Gresham Insurance Company Limited

Registered in England No. 110410

Annual Report and Financial Statements 2023

Contents

Directors and officer

Directors

J C Holliday
S C Curson
T J Latter
C Moran

Officer – Company Secretary

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

Please note that the Company Secretary address changed on 27 March 2024, and was previously:

Aviva Company Secretarial Services Limited
St Helen's
Undershaft
London
EC3P 3DQ

Independent auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Registered office

8 Surrey Street
Norwich
NR1 3NG

Company number

Registered in England no. 110410

Other information

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

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

Strategic report

The directors present their strategic report for the Company for the year ended 31 December 2023.

Review of the Company's business

Principal activities

The Company is a limited company, incorporated under the laws of England and Wales.

The principal activity of the Company, which is a wholly owned subsidiary of Aviva Insurance Limited ("AIL") up to the 30 August 2023 was the transaction of general insurance business within the UK, which is predominantly household. Following the termination of the Company's current business arrangement with Barclays Bank UK plc on 30 August 2023, the principal activity of the Company has been to write, administer and manage the in-force UK household insurance policies.

Significant events

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

The Company's balance sheet exposure and solvency position has been continually reviewed during the year. At 31 December 2023 the Company had strong solvency levels and expects to continue to meet its capital requirements.

During January 2023, the Company entered into a contractual agreement with its distribution partner Barclays Bank UK plc that resulted in the Company terminating the current business arrangement on 30 August 2023 and acquiring renewal rights to in-force UK household insurance policies in return for an initial upfront payment to the distribution partner and a smaller deferred consideration payable on the second anniversary based on policy retention performance at the calculation date. This was funded via a capital injection from the parent and included a best estimate assessment of the deferred consideration which will be monitored quarterly. Brand migration of these policies from Barclays to Aviva happened on the acquisition date, with no further new business acquisition into Gresham. The principal activity of the Company going forward will therefore be to administer and manage the in-force UK household insurance policies.

Financial position and performance

The financial position of the Company at 31 December 2023, with net assets of £82,090 thousand, is shown in the statement of financial position on page 25, with the trading results shown in the income statement on page 23 and the statement of cash flows on page 26.

The profit after tax for the year was £5,104 thousand (2022: £5,170 thousand), with the main year on year movements relating to Gross written premiums decreased by 8% in 2023 (2022: 14% decrease) reflecting lower new business sales partially offset by strong retention and renewal rates, as set out in the Income statement on page 23.

As described in note 24(a)(i), the Company has a 100% quota share reinsurance arrangement (with the exception of levy expenses) with its parent company, AIL. Since the distribution agreement ended on 30 August 2023, as part of the amended and restated quota share arrangements AIL pays a ceding commission to Gresham equal to the amortisation of the deferred acquisition asset.

Section 172 Statement
We report here on how our Directors have performed their duties under Section 172(1) ('s172') of the Companies Act 2006.

S.172 sets out a series of matters which the directors must have regard to 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 our obligations to our stakeholders are met. The Board monitors adherence to our policies and compliance with local corporate governance requirements and is committed to acting where our business falls short of the standards we expect.

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

The Company's culture

The Company's culture is shaped, in conjunction with its immediate parent company, Aviva Insurance Limited ("AIL"), and its ultimate shareholder, Aviva plc, by our clearly defined purpose – with you today for a better tomorrow. As the provider of financial services to millions of customers, Aviva seeks to earn their trust by acting with integrity and a sense of responsibility at all times. The Company looks to build relationships with all our stakeholders based on openness and transparency and by valuing diversity and inclusivity in our workforce and beyond.

Key strategic decisions in 2023

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

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

On the 31 August 2023 Gresham acquired the in-force UK household insurance policies from Barclays, ending the distribution arrangements between the two parties.

Stakeholder Engagement

This section provides insight into how the Board engages with our stakeholders. The Board recognises that stakeholders have diverse interests and that these interests need to be heard. Engaging with our stakeholders is essential to understand what matters most to them and the likely impact of any key decisions. Our Section 172(1) Statement on page 4 sets out our approach on how our directors have performed their duty. The table below sets out the Board's approach to stakeholder engagement during 2023.

