was allotted 300 million Ordinary shares of £1 per share in the share capital of U K Insurance Limited, fully paid at par for £300 million.
- Following the acquisition of the Company by the Aviva Group, significant integration activity is ongoing across the combined Group. The Group is considering various actions within the UK General Insurance ("UKGI") segment to achieve capital benefits, including working towards a Part VII¹ transfer of the company to AIL, to combine the Group's general insurance business (subject to court approvals).

Key performance indicators

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

KPI	Definition	Aim	2025	2024
Dividend income received		The Company aims to maximise the capital structure of its subsidiaries by passing up excess capital held by those subsidiaries.	94.0	267.6

Financial position and performance

The financial position of the Company is shown in the statement of financial position on page 19 financial performance is presented in the income statement on page 18.

At the end of the year, the statement of financial position reflected total assets of £3,855.1 million (2024: £3,674.4 million) and total equity of £3,513.4 million (2024: £3,157.0 million).

The Company's sole source of operating income is dividend income from subsidiary undertakings and total profit after tax for the year ended 31 December 2025 was £56.2 million (2024: £213.5 million).

Future outlook

Strategies for the wider Group as a whole are determined by the Board of Aviva plc and these are shown in the Aviva annual report for the year ended 31 December 2025. 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. The directors consider that the Company's principal activities will continue unchanged for the foreseeable future.

Direct Line Insurance Group Limited

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Strategic report

For the year ended 31 December 2025

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 19 to the financial statements.

Section 172(l) Statement and engagement with stakeholders

The Company reports here on how its Directors have performed their duty under Section 172(l) 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.

The 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 its obligations to its stakeholders are met. The Board monitors adherence to the Company's policies and compliance with local corporate governance requirements and is committed to acting where the Company's business falls short of the standards expected.

Culture

The Company's culture is shaped, in conjunction with the wider Aviva Group, by its 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. The Group looks to build relationships with all its stakeholders based on openness and transparency and it values diversity and inclusivity in its workforce and beyond.

Key strategic decisions in 2025

In 2025, the principal strategic decisions undertaken by the Board included the Company's integration into the Aviva Group following the acquisition, capital strengthening of the Company, and preparatory actions in support of longer-term structural and operational changes within UK General Insurance. In considering these matters, the Board expressly assessed the long-term consequences of its decisions, including the impact on the Company's financial resilience, regulatory compliance, policyholder protection and ability to generate sustainable value for its shareholder over the long term. The Board also considered the broader implications of these decisions for customers, suppliers and the communities in which the Company operates, recognising that long-term success is dependent on maintaining trust, operational stability and responsible business practices.

Stakeholder engagement

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

Engagement with Employees

The Company has no employees. All UK employees engaged in the activities of the Company are employed by fellow Group subsidiary companies, DL Insurance Services Limited ("DLIS") and Aviva Employment Services Limited ("AES"). Disclosures relating to employees may be found in the annual report and financial statements of those companies.

Customers

The Company has no direct customers.

Suppliers

All Group supplier related activity is managed in line with the Group's Procurement & Outsourcing Business Standard. This ensures that supply risk is managed appropriately including in relation to customer outcomes, data security, corporate responsibility, financial, operational, contractual, and brand damage caused by inadequate oversight or supplier failure.

An important part of the Group's culture is the promotion of high legal, ethical, environmental and employee related standards within our business and also among our suppliers. Before working with any new suppliers, the Company provides them with the Group's Supplier Code of Behaviour, and interactions with them are guided by the Group's Business Code of Ethics.

The Board reviews the actions the Group has taken to prevent modern slavery and associated practices in any part of the supply chain and approves the Group's Modern Slavery Act statement each year.

Shareholders

In discharging its duties to promote the success of the Company for the benefit of its shareholder, the Board recognises the need to act fairly and transparently, including in its dealings with the Company's shareholder. As the Company is wholly owned by Aviva, fairness between members is achieved through clear governance arrangements, appropriate escalation of matters to the parent where required, and decision-making that has regard to the long-term interests of the shareholder rather than short-term considerations. The Board is also mindful of the wider social and environmental context in which the Company operates and has regard to the impact of the Company's activities on the community and the environment, including climate-related considerations, drawing where appropriate on policies, standards and disclosures established at Group level.

Direct Line Insurance Group Limited**02280426****Strategic report**

For the year ended 31 December 2025

Non-financial and Sustainability Information Statement

The Board is also focused on the wider social context within which the Company operates, 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 annual report 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.

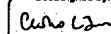
Presentation of financial statements

The primary financial statements are presented in accordance with Companies Act 2006 requirements. In addition, the Company has taken advantage of several disclosure exemptions available under Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") as described in the basis of preparation note in the Company's accounting policies.

Streamlined Energy and Carbon Reporting ("SECR") regulations

The Company consumed less than 40 MWh of energy during the year (2024: under 40 MWh) and is therefore exempt from the UK energy use and carbon emissions disclosure for large companies.

Approved by the Board of Directors and signed on behalf of the Board by:

DocuSigned by:**Charlotte Jones**

Director

31 March 2026

Direct Line Insurance Group Limited**02280426****Directors' report****For the year ended 31 December 2025**

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

Directors and Secretary

The present Directors and Company Secretary are listed on page 1.

From 1 January 2025 to date, the following changes have taken place:

Director	Appointed	Resigned
Aviva Company Secretarial Services Limited ¹	1 July 2025	
R Aronson	1 July 2025	
C J Clark	1 July 2025	
I E Clark	1 July 2025	
F Fry	1 July 2025	
D Haria	1 July 2025	
C C Jones	1 July 2025	
M C Nestares Lopez	1 July 2025	
C W M Scott	1 July 2025	
J P Storah	1 July 2025	
T J Corrigan		1 July 2025
D Gray		1 July 2025
M J Gregory		1 July 2025
C Hagh		1 July 2025
A C Joseph		1 July 2025
M P Lewis		1 July 2025
F C McBain		1 July 2025
D S Neave		1 July 2025
J C Poole		1 July 2025
G S Stewart		1 July 2025
R C Ward		1 July 2025
A C Winslow		1 July 2025
R C Clifton ²		3 July 2025
S F Pond	1 July 2025	9 March 2026
J E Adamson	17 October 2025	

Notes:

1. Aviva Company Secretarial Services Limited appointed as Company Secretary only.
2. R C Clifton resigned as Company Secretary although was not a Director of the Company.

Dividends

The Company paid a dividend of £65.4 million, in respect of the 2024 5.0 pence per share final dividend announced in March 2025, (2024: £78.2 million, in respect of 2023 final dividend of 4.0 pence per share and the 2024 interim dividend of 2.0 pence per share) on its ordinary shares during the year. The Directors do not recommend the payment of a final dividend for the financial year ended 31 December 2025.

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 borrowings (note 16); its contingent liabilities and other risk factors (notes 18 and 19); its capital structure (note 12); management of its risks including market, credit and liquidity risk (note 19); and derivative financial instruments and hedging (note 10).

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.

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 31 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.

Events after the balance sheet date

There have been no events that have occurred since the reporting date that would materially impact these financial statements.

Direct Line Insurance Group Limited**02280426****Directors' report**

For the year ended 31 December 2025

Outlook

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

Stakeholder engagement

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

Statement of corporate governance arrangements

Following the acquisition of the Company by Aviva plc, 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

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, as detailed in the Strategic Report.

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 focused 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 Independent Non-Executive Director 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 both Non-Executive Directors, the majority of whom are Independent Non-Executive Directors, and 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.

The Board undertook a formal effectiveness review of its performance during the year, the results of which were discussed by the Board at its meeting on 27 November 2025. The Board evaluation tracker was subsequently refreshed to include new actions arising from the 2025 evaluation process and will be updated on an ongoing basis throughout the year and shared regularly with the Board. The next independent assessment will take place in November 2026. The 2025 Board Effectiveness Review assessed that overall the Company was operating effectively, with a number of areas prioritised for focus during the coming year.

Direct Line Insurance Group Limited**02280426****Directors' report****For the year ended 31 December 2025****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 the Group's purpose, culture, values; its reporting and escalation structures and their alignment with legal and regulatory duties and the Group's 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 Chief Executive Officer ("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")/Financial Conduct Authority ("FCA") on a quarterly basis. The Company must also adhere to the Subsidiary Governance Principles which are a set of internal governance principles.

The Board held four quarterly meetings this year, plus one additional day's strategic planning. The Board's key areas of focus in 2025 were the acquisition and initial integration of Direct Line Group by Aviva, including preparation for Part VII of U K Insurance Limited and Churchill Insurance Company Limited and trading performance.

The Board has established an Audit Committee, a Risk Committee and a Conduct Committee. The Terms of Reference for these committees are aligned to those of Aviva plc and are reviewed and approved annually by the Board. The Committees also undertake annual effectiveness reviews. The results are discussed by the Committees and an action plan is agreed, with the actions tracked by the Company Secretary.

The Audit Committee is responsible for reviewing the effectiveness of the Company's systems and controls and receive regular updates on the work of the internal audit function and from external auditors. The Board also receives reports from the Chief Financial Officer ("CFO") at each board meeting.

The Risk Committee is responsible for oversight of risk, reviewing the Company's risk appetite and risk profile, reviewing the effectiveness of the Company's risk management framework, reviewing the methodology used in determining the Company's capital requirements, stress testing, ensuring due diligence appraisals are carried out on strategic or significant transactions, and monitoring the Company's regulatory activities, as appropriate.

The Conduct Committee is responsible for assisting the Board in its oversight of conduct issues. This oversight includes oversight of the Company's conduct framework including product design, live selling practices, claims practices, and conduct oversight of third parties. The Committee's responsibilities include reviewing the Company's conduct and financial crime risk profile, and overseeing the brand and reputation of the Company, ensuring that reputational risk is consistent with the risk tolerance approved by the Board and the creation of long-term shareholder value.

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.

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. Independent Non-Executive director fees are also set by Aviva plc and reviewed annually.

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 on its gender pay gap, and on the steps it is taking in relation to this which can be found at UK Pay Gap Report 2024 – Aviva plc.

The Board held a private session on 27 November 2025 to discuss full year 2025 performance and conduct of key individuals of the Company's management and provided input into their full year 2025 remuneration reviews.

All staff are employed by fellow subsidiary undertakings of the Group, DLIS and AES. Disclosures relating to employees may be found in the annual report and financial statements of DLIS and AES.

Principle 6 – Stakeholders

Details about Stakeholders can be found in the Section 172 Statement in the Strategic Report.

Direct Line Insurance Group Limited**02280426****Directors' report**

For the year ended 31 December 2025

Accounting records

The measures taken by the directors to secure compliance with the Company's obligation to keep adequate accounting records are the use of appropriate systems and procedures and employment of competent persons.

Donations

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

Supplier payment policy

The directors are responsible for ensuring that the Company is compliant with the Late Payment of Commercial Debts (Interest) Act 1998, as amended by the Late Payment of Commercial Debts Regulations 2002. It is the policy of the Company to pay for goods and services on presentation of an invoice by the supplier. Statements from suppliers showing amounts outstanding in excess of 30 days are immediately investigated and resolved as soon as possible.

Financial instruments

The Company uses financial instruments to manage certain types of risks, including to those relating to, foreign currency exchange and interest rates. Details of the objectives and management of these instruments are contained in note 19 on risk management.

Employees

DL Insurance Serviced Limited is the main employing entity of Direct Line and is a subsidiary of Aviva. Disclosures relating to employees may be found in the annual report and financial statements of Aviva's main employing entity in the UK, Aviva Employment Services Limited, and Aviva plc.

Disclosure of information to the Auditor

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 LLP, 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 LLP is aware of that information.

Auditor

Following its acquisition by Aviva Plc during 2025, the Company's existing auditor, KPMG LLP, resigned to allow the Company to appoint Aviva's auditor, Ernst & Young LLP as its auditor. 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

The directors have the benefit of an indemnity provision contained in the Company's Articles of Association, subject to the conditions set out in the Companies Act 2006. This is a 'qualifying third party indemnity' provision as defined in section 234 of the Companies Act 2006.

Aviva plc, the Company's ultimate parent, granted in 2004 an indemnity to the directors other than Ian Clark and Charlotte Jones 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. Aviva plc has also granted a qualifying third-party indemnity provision for the benefit of Ian Clark and Charlotte Jones covering liabilities that may attach to them in their capacity as director of the Company. This was in force during the financial year and remains in force.

Statement of Directors responsibilities

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101').

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make reasonable and prudent judgements and accounting estimates;
- state whether applicable UK accounting standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Direct Line Insurance Group Limited

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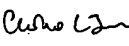
Directors' report

For the year ended 31 December 2025

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.

Approved by the Board of Directors and signed on behalf of the Board by:

DocuSigned by:

0050E987A51E4F8
Charlotte Jones
Director
31 March 2026

Independent Auditor's report to the members of DL Insurance Group Limited

For the year ended 31 December 2025

Opinion

We have audited the financial statements of Direct Line Insurance Group Limited (previously called Direct Line Insurance Group plc) (the '**Company**') for the year ended 31 December 2025 which comprise the Income statement, the Statement of financial position, Statement of changes in equity and the related notes 1 to 20, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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, other than those disclosed within Independence section below.

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

Independence

Aviva plc ("**Aviva**") became the ultimate parent of Direct Line Insurance Group plc, and its subsidiaries UK Insurance Limited and Churchill Insurance Company Limited, all public interest entities ("**Group**") following the acquisition of the Company on 1 July 2025. We were appointed by the Audit Committee as the statutory auditor of the Group on 2 July 2025. Prior to appointment as the statutory auditor and as soon as it was made public that Aviva and the Group had agreed preliminary terms for the transaction, we undertook procedures to establish our independence of the Company, including ensuring that all staff who work on the audit are independent of the Company. During the course of our independence procedures, it was identified that in the cooling-in period (from 1 January 2024) prior to our appointment, we performed Internal Audit services to the Company, which are prohibited by the FRC's Ethical Standard for a prospective UK PIE audited entity during the cooling-in period.