Our people **Our people's wellbeing and commitment to serving our customers are the foundations for our performance.**	
How we have engaged • The Company has no employees. The majority of staff engaged in the activities of the Company are employed by fellow subsidiary undertakings of Aviva plc. As part of the Aviva Group, these staff enjoy the benefit of the Aviva Group policies and benefits made available to them.	**Focus during the year** • The Board focused on attracting and retaining the best people in the industry. • The Board monitored and responded to the impact that inflationary pressures exerted on our people. **Outcomes and actions during the year** • The Group carries out a comprehensive global employee engagement survey each year, and the results are considered by the Board in the context of the Company's culture, values and behaviours. The actions to continually improve the results are discussed and agreed. • The Company's people share in the businesses' success as shareholders through membership of the Group's global share plans.
Customers **Understanding what's important to our customers is key to our long-term success.**	
How we have engaged • The Board receives regular reporting on customer outcomes and strategic initiatives throughout the year.	**Focus during the year** • The Board closely monitors customer metrics and engages with the leadership team to understand the issues if performance does not meet customers' expectations. Gresham's parent entity, AIL, is supported by a Conduct Committee to enable it to monitor customer metrics, and subsequently engage with the Senior Management to address any issues that may arise from customer complaints, customer feedback and our approach to Treating Customers Fairly. The Gresham Board can escalate any matters it feels necessary to the Conduct Committee for further scrutiny. **Outcomes and actions during the year** • The Board continues to monitor IT performance to ensure consistent services for our customers. • The Company maintains measures to support customers who are experiencing financial hardship.
Shareholders **Our retail and institutional shareholders are the owners of the Company.**	
How we have engaged • The Company's shareholder is Aviva Insurance Limited Any matters requiring escalation are escalated by the Board through the Chair to its parent.	**Focus during the year** • Ensuring shareholders understand our strategy and business model.
Regulators **As an insurance company, we are subject to financial services regulation and approvals in all the markets we operate in.**	
How we have engaged • As a duel regulated entity under the Senior Manger's Certification Regime, the Company is required to produce a management Responsibility Map and this is shared with the Regulators on a quarterly basis. • The Gresham Board engages with the Regulator as appropriate.	**Focus during the year** • Continued focus on Consumer Duty with training provided to the Board. **Outcomes and actions during the year** • Regulatory priorities were regularly discussed at meetings.
Communities **We recognise the importance of contributing to our communities through volunteering, community investment, and long term partnerships**	
How we have engaged • The Board supports the community activities of the Aviva Group including the wellbeing proposition for UK employees, the Aviva Communities to help drive greater diversity and inclusivity throughout the organisation and to support colleagues to volunteer in their communities.	**Focus during the year** • Recognising climate change presents risk and opportunities for customers, communities and business, Aviva is signed up to the United Nations Net-Zero Asset Owner Alliance commitment. As part of the Aviva Group, the Company is committed to Aviva's long-term strategy to reach net zero by 2040, and to support achieving this target the Aviva Group has defined climate risk preferences and operating risk limits. **Outcomes and actions during the year** • The Board continued to adopt the new climate risk preferences during the year, along with its 2024-2026 Plan which takes the Company's climate risk preferences into consideration.

Suppliers **We operate in conjunction with a wide range of suppliers to deliver services to our customers. It is vital that we build strong working relationships with our intermediaries.**	
How we have engaged • The Company maintains oversight of the management of its most important suppliers and reviews reports on their performance.	**Focus during the year** • All supplier related activity is managed in line with the Group's Procurement & Outsourcing Business Standard. • An important part of our culture is the promotion of high legal, ethical, environmental and employee related standards within our business and also among our suppliers. **Outcomes and actions during the year** • The Board reviews the actions Group has taken to prevent modern slavery and associated practices in any part of our supply chain and approves the Aviva Group Modern Slavery Act statement each year.

Future outlook

Strategies for the Group as a whole are determined by the Board of Aviva plc and these are shown in the Group 2023 Annual Report and Accounts. The Company will work with the Group to support the implementation of these strategies.

The strategic direction of the Company is set by the directors of the Company. The directors consider that the Company's principal activities will continue unchanged for the foreseeable future and the Company will continue to administer and meet our customer needs on their in-force policies.

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 23 to the financial statements.

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

- Market risk, the risk of loss or adverse change in the financial situation (including the value of assets, liabilities and income) resulting, directly or indirectly, from fluctuations in the level or the volatility of market variables, such as interest rates and inflation.

- Credit risk, the risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default, rating transition and credit spread movements.

- General Insurance risk, including fluctuations in the timing, frequency and severity of claims and claims settlements relative to expectations when pricing and reserving.

- The Company views climate change as a significant risk to its strategy and business model. Despite national and corporate efforts to reduce emissions to align with the Paris Agreement, CO_2 emissions continue to rise, and rising temperature increases the potential for more severe weather events.

Key performance indicators

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

- Solvency II capital surplus;
- insurance revenue;
- combined operating ratio ("COR") -

Combined Operating Ratio (COR) is a financial measure of performance and is calculated as total underwriting costs expressed as a percentage of net insurance revenue. The Company considers COR with claims measured on an undiscounted basis (undiscounted COR) to align more closely to the way in which the business is managed.

	2023	2022
Capital Metrics		
Solvency II capital surplus £'000	**22,794**	11,361
Key Performance Metrics		
Insurance revenue £'000	**101,624**	110,604
Alternative Performance Metrics		
Combined operating ratio ("COR") - undiscounted	**97.6 %**	92.8 %
Combined operating ratio - discounted	**97.7 %**	92.8 %

The decrease in insurance revenue is explained in "Financial position and performance" above

The COR increased by 5pp in 2023. This reflects lower net incurred claims in 2022 as recoveries were made on our reinsurance contracts and lower volume of business written in 2023 partially offset by lower commission payments following the acquisition of the in-force UK household insurance policies from Barclays.

Strategic report (continued)

Non-financial indicators

The Company is considered to have no non-financial KPIs as it has no employees and environmental matters are monitored for the Group as a whole.

On behalf of the Board on 16 May 2024

J C Holliday
Director

Directors' report

The directors submit their annual report and the audited financial statements for the Company for the year ended 31 December 2023.

Directors

The current directors, except as noted, and those in office during the year, are as follows:

T J Latter
S C Curson (appointed 26 February 2024)
J C Holliday (appointed 27 March 2023)
C Moran (appointed 16 March 2023)
J Marsh (resigned 25 February 2024)
A Winslow (resigned 12 April 2023)
D W Kelly (resigned 10 January 2023)

Company Secretary

Aviva Company Secretarial Services Limited.

Dividends

No interim dividend was paid during the year (*2022*: £nil thousand). The directors do not recommend a final dividend on the Company's ordinary shares for the year ended 31 December 2023 (*2022*: £nil).

Going concern

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future to meet its obligations as they fall due. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Important events since the financial year end

Details of significant post balance sheet events that have occurred subsequent to 31 December 2023 are disclosed in note 25.

Future outlook

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

Employees

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

Disclosure of information to the auditors

In accordance with section 418 of the Companies Act 2006, the directors in office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's external auditors, PricewaterhouseCoopers 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 PricewaterhouseCoopers LLP is aware of that information.

Independent auditors

Under the Competition and Markets Authority Regulations, the Company is required to tender for the provision of the external audit every 10 years. PwC was appointed for the first time for the 31 December 2012 financial year end and therefore a mandatory re-tender was required for the year ending 31 December 2022. The audit tender process was initiated during 2020 but COVID-19 restrictions caused delays and Aviva sought a two year extension from the Financial Reporting Council ("FRC") which was granted. Following a full and rigorous competitive tender process, which was overseen by the Group's Audit Committee, the selection of Ernst & Young LLP from the year ending 31 December 2024 was approved by the Aviva plc Board.

Qualifying indemnity provisions

In 2004, Aviva plc, the Company's ultimate parent, granted an indemnity to the directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985, which continue to apply in relation to any provision made before 1 October 2007. This indemnity is a "qualifying third party indemnity" for the purposes of section 309A to section 309C 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.

The directors also have the benefit of the 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 by section 234 of the Companies Act 2006.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards. Under company law, directors must not approve the financial statements

Directors' report (continued)

unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

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

The directors are 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.

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.

On behalf of the Board on 16 May 2024

J C Holliday
Director

Report on the audit of the financial statements

Opinion

In our opinion, Gresham Insurance Company Limited’s financial statements:

- give a true and fair view of the state of the company’s affairs as at 31 December 2023 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements 2023 (the “Annual Report”), which comprise: the Statement of financial position as at 31 December 2023; the Income statement, the Statement of changes in equity, the Statement of cash flows for the year then ended; the Accounting policies; and the notes to the financial statements.

Our opinion is consistent with our reporting to the board of directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC’s Ethical Standard were not provided.

We have provided no non-audit services to the company in the period under audit.

Our audit approach

Overview

Audit scope

- Our audit scope has been determined to provide coverage of all material financial statement line items.

Key audit matters

- Valuation of insurance and reinsurance contracts assets and liabilities
- Implementation of IFRS 17 and restatement of comparatives

Materiality

- Overall materiality: £1,016 thousand (2022: £1,100 thousand) based on 1% of insurance revenue.
- Performance materiality: £762 thousand (2022: £825 thousand).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors’ professional judgement, were of most significance in the 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) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matter 'Valuation of insurance liabilities and reinsurance assets' has been updated from the previous year to reflect the impacts from the adoption of IFRS 17. This new standard changes the way in which general insurance contract liabilities are measured, introduces new concepts and language, and changes a range of judgements that insurers must make. 'Implementation of IFRS 17 and restatement of comparatives' is a new key audit matter this year.