When Aviva and the Group announced that they had reached agreement on the terms, EY ceased all internal audit activities immediately. The nature and scale of the internal audit activities after the initial public announcement on 27 November 2024 were minor and inconsequential amounting to under £8,000 in total fees.

In accordance with the FRC's Exemption Application Process, we applied for and obtained a waiver of independence requirements pursuant to the powers granted to the FRC in the Companies (Directors' Remuneration and Audit) (Amendment) Regulations 2025 (SI 2025/439). As part of this process, the threats to our objectivity, integrity and independence arising from the services were assessed by us and considered by the Audit Committee on 11 September 2025. Our assessment concluded that, with appropriate safeguards set out below, the internal audit services provided by us during the cooling-in period did not give rise to a threat so significant that it would compromise our independence when considered from the perspective of an objective, reasonable and informed third-party. To mitigate the self-review and familiarity threats resulting from the internal audit services provided, members of the internal audit engagement team had no involvement in the external audit.

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 31 March 2027, being 12-months from when the financial statements are authorised for issue;
- 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 financial strength of the parent company to provide support if necessary;
- 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; 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 a period up to 31 March 2027, being 12-months from when the financial statements are authorised for issue..

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

Independent Auditor's report to the members of DL Insurance Group Limited

For the year ended 31 December 2025

Overview of our audit approach

Key audit matters	Valuation of Investments in Subsidiaries
Materiality	Overall materiality of £61.5m which represents 1.75% of net assets.

An overview of the scope of our audit**Tailoring the scope**

Our assessment of audit risk, our evaluation of materiality and our allocation of 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, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

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 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 or to impact a key audit matter.

First year audit considerations

In preparation for our first-year audit of the 31 December 2025 financial statements, we performed a number of transitional procedures, including review of KPMG's 2024 audit work papers, and obtaining an understanding of their risk assessment and key judgements. Prior to appointment as the statutory auditor, we undertook procedures to establish our independence of the company, including ensuring that all staff who work on the audit are independent of the company.

We held a number of meetings with management to understand the key judgements made for the 31 December 2024 year end. We used this understanding to establish our audit base and assist in the formalisation of our audit strategy for the 2025 audit. This involved obtaining an understanding of the company's key processes and controls over financial reporting via walkthroughs.

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	Key observations communicated to the Audit Committee
Valuation of Investment in Subsidiaries (£3,773.3 million, PY comparative £3,460.9 million) <i>Refer to Accounting policy F (page 15); and Note 4 of the Financial Statements (page 21).</i> In the Company's statement of financial position, investments in subsidiaries are reported at cost less impairment. The investments in subsidiaries are the largest assets on the Company's statement of financial position. There is a risk that the carrying value of the investments in subsidiaries exceeds the recoverable amount and therefore an impairment loss should be recognised.	We obtained management's assessment of the recoverability of the carrying value of investments in subsidiaries and evaluated whether any indicators of impairment existed. Where indicators were identified, we evaluated management's determination of the recoverable amount by considering any indicative fair value less costs of disposal ("FVLCD") and by assessing management's value in use ("VIU") models. Our procedures included: – Assessing the reasonableness and appropriateness of the key assumptions underlying the forecast cash flows, based on our understanding of the Company and the economic and operating environment in which the subsidiaries operate; – Evaluating and corroborating the methodology used to determine the discount rate applied, including engaging our EY valuation specialists to assess the appropriateness of the underlying inputs; – Assessing management's determination of terminal value, including validating the long term growth rate assumptions by comparison with wider market experience and that of Direct Line Insurance Group Limited; and – Evaluating the adequacy of the related disclosures in the financial statements.	Based on our procedures performed, we are satisfied that the methodology and assumptions used by management in their valuation of the investments in subsidiaries is reasonable.

Direct Line Insurance Group limited**02280426****Independent Auditor's report to the members of DL Insurance Group Limited**

For the year ended 31 December 2025

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 £61.5 million, which is 1.75% of net assets. We believe that net assets represents the most significant metric associated with the company in the current financial year given its function as a holding company for its subsidiaries and given that the users of the financial statements are most concerned with the ability of the Company to pay dividends.

During the course of our audit, we reassessed initial materiality and the materiality increased to reflect an increase in the net asset balance from the point of initial assessment to the Balance Sheet date.

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, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £30.7 million. We have set performance materiality at this percentage due to this being an initial audit.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £3.1 million, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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. 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 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 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

Direct Line Insurance Group limited**02280426****Independent Auditor's report to the members of DL Insurance Group Limited**

For the year ended 31 December 2025

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, 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.
- 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 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, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees and enquiring about the company's methods of enforcing and monitoring compliance with such policies.
- 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. 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.

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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Heidi Burton Senior statutory auditor

For and on behalf of Ernst & Young LLP, statutory auditor

London, United Kingdom

31 March 2026

Direct Line Insurance Group limited**02280426****Accounting policies**

For the year ended 31 December 2025

Statement of compliance

The Company is incorporated and domiciled in the UK and registered in England and Wales (company number 02280426). On 3 December 2025 the Company re-registered at Companies House from a public limited company to private, changing its name from Direct Line Insurance Group plc to Direct Line Insurance Group Limited. The principal activities of the Company are as an intermediate holding company, including managing the investments in its subsidiaries, and providing loans to and receipt of dividends from those subsidiaries. The Company is a private company limited by shares. 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 in the basis of preparation.

(A) Basis of preparation

The Company's financial statements are prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). The financial statements are prepared on a historical cost basis except for derivative financial instruments, which are measured at their fair value.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of effective International Accounting Standards ("IASs") and International Financial Reporting Standards ("IFRS") as endorsed by the United Kingdom Endorsement Board ("UKEB") and adopted by the UK but makes amendments where necessary to comply with the Companies Act 2006.

The Company has taken advantage of the following disclosure exemptions available under FRS 101:

- FRS 101.8 (d): the requirements of IFRS 7 'Financial Instruments: Disclosures' to make disclosures about financial instruments, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated;
- FRS 101.8 (e): the requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement';
- FRS 101.8 (g): the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 'Presentation of Financial Statements' to produce a cash flow statement, and to make an explicit and unreserved statement of compliance with IFRSs, additional comparative information and capital management information;
- FRS 101.8 (h): the requirements of IAS 7 'Statements of Cash Flows' to produce a cash flow statement and related notes;
- FRS 101.8 (i): the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' to include a list of new IFRSs that have been issued but that have yet to be applied;
- FRS 101.8 (j): the requirements of paragraph 17 of IAS 24 'Related party disclosures' relating to disclosure of key management compensation; and
- FRS 101.8 (k): the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary party to the transaction is wholly owned by such a member.

The Company's financial statements are prepared in sterling, which is the functional currency of the Company. Unless otherwise noted, the amounts shown in these financial statements are in millions of pounds sterling ("£m").

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 borrowings (note 16); its contingent liabilities and other risk factors (notes 18 and 19); its capital structure (note 12); management of its risks including market, credit and liquidity risk (note 19); and derivative financial instruments and hedging (note 10).