Independent auditors' report to the members of Gresham Insurance Company Limited (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance and reinsurance contracts assets and liabilities Refer to item H in the Accounting policies and to note 16 to the Company's financial statements for disclosures of related policies and balances. Insurance and reinsurance contracts assets and liabilities are highly uncertain and require considerable judgement and interpretation relevant to the valuation of insurance contract liabilities and reinsurance assets. As at 31 December 2023, the value of the Company's insurance contract assets and liabilities are £15,919 thousand and £3,893 thousand respectively; and reinsurance assets are £35,224 thousand. We focused on the following: ● The risk of inappropriate methodologies and assumptions being used to estimate the undiscounted best estimate liabilities for future claims cash flows, which now forms part of the liability for incurred claims ("LIC"), and the associated reinsurers' share, which form part of the assets for incurred claims ("AIC"); ● The determination of the bottom-up discount rates (including choice of illiquidity premium); ● The determination of payment patterns used to derive the cash flows for incurred claims; ● The appropriateness of significant judgements applied to the selection of the Premium Allocation Approach ("PAA") measurement model for groups of contracts that are not automatically eligible, including the selection of "reasonably expects" assumptions; ● The appropriateness of methodologies and assumptions adopted to value reinsurance assets associated with Adverse Development Covers ("ADC") and internal quota share ("IQS") arrangements measured under the General Measurement Model ("GMM"); and ● The appropriateness of methodologies and assumptions adopted to calculate the amount of the risk adjustment to reflect the entity's view of the compensation that it requires for bearing risk.	We performed the following procedures to address the risks identified in relation to general insurance and reinsurance contracts: ● Understood and evaluated the process and the design and implementation of controls in place. This included testing the operating effectiveness of the relevant controls in place; ● Independently estimated the undiscounted best estimate best estimate liabilities and assets (for the LIC and AIC respectively) on selected classes of business, particularly focusing on the largest and those with the most uncertain estimated cashflows. For these classes we compared our estimated cashflows to those booked by management, and understood the reasoning behind any significant differences; ● For the remaining lines of business, evaluated the appropriateness of the actuarial claims projection techniques and the reasonableness of the methodology and significant assumptions; ● Understood the actuarial assumptions impacting the forecast future claims cash flows and evaluated for reasonableness. This includes assumptions related to payment patterns and the rates used to discount future claims cash flows; ● Assessed the appropriateness of the judgements and supporting estimates used to determine use of the PAA measurement model; ● Assessed the appropriateness of the methodology and assumptions involved in the recognition of reinsurance assets associated with ADC and IQS contracts by reviewing the inputs to, and outputs from management's model including assessing any manual adjustments made to the output of the model; and ● Assessed the appropriateness of the methodology and assumptions applied to determine the risk adjustment and testing of the derivation of the risk adjustment. Based on the work performed and evidence obtained, we consider the methodology and assumptions used to value the general insurance and reinsurance contract assets and liabilities to be appropriate.
Implementation of IFRS 17 and restatement of comparatives IFRS 17 became effective for periods beginning on or after 1 January 2023, replacing International Financial Reporting Standard 4, 'Insurance Contracts'. As a result, Gresham has adopted IFRS 17 in these financial statements. The transition to IFRS 17 has introduced new financial statement line items and disclosures, requiring significant changes to the measurement of transactions and balances in the financial statements, including new areas of judgement and estimation. New systems, data flows, interfaces, processes and models have been developed and introduced, giving rise to increased risks of material misstatement. International Accounting Standard 8 'Accounting Policies, Changes in Accounting Estimates and Errors' ("IAS 8") requires that when the impact of adopting a new accounting standard is material to the financial statement comparatives, these comparatives should be restated. As a result, the 2022 opening balance sheet and the 2022 comparatives have been restated. In particular, we consider the key risks in relation to the adoption of IFRS 17 and restatement of comparatives to be as follows: ● The determination of the transition approach adopted for each group of insurance contracts; ● The judgments involved in the determination of the measurement model to apply under the standard. ● The methodology and assumptions in respect of determining the risk adjustment and discounting; ● The methodology applied to the amortisation of the CSM where the fully retrospective approach is being applied;	In performing our audit work over the transition to IFRS 17, and restatement of comparative financial statements (including the opening balance sheet), the procedures we performed included the following: ● Assessed the design and tested the operating effectiveness of controls in place; ● Assessed the appropriateness of the transition approach adopted for each group of insurance and reinsurance contracts; ● Assessed whether the judgements, methodologies and assumptions applied by management in determining their accounting policies are in accordance with IFRS 17; ● Assessed key judgements and conclusions made within accounting policy papers as well as compliance of management's accounting principles with IFRS 17 to calculate the amount of risk adjustment; ● Assessed the appropriateness of the methodology to derive the discount rate; ● Assessed the appropriateness of the methodology to calculate the amortisation of CSM; ● Performed validation of certain new models by evaluating the testing performed by management to assess their appropriateness and, where necessary, performing independent validation testing using sample scenarios and comparing the output between our calculations and those produced by management's models and relevant IT applications; ● Tested the mathematical accuracy and completeness of the supporting calculations and adjustments used to determine the 2022 comparatives; ● Performed testing over key data flows within the IFRS 17 business processes; and

Independent auditors’ report to the members of Gresham Insurance Company Limited (continued)

● The implementation of new models to produce the IFRS 17 results, which include the CSM calculation engine; ● The new data flow and interfaces arising from the implementation of IFRS 17 from new systems; and ● The presentation of new required financial statement disclosures, specifically in relation to analysis of movement of insurance and reinsurance contract assets and liabilities, the confidence level of determining the risk adjustment and sensitivities with regard to the assumptions.	● Tested the accuracy of new required financial statement disclosures, including their compliance with the requirements of IFRS 17. Based on the work performed and the evidence obtained, we consider the approaches adopted and resulting measurements and disclosures in the financial statements to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

We performed a full scope audit of the complete financial information of the entity in accordance with our materiality and risk assessment. In doing so, we also considered qualitative and quantitative factors across all financial statement line items in the financial statements.

The impact of climate risk on our audit

As part of our audit, we made enquiries of management (both within and outside of the Company's finance function) to gain an understanding of the potential impact of climate risk on the Company’s financial statements and the accompanying disclosures in the notes.

Management considers climate change as a significant risk to its strategy and business model. Specifically, they have identified physical risks, transition risks, and litigation risks as the key areas where climate risk could impact the business. These potential impacts have been detailed in notes 23(h).

Using our knowledge of the business we have evaluated management's risk assessment and determined that the risk of material misstatement to the Company’s financial statements as a result of climate change for the year ended 31 December 2023 has been effectively addressed. As a result, there is no material impact on our key audit matters.

Finally, we have assessed the consistency of the disclosures in relation to climate change in the Company’s financial statements based on the knowledge obtained from our audit and concluded they meet the necessary requirements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

Overall company materiality	£1,016 thousand (2022: £1,100 thousand).
How we determined it	1% of insurance revenue
Rationale for benchmark applied	Insurance revenue is a key financial performance related benchmark used by the Directors and is central to the Company's communications to the stakeholders on the performance of the business.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £762 thousand (2022: £825 thousand) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the board of directors that we would report to them misstatements identified during our audit above £51 thousand (2022: £55 thousand) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors’ assessment of the company’s ability to continue to adopt the going concern basis of accounting included:

- Obtaining and assessing the reasonableness of the Directors’ assessment, taking into consideration the Company's year-end investment portfolio and its exposure to certain types of assets, cash flows and liquidity analysis and operational resilience;
- Considering management's assessment of the impact of the changes to the contractual agreement with Barclays Bank UK plc, on the Company's Solvency coverage and liquidity position;

Independent auditors' report to the members of Gresham Insurance Company Limited (continued)

- Considering management's assessment of the regulatory Solvency coverage and liquidity position; and
- Considering information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment of going concern.

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

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and

Independent auditors' report to the members of Gresham Insurance Company Limited (continued)

regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and judgemental areas of the financial statements as shown in our Key Audit Matters. Audit procedures performed by the engagement team included:

- Discussions with those charged with governance, management, internal audit, senior management involved in the Risk and Compliance functions and the Legal function, including consideration of known or suspected instances of non- compliance with laws and regulations and fraud;
- Making enquiries of the Group Investigations team who are responsible for independently reviewing fraudulent activity across the group, performing activities including, but not limited to, whistle-blowing hotlines and data analytics;
- Testing the operating effectiveness and reviewing the results of management's internal controls designed to prevent and detect irregularities;
- Assessing any matters reported on the Company's whistle-blowing hotline and fraud register and the results of management's investigation of such matters; and
- Reading key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Reserve and Projections Committee, and Board of Directors;
- Reviewing the company's register of litigation and claims, internal audit reports, compliance reports in so far as they related to non-compliance with laws and regulations and fraud;
- Performing procedures over our key audit matters as described above;
- Identifying and testing journal entries, in particular journals that appear to be posted outside the normal course of the Company's business; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the board of directors, we were appointed by the directors on 3 May 2012 to audit the financial statements for the year ended 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement is 12 years, covering the years ended 31 December 2012 to 31 December 2023.

Deepti Vohra (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16 May 2024

Accounting policies

The Company, is a private company limited by shares incorporated and domiciled in the United Kingdom ("UK"). Its principal activity is the transaction of general insurance business in the UK.

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

(A) Basis of preparation

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

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The financial statements have been prepared on the going concern basis as explained in the director's report on page 8.

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

Comparative figures have been restated following the implementation of IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments as detailed in note 1.

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

The Company has applied IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments retrospectively from 1 January 2023. As a result, the Company has restated certain comparative amounts. IFRS 17 significantly impacts the measurement and presentation of insurance contracts and reinsurance contracts. IFRS 9 has had no impact on the measurement of the Company's financial instruments, but introduces new disclosure requirements. The nature and effects of the transition to IFRS 17 and IFRS 9 are summarised in note 1, including the financial impacts on the statement of financial position as at 1 January 2022. The Company's revised accounting policies are set out in (E), (G), (H), (I), (J), (K), and (N) below.

In addition, the Company has adopted the following amendments to standards which became effective for the annual reporting period beginning on 1 January 2023. The amendments do not have a significant impact on the Company's financial statements.

(i) Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies

(ii) Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

(iii) Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

(iv) Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules

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

The following new standards and amendments to existing standards have been issued, are not yet effective for the Company and have not been adopted early by the Company. None of the amendments are expected to have a significant impact on the Company's financial statements:

(i) Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

Published by the IASB in January 2020. The amendments are effective for annual reporting beginning on or after 1 January 2024 and have been endorsed by the UK.

(ii) IFRS 18 Presentation and Disclosure of Financial Statements

Published by the IASB in April 2024. The amendments are effective for annual reporting beginning on or after 1 January 2027 and have yet to be endorsed by the UK.

(iii) IFRS 19 Subsidiaries without Public Accountability: Disclosures

Published by the IASB in May 2024. The amendments are effective for annual reporting beginning on or after 1 January 2027 and have yet to be endorsed by the UK.