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.

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 31 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.

New standards, interpretations and amendments to published standards that have been issued and endorsed by the UK and adopted by the Company

The Company has adopted Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability which became effective for the annual reporting period beginning on 1 January 2025. The amendments do not have a significant impact on the Company's statements.

(B) Basis of consolidation

The financial statements contain information about Direct Line Insurance Group Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempted by section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the Company and its subsidiaries are included by full consolidation in the IFRS consolidated financial statements of its ultimate parent, Aviva plc, a public company registered in the United Kingdom and which is the controlling party.

The registered address of Aviva plc is 80 Fenchurch Street, London, EC3M 4AE.

Direct Line Insurance Group limited**02280426****Accounting policies**

For the year ended 31 December 2025

(C) Material accounting policies and the use of estimates and judgements**Material accounting policies**

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.

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

Material accounting policies	Policy reference
Investment in subsidiaries	(F)
Capital instruments	(L)

Critical accounting judgements and sources of estimation uncertainty

The following are the critical judgements that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements, and items considered particularly susceptible to changes in estimates and 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 note disclosures.

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.

Critical accounting judgements and key sources of estimation uncertainty	Policy reference	Carrying value
Investment in subsidiaries Investment in subsidiaries are recognised at cost less impairment. Investments are reviewed at least annually to test whether any indicators of impairment exist. Where there is objective evidence that such an asset is impaired, the investment is impaired to its recoverable value and any unrealised loss is recorded in the income statement.	(F)	Note 4

There have been no significant changes in the basis upon which judgement and estimates have been determined, compared to that applied as at 31 December 2024.

(D) Foreign currency translation

The Company records transactions in the currency of the primary economic environment in which they operate (their functional currency), translated at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at the foreign exchange rates ruling at the statement of financial position date. Foreign exchange differences arising on the settlement of foreign currency transactions and from the translation of monetary assets and liabilities are reported in the income statement.

Non-monetary items denominated in foreign currencies that are stated at fair value are translated into the relevant functional currency at the foreign exchange rates ruling at the dates the values are determined. Translation differences arising on non-monetary items measured at fair value are recognised in the income statement.

(E) Investment income

Dividend income is recognised when the right to receive payment is established.

Interest income on financial assets held at amortised cost is determined using the effective interest rate method. The effective interest rate method is a way of calculating the amortised cost of a financial asset (or group of financial assets) and of allocating the interest income over the expected life of the asset.

(F) Investment in subsidiaries

Investments in subsidiaries are stated at cost less any impairment. Investments are reviewed annually to test whether any indicators of impairment exist. Where there is objective evidence that such an asset is impaired, such as the financial difficulty of the entity or a significant or prolonged decline in its fair value below cost, the investment is impaired to its recoverable value. Impairments are charged to administration expenses in the statement of profit and loss.

The Company accounts for the disposal of business or investment in subsidiary undertakings when it ceases to exert control.

A gain or loss is measured as the difference between the fair value of consideration received or receivable and the value of the assets and liabilities derecognised, which relate to businesses disposed of. The gain or loss is recognised on the effective date of the completion of the disposal.

Direct Line Insurance Group limited**02280426****Accounting policies**

For the year ended 31 December 2025

(G) Financial instruments**Recognition and initial measurement**

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

On initial recognition, financial assets are measured at fair value net of transaction costs. Subsequently they are measured at amortised cost, FVOCI or FVTPL, depending on the Company's business model for managing the financial assets and whether the cash flows represent solely payments of principal and interest. The Company reclassifies financial assets when and only when its business model for managing those assets changes.

Financial liabilities are initially recognised at fair value net of transaction costs incurred. Financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Classification and subsequent measurement**Financial instruments measured at amortised cost**

Financial assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income is accounted for using the effective interest method. Such assets held by the Company include cash and cash equivalents and other receivables. Included in cash and cash equivalents are money market funds, which are held at fair value.

Financial liabilities are measured at amortised cost, except for derivative financial liabilities, which are held at fair value.

Financial instruments measured at fair value through profit or loss

Derivative financial instruments are recognised initially at fair value on the date the derivative contract is entered into, and subsequently remeasured to their fair value at the end of each reporting period. Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models. Gains and losses arising from changes in the fair value of a derivative are recognised as they arise in the income statement unless the derivative is the hedging instrument in a qualifying hedge.

Derecognition

A financial asset is derecognised when the contractual rights to receive the cash flows from that asset have expired or when the Company has transferred its rights to receive cash flows from the asset and either the Company has transferred substantially all the risks and rewards of ownership of the asset or the Company has neither transferred nor retained substantially all the risks and rewards of ownership and the Company has not retained control.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Impairment of financial assets

At initial recognition an expected credit loss allowance assessment is conducted with an impairment loss booked if material. The expected loss allowance for financial assets is based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the credit quality and history of the financial asset or group of financial assets, as well existing market conditions and forward-looking expectations.

At the date of each statement of financial position date, the Company assesses, on a forward-looking basis, whether there is objective evidence that an impairment loss on a financial asset or group of financial assets classified as held at amortised cost is expected. The Company measures the amount of the loss as the difference between the carrying amount of the asset or group of assets including an allowance for expected losses at initial recognition, and the present value of estimate future cash flows from the asset or group of assets, discounted at the effective interest rate of the instrument at initial recognition.

The Company applies the simplified impairment approach to its other receivables, grouping other receivables into categories with shared credit risk characteristics and estimating expected future loss rates based on historical experience.

Impairment losses, including the expected credit allowance, are recognised in the income statement, against administration expenses, and the carrying amount of the financial asset or group of financial assets is reduced by establishing an allowance for the impairment losses. If in a subsequent period the amount of the expected impairment allowance reduces and this can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

(H) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value. Such investments are those with less than three months' maturity from the date of acquisition.

(I) Subordinated liabilities

Subordinated liabilities comprise subordinated guaranteed dated notes which are initially measured at fair value net of transaction costs incurred. Subsequently, subordinated liabilities are measured at amortised cost using the effective interest rate method.

Direct Line Insurance Group limited**02280426****Accounting policies**

For the year ended 31 December 2025

(J) Income taxes

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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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.

Deferred tax is provided on any temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred taxes are not provided in respect of any temporary differences arising from the initial recognition of goodwill, or from the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit or loss at the time of the transaction.

Current and deferred tax relating to items recognised in other comprehensive income and directly in equity are similarly recognised in other comprehensive income and directly in equity respectively, except for the tax consequences of distributions from certain equity instruments, to be recognised in the income statement.

Deferred tax related to any fair value re-measurement of investments, held at fair value through other comprehensive income, owner-occupied properties, pensions and other post-retirement obligations and other amounts charged or credited directly to other comprehensive income is recognised in the statement of financial position as a deferred tax asset or liability.

(K) Share capital**Ordinary share capital**

Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the issue and disclosed where material.

Dividends

Interim dividends on Ordinary Shares are recognised in equity in the period in which they are paid. Final dividends on Ordinary Shares are recognised when they have been approved at the Annual General Meeting ("AGM").