(B) Critical accounting policies and the use of estimates

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

Critical accounting policies

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

Item	Critical accounting judgement	Accounting policy	Note
Level of aggregation for insurance and reinsurance contracts	For measurement purposes, insurance and reinsurance contracts are aggregated into groups based on an assessment of risks and dividing each portfolio into annual cohorts by year of issue. Judgement is required in assessing if the contracts have similar risks that are managed together. Each annual cohort is further subdivided into three groups (see note H(c)), and judgement is applied to determine the profitability of contracts at initial recognition.	H	2, 4, 16

Accounting policies

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

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

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

Item	Critical accounting estimates	Accounting policy	Note
Measurement of insurance contract liabilities and reinsurance contract assets	Principal assumptions used in the calculation of general insurance liabilities and reinsurance assets include the allowance for illiquidity in the discount rates used to determine our structured settlements liabilities, the assumption that past claims experience can be used as a basis to project future claims (estimated using a range of standard actuarial claims projection techniques) and the calibration of the risk adjustment.	H	16
Recoverability of insurance acquisition cashflow assets	Management use estimation techniques to determine the amortisation profile and impairment test by reference to the present value of estimated future profits.	H	16
Contingent liabilities	When evaluating whether a contingent liability should be recognised the Company assesses the likelihood of a constructive or legal obligation to settle a past event and whether the amount can be reliably estimated. The amount of provision is determined based on the Company's estimation of the expenditure required to settle the obligation at the statement of financial position date.	P	19

(C) Fair value measurement

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. This presumes that the transaction takes place in the principal (or most advantageous) market under current market conditions. Fair value is a market-based measure and in the absence of observable market prices in an active market, it is measured using the assumptions that market participants would use when pricing the asset or liability.

The fair value of a non-financial asset is determined based on its highest and best use from a market participant's perspective. When using this approach, the Company takes into account the asset's use that is physically possible, legally permissible and financially feasible.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. In certain circumstances, the fair value at initial recognition may differ from the transaction price. If the fair value is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging), or is based on a valuation technique whose variables include only data from observable markets, then the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss in the income statement. When unobservable market data has a significant impact on the valuation of financial instruments, the difference between the fair value at initial recognition and the transaction price is not recognised immediately in the income statement, but deferred and recognised in the income statement on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out or otherwise matured.

If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances is used to measure fair value.

(D) Product classifications

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

(E) Insurance service result

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

i. Insurance revenue

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

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

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

Accounting policies

ii. Insurance service expenses

For insurance contracts, insurance service expenses are comprised of:

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

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

iii. Net income and expenses from reinsurance contracts

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

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

(F) Insurance finance result

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

- Changes in the fair value of underlying items;
- The accretion of interest on the CSM;
- The unwind of discounting on fulfilment cash flows and the risk adjustment; and
- The impact of financial assumption changes upon fulfilment cash flows and the risk adjustment.

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

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

(G) Other investment income

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

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

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

(H) Insurance contract and reinsurance contract assets and liabilities

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

(a) IFRS 17 measurement models

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

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

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

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

Accounting policies

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

i. General measurement model (GMM)

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

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

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

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

ii. Premium allocation approach (PAA)

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

The LRC is measured as the amount of premium received net of acquisition cash flows, less the amount of premiums and acquisition cash flows that have been recognised in profit or loss over the expired portion of the coverage period. Premium receipts and acquisition cash flows are recognised in profit or loss over the life of the contract, based on the expected timing of incurred claims. In almost all circumstances, the expected timing of incurred claims does not differ significantly from the passage of time and a straight-line earning pattern is being used.

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

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

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

(b) Choice of measurement model

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

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

(c) Level of aggregation

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

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

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

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

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

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

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

For contracts measured under the PAA, IFRS 17 permits a simplification whereby contract groups are assumed not to be onerous unless facts and circumstances indicate otherwise. The Company has used internal management information to identify facts and circumstances that may indicate that a group is onerous.

(d) Recognition and derecognition

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

Accounting policies

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

Reinsurance contracts are recognised on the following dates:

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

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

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

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

(e) Estimate of future cash flows

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

i. Contract boundaries

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

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

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

ii. Principal non-financial assumptions

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

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

iii. Financial assumptions

Discount rates

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

Bottom-up discount rates

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

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

Inflation assumptions

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

Presentation of financial assumption changes

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

(f) Risk Adjustment

Accounting policies

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

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

(g) CSM

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

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

Subsequently, the CSM is adjusted for:

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

Changes in fulfilment cash flows that relate to future service include:

- Experience variances in premiums received during the period that relate to services provided from the start of the current period;
- Changes in expected future cash flows and risk adjustment on GMM contracts arising from non-financial assumption changes and experience variances, measured using locked in financial assumptions;

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

- Experience variances in claims and expenses incurred, which are recognised as the difference between insurance revenue (expected claims and expenses incurred) and insurance service expenses (actual claims and expenses incurred); and
- Changes in expected future cash flows and risk adjustment on GMM contracts arising from financial assumption changes and experience variances, including changes in cash flows that are contractually linked to an inflation index, which are recognised in net finance expenses from insurance contracts.

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

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

(h) Loss components and loss offsetting

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

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

(i) Insurance acquisition cash flows

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

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

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

Accounting policies

(I) Recognition and classification of financial assets

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

The Company measures equity instruments at FVTPL, with subsequent changes in fair value recognised in the income statement, as it did not make an irrevocable election on initial recognition to measure equity instruments at fair value through other comprehensive income (FVOCI).

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

(J) Impairment of financial assets

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

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

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

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

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

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

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

A financial liability is derecognised when the obligation under the liability is extinguished (that is when the obligation is discharged, or cancelled or expires). The difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

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

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

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

(L) Financial investments

The Company classifies financial investments at fair value through profit and loss ("FVTPL") using the business model assessment as described in accounting policy I. The FVTPL category has two subcategories – those that meet the definition as being held for trading and those that are held at FVTPL based on the business model assessment. Debt securities, which the Company acquires with the intention to resell in the short term and derivatives are classified as trading. All other investments are classified as other than trading.

The fair value of investments is based on the quoted price within the bid-ask spread that is most representative of fair value or based on the cash flow models using market observable inputs or unobservable inputs. Changes in the fair value of investments are included in the income statement in the period in which they arise.

Purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase or sell the assets, at their fair values.

(M) Receivables

Receivables, including inter-company loans, are recognised initially at cost, being fair value. Subsequent to initial measurement receivables are measured at amortised cost using the effective interest rate method, less provision for impairment.

(N) Payables and other financial liabilities

Payables and other financial liabilities, excluding derivatives, are recognised initially at cost, being fair value and are subsequently measured at amortised cost using the effective interest rate method or latest fair value using the appropriate valuation technique.

(O) Statement of cash flows

Cash and cash equivalents

Accounting policies

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

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

Operating cash flows

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

(P) Contingent liabilities

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

(Q) 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.

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

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

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.

(R) Share capital

Equity instruments

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

(i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and

(ii) the instrument is a non-derivative that contains no contractual obligation to deliver a variable number of shares or is a derivative that will be settled only by the Company exchanging a fixed amount of cash or other assets for a fixed number of the Company's own equity instruments.

Dividends

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

Income Statement

For the year ended 31 December 2023

	Note	2023	Restated[1] 2022
		£'000	£'000
Insurance revenue	E(i)/2	**101,624**	110,604
Insurance service expense	E(ii)/4	**(69,576)**	(109,649)
Net (expense)/income from reinsurance contracts	E(ii)/**4**	**(31,045)**	2,573
Insurance service result		**1,003**	3,528
Investment return	I	**3,997**	(60)
Net finance (expense)/income from insurance contracts		**(2,627)**	10,670
Net finance income/(expense) from reinsurance contracts		**1,829**	(10,264)
Net financial result	F/3	**3,199**	346
Other income		**2,500**	2,243
Other operating expenses	E/4	**(187)**	(320)
Profit before tax		**6,515**	5,797
Tax expense	Q/8	**(1,411)**	(627)
Profit/(loss) for the year after tax		**5,104**	5,170

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1.

The Company has no recognised income and expenses other than that included in the results above and therefore a separate statement of comprehensive income has not been presented.

The accounting policies (identified alphabetically) on pages 15 to 22 and notes (identified numerically) on pages 27 to 59 are an integral part of the financial statements.

Statement of changes in equity

For the year ended 31 December 2023

	Note	Ordinary Share Capital	Retained earnings	Total equity
				2023
		£'000	**£'000**	**£'000**
Balance at 1 January		**10,000**	**486**	**10,486**
Profit for the year		**—**	**5,104**	**5,104**
Total comprehensive income for the year		**—**	**5,104**	**5,104**
Capital Injection	14	**66,500**	**—**	**66,500**
Balance at 31 December		**76,500**	**5,590**	**82,090**

	Note	Ordinary Share Capital	Retained earnings	Total equity
				Restated[1] 2022
		£'000	£'000	£'000
Balance at 1 January		10,000	1,946	11,946
IFRS 17 transition impacts		—	(6,630)	(6,630)
Balance at 1 January - restated		10,000	(4,684)	5,316
Profit for the year		—	5,170	5,170
Total comprehensive income for the year		—	5,170	5,170
Balance at 31 December		10,000	486	10,486

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1.

The accounting policies (identified alphabetically) on pages 15 to 22 and notes (identified numerically) on pages 27 to 59 are an integral part of the financial statements.

Statement of financial position

For the year ended 31 December 2023

Statement of Financial Position As at the 31 December 2023	Note	**2023** £'000	Restated[1] 2022 £'000	Restated[1] 1 January 2022 £'000
Assets				
Financial investments	L & 11	**—**	47,332	48,985
Reinsurance contract assets	H & 16	**35,225**	22,002	6,512
Insurance contract assets	H & 16	**15,919**	—	—
Deferred tax assets	Q & 17	**—**	1,411	2,038
Receivables	M & 12	**7,382**	7,489	1,908
Prepayments and accrued income	13	**347**	1,262	1,610
Cash and cash equivalents	O & 21	**103,447**	22,393	37,540
Total assets		**162,320**	101,889	98,593
Equity				
Ordinary share capital	R & 14	**76,500**	10,000	10,000
Retained earnings	15	**5,590**	486	(4,684)
Total equity		**82,090**	10,486	5,316
Liabilities				
Insurance contract liabilities	H & 16	**3,893**	57,638	54,224
Payables and other financial liabilities	N & 18	**62,958**	24,399	27,062
Other liabilities	N & 19	**13,379**	9,366	11,991
Total liabilities		**80,230**	91,403	93,277
Total equity and liabilities		**162,320**	101,889	98,593

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1.

The financial statements on pages 23 to 59 were approved and signed on behalf of the Board of Directors on 16 May 2024 by:

J C Holliday

Director

The accounting policies (identified alphabetically) on pages 15 to 22 and notes (identified numerically) on pages 27 to 59 are an integral part of the financial statements.