(L) Capital instruments

The Company classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavourable terms, or as equity if it evidences a residual interest in the assets of the Company after the deduction of liabilities.

The Tier 1 notes are classified as equity as they have a perpetual maturity and the Company has full discretion over interest payments, including ability to defer or cancel interest payments indefinitely.

Income statement

For the year ended 31 December 2025

	Notes	2025 £m	2024 £m
Investment income	1	94.0	267.6
Administration expenses	2	(49.8)	(45.0)
Operating profit		44.2	222.6
Interest income		7.2	10.3
Impairment of investment in subsidiary undertakings	4	(1.5)	—
Gain on disposal of subordinated debt		17.6	—
Finance costs	5	(20.4)	(30.8)
Profit before tax		47.1	202.1
Tax Credit	6	9.1	11.4
Profit for the year attributable to the owner of the Company		56.2	213.5

The accounting policies (identified alphabetically) on pages 14 to 17 accompanying notes (identified numerically) on pages 21 to 28 form an integral part of these financial statements.

There were no other items of comprehensive income or expense for the year ended 31 December 2025 (31 December 2024: none) and accordingly no separate statement of other comprehensive income has been presented.

Direct Line Insurance Group Limited**02280426****Statement of financial position**

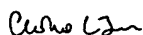
As at 31 December 2025

	Notes	2025 £m	2024 £m
Assets			
Non-current assets			
Investment in subsidiary undertakings	4	3,773.3	3,460.9
Other receivables	8	0.1	18.0
Total non-current assets		3,773.4	3,478.9
Current assets			
Current tax assets	9	9.1	11.4
Other receivables	8	11.7	6.8
Derivative financial instruments	10	0.2	—
Cash and cash equivalents	11	60.7	177.3
Total current assets		81.7	195.5
Total assets		3,855.1	3,674.4
Equity			
Ordinary share capital	12	535.4	143.1
Retained earnings		1,174.6	1,217.9
Other reserves	13	1,456.9	1,449.5
Tier 1 Notes	14	346.5	346.5
Total equity		3,513.4	3,157.0
Liabilities			
Non-current liabilities			
Subordinated debt	15	—	259.1
Borrowings	16	340.7	257.5
Deferred tax liabilities	9	0.8	0.8
Total non-current liabilities		341.5	517.4
Current liabilities			
Derivative financial instruments	10	0.2	—
Total current liabilities		0.2	—
Total liabilities		341.7	517.4
Total equity and liabilities		3,855.1	3,674.4

The accounting policies (identified alphabetically) on pages 14 to 17 accompanying notes (identified numerically) on pages 21 to 28 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 31 March 2026 and were signed on its behalf by:

DocuSigned by:



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Charlotte Jones

Director

31 March 2026

Registered in England and Wales No. 02280426

Direct Line Insurance Group Limited**02280426****Statement of changes in equity**

For the year ended 31 December 2025

	Share Capital (note 12)	Capital reserves (note 13)	Shared-based payment reserve ¹	Retained earnings	Tier 1 notes (note 14)	Total equity
	£m	£m	£m	£m	£m	£m
Balance at 1 January 2024	143.1	1,456.9	(5.6)	1,099.2	346.5	3,040.1
Profit for the year	—	—	—	213.5	—	213.5
Total comprehensive income	—	—	—	213.5	—	213.5
Dividends and appropriations (note 7)	—	—	—	(94.8)	—	(94.8)
Credit to equity for equity-settled share-based payments	—	—	15.8	—	—	15.8
Shares distributed by employee trusts	—	—	(17.6)	—	—	(17.6)
Total transactions with equity holders	—	—	(1.8)	(94.8)	—	(96.6)
Balance at 31 December 2024	143.1	1,456.9	(7.4)	1,217.9	346.5	3,157.0
Profit for the year	—	—	—	56.2	—	56.2
Total comprehensive income	—	—	—	56.2	—	56.2
Dividends and appropriations (note 7)	—	—	—	(82.0)	—	(82.0)
Shares acquired by employee trusts	0.8	—	—	—	—	0.8
Shares issued in respect of transfer of Tier 2 notes	241.5	—	—	—	—	241.5
Capital injection	150.0	—	—	—	—	150.0
Credit to equity for equity-settled share-based payments	—	—	13.9	—	—	13.9
Shares distributed by employee trusts ¹	—	—	(6.5)	(17.5)	—	(24.0)
Total transactions with equity holders	392.3	—	7.4	(99.5)	—	300.2
Balance at 31 December 2025	535.4	1,456.9	—	1,174.6	346.5	3,513.4

Note:

- The majority of the share-based compensation plans granted by the Company to the employees of DL Insurance Services Ltd vested following the acquisition by Aviva Group. The difference between the amounts recognised in the share-based payment reserve and the cost of fulfilling the share-based compensation plans is recognised in retained earnings.

The accounting policies (identified alphabetically) on pages 14 to 17 accompanying notes (identified numerically) on pages 21 to 28 form an integral part of these financial statements.

Direct Line Insurance Group Limited**02280426****Notes to the financial statements**

For the year ended 31 December 2025

1. Investment income

This note analyses the Company's investment income.

	2025	2024
	£m	£m
Investment income:		
Dividend income from subsidiaries	94.0	267.6
Total	94.0	267.6

2. Administration expenses

	2025	2024
	£m	£m
Consultants fees	41.6	29.1
Staff costs ¹	7.7	13.8
Other	0.5	2.1
Total	49.8	45.0

Note:

1. Staff costs are in the form of management recharges from DLIS.

Auditor's remuneration

Fees for audit and non-audit services for the current and prior years were borne by a subsidiary, DL Insurance Services Limited.

Fees paid to the Auditor (Ernst & Young LLP) by DLIS in respect of the statutory audit of the Company's financial statements amount to £36,000 (2024: £0.4 million paid to KPMG LLP).

Staff costs and number of employees

The Company had no employees during the years ended 31 December 2025 or 31 December 2024.

3. Directors' remuneration**Directors remuneration**

	2025	2024
	£m	£m
Aggregate remuneration in respect of qualifying services	4.8	3.9
Aggregate amounts received or receivable under long-term incentive schemes in respect of qualifying services	6.2	2.1
Total	11.0	6.0

No Directors accrued benefits under pension schemes and in respect of qualifying service (2024: £nil).

The aggregate remuneration in respect of qualifying service paid to directors or past Directors as compensation for loss of office during the year was £0.6 million (2024: £1.4 million).

Two Directors received shares under long-term incentive schemes in respect of qualifying service (2024: Three Directors).

The highest paid director had emoluments of £2.1 million and received 2,932,048 shares of Direct Line Insurance Group plc at an average price of £2.89 (2024: £1.4 million, 858,638 shares, £1.91 respectively).

4. Investment in subsidiaries

This note provides details of the Company's investment in its subsidiaries.

The subsidiary undertakings of the Company are set out in the table below which are unlisted. The Company owns up to 100% of the Ordinary Shares, either directly or through its ownership of other subsidiaries, and exercises full control over their decision making.

	2025	2024
	£m	£m
At 1 January	3,460.9	3445.2
Additional investment in subsidiary undertakings	312.4	15.7
At 31 December	3,773.3	3,460.9

Direct Line Insurance Group Limited

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Notes to the financial statements

For the year ended 31 December 2025

Name of subsidiary	Company registration number	Place of incorporation and operation	Type of ownership interest (share type)	Proportion of voting power held	Principal activity
Directly held by the Company					
Direct Line Group Limited ¹	02811437	United Kingdom	Ordinary	100 %	Intermediate holding company ⁶
DL Insurance Services Limited ¹	03001989	United Kingdom	Ordinary	100 %	Management services
Finsure Premium Finance Limited ¹	01670887	United Kingdom	Ordinary	100 %	Non-trading company ⁶
Inter Group Insurance Services Limited ¹	02762848	United Kingdom	A Ordinary, B Ordinary	100 %	Dormant ⁵
UK Assistance Accident Repair Centres Limited ¹	02568507	United Kingdom	Ordinary	100 %	Motor vehicle repair services
UK Assistance Limited ¹	02857232	United Kingdom	Ordinary	100 %	Dormant ⁵
U K Insurance Business Solutions Limited ¹	05196274	United Kingdom	Ordinary	100 %	Insurance intermediary services
U K Insurance Limited ^{2,3}	01179980	United Kingdom	Ordinary	100 %	General insurance
Indirectly held by the Company					
Brolly UK Technology Limited ¹	10134039	United Kingdom	A Ordinary, B Ordinary, Ordinary	100 %	Dormant ⁵
By Miles Group Ltd ¹	12270837	United Kingdom	Ordinary	100 %	Intermediate holding company
By Miles Ltd ¹	09498559	United Kingdom	Ordinary	100 %	Business support services
By Miles Technology Services Ltd ¹	12189384	United Kingdom	Ordinary	100 %	Software development
Churchill Insurance Company Limited ¹	02258947	United Kingdom	Ordinary	100 %	General insurance
Direct Line Insurance Limited ¹	01810801	United Kingdom	Ordinary	100 %	Dormant ⁵
DL Support Services India Private Limited ⁴	See footnote 4	India	Ordinary	99.9 %	Support and operational services
DLG Legal Services Limited ²	08302561	United Kingdom	Ordinary	100 %	Legal services
DLG Pension Trustee Limited ¹	08911044	United Kingdom	Ordinary	100 %	Dormant ⁵
Farmweb Limited ¹	03207393	United Kingdom	Ordinary	100 %	Dormant ⁵
Green Flag Group Limited ²	02622895	United Kingdom	Deferred, Ordinary, Preferred Ordinary	100 %	Intermediate holding company
Green Flag Holdings Limited ¹	03577191	United Kingdom	Ordinary	100 %	Intermediate holding company ⁶
Green Flag Limited ²	01003081	United Kingdom	Deferred, Ordinary, Preferred Ordinary	100 %	Breakdown recovery services
Intergroup Assistance Services Limited ¹	03315786	United Kingdom	Ordinary	100 %	Dormant ⁵
National Breakdown Recovery Club Limited ¹	02479300	United Kingdom	Ordinary	100 %	Dormant ⁵
Nationwide Breakdown Recovery Services Limited ¹	01316805	United Kingdom	Ordinary	100 %	Dormant ⁵
The National Insurance and Guarantee Corporation Limited ¹	00042133	United Kingdom	Ordinary	100 %	Dormant ⁵
UKI Life Assurance Services Limited ¹	03034263	United Kingdom	Ordinary	100 %	Dormant ⁵

Notes:

- Registered office at: Churchill Court, Westmoreland Road, Bromley, BR1 1DP.
- Registered office at: The Wharf, Neville Street, Leeds, LS1 4AZ.
- U K Insurance Limited is registered as a foreign company in the Republic of South Africa and had a branch in Ireland (deauthorised February 2025).
- Registered office at: Max House, Level 5, Okhla Industrial Estate Phase-III, New Delhi, 110020, India. Company registration number: U74140DL2014FTC265567.
- These entities have not been audited, in accordance with the exemptions available for dormant entities under section 480 of the Companies Act 2006.
- These entities have not been audited, in accordance with the exemptions available for subsidiaries under section 479A of the Companies Act 2006.

Direct Line Insurance Group Limited**02280426****Notes to the financial statements**

For the year ended 31 December 2025

4. Investment in subsidiaries continued

The Company did not acquire or dispose of any subsidiaries in the year ended 31 December 2025, (2024: By Miles Payment Services Ltd dissolved).

The Company increased its investment in its U K Insurance Limited subsidiary, when on 16 December 2025 it subscribed for and was allotted 300 million Ordinary shares of £1 per share in the share capital of U K Insurance Limited, fully paid at par for £300 million.

The Company has performed an impairment test in line with the requirements of IAS 36 'Impairment of Assets' and concluded that no impairments were required to any of the Company's investments in its subsidiaries other than those noted below.

The Company recognised an increase in investment to and impairment of £0.5 million in By Miles Limited ("By Miles") in relation to a share-based payments plan in By Miles.

As part of a programme to make one of the Company's subsidiaries, Finsure Premium Finance Limited ("Finsure"), dormant the Company impaired its investment in Finsure in the year from £1 million to £1.

The recoverable amounts of each investment were based on the higher of the value-in-use test, using the strategic plan, and the fair value which was deemed to be equal to the subsidiaries' net asset values. For each investment in subsidiary the recoverable amount was greater than the carrying value of the cost of investment resulting in no impairment required for the year ended 31 December 2025 (2024: £nil).

5. Finance costs

This note analyses the Company's finance costs.

	2025	2024
	£m	£m
Interest Expense on subordinated liabilities	5.3	10.7
Interest on borrowings from fellow group undertakings	15.1	20.1
Total	20.4	30.8

6. Tax credit

This note analyses the tax charge for the year and explains the factors that affect it.

- a. Tax credited to the income statement
i. The total tax credit/charge comprises:

	2025	2024
	£m	£m
Current taxation:		
Credit for the year	(9.1)	(11.4)
Tax credit for the year	(9.1)	(11.4)

Current tax prior year adjustments includes a credit of £nil (2024: £nil) for current year losses carried back against profits of the prior year

- ii. No unrecognised tax losses, excess management expenses or temporary differences from previous years were used to adjust the current tax credit (2024: None).
iii. No deferred tax was charged or (credited) to the income statement during the year (2024: none).

- b. Tax (credited)/charged to other comprehensive income

There was no tax credited or charged to other comprehensive income in either 2025 or 2024.

- c. Tax reconciliation

The following table analyses the difference between the actual income tax charge and the expected income tax charge computed by applying the standard rate of corporation tax of 25.0% (2024: 25.0%).

	2025	2024
	£m	£m
Profit before tax	47.1	202.1
Expected tax charge	11.8	50.5
Effects of:		
Non-assessable income	(27.9)	(66.9)
Net movement in impairment of subsidiaries	0.4	—
Disallowable expenses	10.8	9.2
Deductible Tier 1 notes coupon payment in equity	(4.2)	(4.2)
Tax credit for the year	(9.1)	(11.4)
Effective income tax rate	(19.3%)	(5.6%)

Direct Line Insurance Group Limited**02280426****Notes to the financial statements**

For the year ended 31 December 2025

6. Tax credit continued

The Company (as part of the Aviva Group and Direct Line Group in 2024) is subject to the reform of the international tax system proposed by The Organisation for Economic Co-operation and Development ("OECD") which introduced a global minimum effective rate of corporation tax of 15% and was enacted in the UK with effect from 1 January 2024. There is no expectation of any exposure to Pillar Two Top-up Taxes and accordingly no accrual has been recorded in these 2025 Financial Statements.

Aviva Group (and Direct Line Group in 2024) applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Company neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

7. Dividends and appropriations

	2025	2024
	£m	£m
Amounts recognised as distributions to equity holders in the period:		
2024 Final dividend of 5.0 pence per share paid on 19 May 2025	65.4	
2024 Interim dividend of 2.0 pence per share paid on 11 October 2024		26.1
2023 Final dividend of 4.0 pence per share paid on 17 May 2024		52.1
	65.4	78.2
Coupon payments in respect of Tier 1 notes ¹	16.6	16.6
	82.0	94.8
Proposed dividends:		
No final dividend proposed for 2025	—	
2024 final dividend of 5.0 pence per share		65.1

Note:

1. Coupon payments on the Tier 1 notes issued in December 2017 are treated as an appropriation of retained profits and, accordingly, are accounted for when paid.

The trustees of the Direct Line Group employee share trusts waived their entitlement to dividends on shares held to meet obligations arising on Direct Line Group's Long-Term Incentive Plan, Deferred Annual Incentive Plan and Restricted Share Plan awards, which reduced the total dividends paid for the year ended 31 December 2025 by £0.5 million (2024: £0.6 million).

8. Other receivables

This note details the Company's other receivables.

	2025	2024
	£m	£m
Loans to subsidiary undertakings ¹	0.1	18.0
Receivables due from subsidiary undertakings	11.1	5.7
Other debtors	0.6	1.1
Total²	11.8	24.8

Notes:

1. Loans to subsidiary undertakings are not expected to be settled within 12 months and as such are classified as non-current. Loan balances are held at their recoverable amount
2. Receivables due from subsidiary undertakings and Other debtors are classified as current.

In respect of other receivables, £11.8 million (2024: £24.8 million) is neither past due nor impaired. At 31 December 2025 no balances (2024: £nil) are past due more than 30 days. In respect of credit quality, all other receivables are unrated.

9. Tax assets and liabilities

This note analyses tax assets and liabilities that appear in the statement of financial position and explains movements in these balances in the year.

Current tax assets recoverable in more than one year are £nil (2024: £nil).

The aggregate current and deferred tax liabilities relating to items that are charged or (credited) to equity is £nil (2024: £nil).

The table below analyses the major deferred tax assets and liabilities recognised by the Company and movements thereon.

	Temporary differences in Tier 1 notes	Total
	£m	£m
At 1 January and 31 December 2024 and At 31 December 2025	0.8	0.8

The net deferred tax liability has arisen on provisions and other temporary differences. There has been no movement in the net deferred tax liability during the year (2024: no movement).

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For the year ended 31 December 2025

10. Derivative financial instruments

This note shows the notional and carrying values of the Company's derivative financial assets and liabilities.

	Notional amount	Fair value	Notional amount	Fair value
	2025	2025	2024	2024
	£m	£m	£m	£m
Derivative assets				
Designated as hedging instruments:				
Foreign exchange contracts (forwards) ¹	22.3	0.2	24.0	—
Total	22.3	0.2	24.0	—
Derivative liabilities				
Designated as hedging instruments:				
Foreign exchange contracts (forwards) ¹	22.3	0.2	24.0	—
Total	22.3	0.2	24.0	—

Note:

1. The foreign exchange contracts have been entered into on behalf of the Company's subsidiary companies.

11. Cash and cash equivalents

This note details the Company's cash and cash equivalents position as disclosed in the statement of financial position.

	2025	2024
	£m	£m
Short-term deposits with credit institutions ¹	60.7	177.3
Cash and cash equivalents	60.7	177.3

Note:

1. This represents money market funds.

12. Share capital

This note gives details of the Company's Ordinary Share capital.

Issued and fully paid: equity shares	2025			2024		
	Number of shares millions	Ordinary share capital £m	Share premium £m	Number of shares millions	Ordinary share capital £m	Share premium £m
Ordinary shares of 10 10/11 pence each ¹						
At 1 January	1,311.4	143.1	—	1,311.4	143.1	—
Issued in the year	1,461.7	159.4	232.9	—	—	—
At 31 December	2,773.1	302.5	232.9	1,311.4	143.1	—

Note:

1. The shares have full voting, dividend and capital distribution rights (including on wind-up) attached to them; these do not confer any rights of redemption.

Shares issued in the year

New shares were issued in the year as follows:

- 7.8 million shares issued at a nominal value of £0.8 million to satisfy Direct Line Group executive share awards which vested early due to Aviva's acquisition of Direct Line Group.
- 79.0 million shares issued at a nominal value of £8.6 million, and premium of £232.9 million), as part of Aviva taking over the Tier 2 notes originally issued by the Company.
- 1375.0 million shares issued at a nominal value of £150 million in respect of Aviva Insurance Limited's capital injection into the Company.

13. Other Reserves

Capital reserves of £1,350.0 million arose on the reduction of nominal value of each share in issue. A further £6.9 million arose when shares repurchased through buybacks were cancelled. No further additions were made in 2025 (2024: nil).

Other reserves include a share-based payment reserve of £nil (2024: £(7.4) million). The majority of the share-based compensation plans granted by the Company to the employees of DL Insurance Services Ltd vested following the acquisition by Aviva Group. The difference between the amounts recognised in the share-based payment reserve and the cost of fulfilling the share-based compensation plans is recognised in retained earnings.

Direct Line Insurance Group Limited**02280426****Notes to the financial statements**

For the year ended 31 December 2025

14. Tier 1 Notes

The carrying amount of Tier 1 notes at 31 December was:

	2025	2024
	£m	£m
Tier 1 notes	346.5	346.5

On 7 December 2017, the Company issued £350 million of fixed rate perpetual Tier 1 notes with a coupon rate of 4.75% per annum. The Tier 1 notes are listed on the Global Exchange Market ("GEM") of the Irish Stock Exchange.

The Company has an optional redemption date of 7 December 2027. If the notes are not repaid on that date, a fixed rate of interest per annum will be reset. The notes are direct, unsecured and subordinated obligations of the issuer ranking pari passu and without any preference amongst themselves.

The Tier 1 notes are treated as a separate category within equity and the coupon payments are recognised outside of the profit after tax result and directly in shareholders' equity. The Company has the option to cancel the coupon payment.

Following the acquisition of the Company by Aviva on 1 July 2025, the Tier 1 Notes will continue to be obligations solely of the Company. Aviva does not intend to substitute itself as principal debtor under the Restricted Tier 1 Notes. The Company will no longer have Solvency II own funds requirements under the Relevant Rules of the Tier 1 notes. In addition, no part of the Tier 1 Notes will be eligible for inclusion in the Solvency II own funds of Aviva or any member of Aviva Group.

Aviva and the Company consider that, for so long as this remains the case: (i) it will not be possible for a Conversion Trigger Event to occur under the Tier 1 Conditions, and accordingly the provisions in Condition 7 relating to the conversion of the Tier 1 Notes into Ordinary Shares (or, following a Non-Qualifying Change of Control, the write-down of the principal amount outstanding of the Tier 1 Notes) following the occurrence of a Conversion Trigger Event shall be of no effect; and (ii) all references in the Tier 1 Conditions to any matter that is required, permitted or imposed pursuant to the Relevant Rules, or that is required or permitted by the Relevant Regulator (and any other similar or equivalent terms), including without limitation in Condition 6.2 (*Mandatory Cancellation of Interest Payments*) and Condition 8.2 (*Conditions to Redemption and Purchase*), should be construed accordingly.

15. Subordinated liabilities

The carrying amount of subordinated liabilities at 31 December was:

	2025	2024
	£m	£m
Subordinated Tier 2 notes	—	259.1

The aggregate fair value of subordinated guaranteed dated notes at 31 December 2024 was £229.0 million.

On 5 June 2020, the Company issued subordinated Tier 2 notes at a fixed rate of 4.0%. The notes had a redemption date of 5 June 2032 and may have been redeemed at the option of the Company commencing on 5 December 2031 until the maturity date.

The notes were unsecured and subordinated obligations of the Company and ranked pari passu and without any preference among themselves. In the event of a winding-up or of bankruptcy, they were to have been repaid only after the claims of all other senior creditors had been met and would have ranked at least pari passu with the claims of holders of other Tier 2 capital.

The Company had the option, in certain circumstances, to defer interest payments on the notes but had never exercised this right.

With effect on and from 2 July 2025, and in accordance with the terms and conditions of the Tier 2 Notes and the related Trust Deed, Aviva was substituted in place of the Company as principal debtor under the Tier 2 Notes and the related Trust Deed. The Tier 2 Notes qualified as Tier 2 own funds of the Group following completion of the Company's acquisition.

16. Borrowings

This note details the Company's borrowing position as disclosed in the statement of financial position.

	2025	2024
	£m	£m
Loans from fellow subsidiaries within the Group ¹	340.7	257.5
Borrowings	340.7	257.5

Note:

- All loans from fellow Group subsidiaries were repayable by 31 December 2025 and automatically extended by a year to 31 December 2026 on expiry. Interest is charged at the bank of England base rate plus 1%.

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17. Fair Value**Basis for determining fair value hierarchy**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. There were no changes in valuation techniques during the year.

For disclosure purposes, fair value measurements are classified as level 1, 2 or 3 based on the degree to which fair value is observable.

Level 1 financial assets are measured in whole or in part by reference to published quotes in an active market. In an active market quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis.

Level 2 financial assets and liabilities are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions.

Level 3 financial assets are measured using a valuation technique that includes inputs that are unobservable.

Financial instruments classified as level 2 include:

- financial instruments with fair values based on broker quotes or instruments that are valued using the Company's own models whereby the majority of assumptions are market-observable;
- derivatives valued using broker quotes or appropriate valuation models. Model inputs include a range of factors which are deemed to be observable, including current market and contractual prices for underlying instruments, period to maturity, correlations, yield curves and volatility of underlying instruments.

Carrying value and fair value of financial instruments

The carrying amounts of financial assets and liabilities are set out in the following table:

	Carrying value	Level 1	Level 2	Level 3	Fair value
At 31 December 2025	£m	£m	£m	£m	£m
Assets held at fair value through profit or loss:					
Derivative assets	0.2	–	0.2	–	0.2
Total	0.2	–	0.2	–	0.2
Liabilities held at fair value through profit or loss:					
Derivative liabilities	0.2	–	0.2	–	0.2
Other financial liabilities:					
Subordinated liabilities	–	–	–	–	–
Total	0.2	–	0.2	–	0.2

	Carrying value	Level 1	Level 2	Level 3	Fair value
At 31 December 2024	£m	£m	£m	£m	£m
Assets held at fair value through profit or loss:					
Derivative assets	–	–	–	–	–
Total	–	–	–	–	–
Liabilities held at fair value through profit or loss:					
Derivative liabilities	–	–	–	–	–
Other financial liabilities:					
Subordinated liabilities	259.1	–	229.0	–	229.0
Total	259.1	–	229.0	–	229.0

Differences arise between carrying value and fair value where the measurement basis of the asset or liability is not fair value (for example; assets and liabilities carried at amortised cost). Fair values of the following assets and liabilities approximate their carrying values:

- cash and cash equivalents; and
- borrowings.

There were no changes in the categorisation of assets between levels 1, 2 and 3 for assets and liabilities held by the Company in 2025 or 2024.

18. Contingencies and guarantees

The Company has guaranteed the principal and interest payments of £260 million subordinated loan notes transferred to Aviva on 2 July 2025 that have a fixed rate of 4.0% and a redemption date of 5 June 2032.

At 31 December 2025, the accrued interest on the loan notes that are covered by the Company's guarantee amounted to £0.8 million.

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For the year ended 31 December 2025

19. Risk Management

The management and monitoring of the Company's risks have been assessed for equivalence with the risk management section within the Aviva annual report and is broadly equivalent. The Directors consider that the levels of financial and non-financial risk associated with the Company's assets and liabilities are appropriate in the context of the nature of the Company's activities.

Credit risk

This is the risk of loss resulting from default in obligations due from, and/or changes in the credit standing of issuers of securities, counterparties or any debtors to which the Company is exposed.

Operational risk

This is the risk of loss due to inadequate or failed internal processes or systems, including from human error or from external events. The Company has in place agreed policies and standards to establish and monitor key controls relating to operational risk.

Material sources of operational risk for the Company include:

Change risk

This is the risk of failing to manage the Company's business change portfolio and associated change initiatives, within the desired scope, time, cost, quality and risk appetite, resulting in a failure to deliver strategic benefits, good customer outcomes and possibly causing business disruption.

Technology and infrastructure risk

This is the risk of disruption to technology services due to poorly designed, implemented and maintained technology, resulting in customer, financial, reputational and/or regulatory impact.

Supplier management and outsourcing risk

This is the risk of failing to implement a robust framework for the sourcing, appointment and ongoing contract management of suppliers, outsourcers and their relationships.

Cyber risk

This is the risk of loss or corruption of Company or customer data, intellectual property or failure of business-critical systems resulting in reputational damage, regulatory censure, supervisory fines and/or loss of competitive advantage.

Liquidity risk

This is the risk of being unable to access cash from the sale of investments or other assets in order to settle financial obligations as they fall due.

The Company has limited exposure to liquidity risk as it has access to Group funding which is constantly being monitored to ensure borrowing limits and funding requirements are at levels appropriate for the Company to operate at.

20. Post balance sheet events

There have been no events that have occurred since the reporting date that would materially impact these financial statements.