Statement of cash flows

For the year ended 31 December 2023

	Note	2023 £'000	Restated1 2022 £'000
Cash flows from operating activities			
Cash used in operating activities	O & 21(a)	**(33,111)**	(15,147)
Total net cash used in operating activities		**(33,111)**	(15,147)
Cash flows from investing activities			
Net disposals of financial investments	11(a)	**47,665**	—
Total net cash generated from investing activities		**47,665**	—
Cash flows from financing activities			
Issue of ordinary shares	14	**66,500**	—
Total net cash generated from financing activities		**66,500**	—
Total net increase/(decrease) in cash and cash equivalents		**81,054**	(15,147)
Cash and cash equivalents at 1 January		**22,393**	37,540
Cash and cash equivalents at 31 December	O & 21(b)	**103,447**	22,393

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 and remeasurement of the acquisition balance sheet, as described in note 1

The accounting policies (identified alphabetically) on pages 15 to 22 and notes (identified numerically) on pages 27 to 59 are an integral part of the financial statements.

1. Changes to comparative amounts on transition to IFRS 17 and IFRS 9

The Company has adopted IFRS 17 Insurance Contracts from 1 January 2023 and comparatives have been retrospectively restated from the transition date of 1 January 2022. A restated opening statement of financial position has been produced as at that date.

IFRS 17 Insurance Contracts provides a comprehensive and consistent approach to accounting for insurance contracts. It replaces IFRS 4, which was issued in 2005 and was largely based on grandfathering of previous local accounting policies.

The Company has also adopted IFRS 9 Financial Instruments from 1 January 2023 and comparatives have been retrospectively restated. IFRS 9 incorporates new classification and measurement requirements for financial assets, introduces a new expected credit loss impairment model to replace the IAS 39 incurred loss model and new hedge accounting requirements. The Company had previously deferred the application of IFRS 9 to align with the implementation of IFRS 17. IFRS 9 has not resulted on any measurement differences on adoption by the Company, but does impact the disclosure of financial instruments as described in section (b).

Accounting policies that have been revised as a result of adoption of IFRS 17 and IFRS 9 are presented in Accounting Policies. Significant methods, judgements and assumptions applied in measurement of insurance contracts are set out in note 16(f). This note focuses on the changes made on transition to IFRS 17 and IFRS 9.

(a) IFRS 17 Insurance Contracts

(i)Transition to IFRS 17

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and reinsurance contracts. It introduces a model that measures groups of contracts based on the present value of future cash flows with an explicit risk adjustment for non-financial risk (the fulfilment cash flows) and a contractual service margin (CSM), representing the unearned profit to be recognised in profit or loss over the service period (coverage period).

Losses on contracts that are onerous at inception are recognised immediately. The core of IFRS 17 is the general measurement model (GMM), supplemented by the variable fee approach (VFA) which is a specific adaptation for contracts with direct participation features, and the premium allocation approach (PAA) which is a simplified model for short duration contracts. The Company has no contracts under the VFA and the majority of its contracts are measured using PAA.

The application of IFRS 17 significantly impacts the measurement and presentation of the Company's insurance and reinsurance contracts. The financial impact of measurement changes is more significant for life insurance than non-life insurance contracts, however, there are significant changes to presentation and disclosures for all insurance contracts. Investment contracts with no significant insurance risk or discretionary participation features are out of scope and therefore not impacted by the new standard.

Under IFRS 17 the presentation of insurance revenue and insurance service expenses in the income statement is based on the concept of insurance services provided during the period. Extensive disclosures provide information on the recognised amounts from insurance and reinsurance contracts and the nature and extent of risks arising from these contracts. The Company's disclosures will be aligned to the following major groupings which broadly align with the Company's management structures and reporting of results:

PAA disclosure tables disaggregated by:
- Personal lines direct contracts
- External reinsurance contract held

GMM disclosure tables are presented for the intercompany reinsurance held.

Further details of these groupings are provided in note 16.

Changes in accounting policies resulting from the implementation of IFRS 17 have been applied in accordance with the transitional provisions of the standard, which impact the measurement of the CSM at the transition date. The CSM represents a liability for unearned profit, hence will be recognised in the income statement over the remaining life of the contract as insurance and investment related services are provided to the customer.

For adverse development reinsurance, the Company has applied judgement when determining whether the FRA is practicable and whether reasonable and supportable information exists to apply the MRA. For this business the following approaches have been applied on transition to IFRS 17:

- The FRA has been used for the majority of business written since 2016, as prior to this date the risk adjustment is considered indeterminable without the benefit of hindsight due to the multiple views of risk that were reported at that time;
- The FVA has been used for all other business written prior to 2016.

(ii) Financial impacts on transition to IFRS 17

The Company's equity, as restated for the adoption of IFRS 17, is £5,316 thousand at the transition date of 1 January 2022, including CSM of £874 thousand (gross of tax). Equity reported on an IFRS 4 basis at 31 December 2021 was £11,946 thousand.

The financial impacts on transition to IFRS 17 are summarised in the table below, which sets out the restated condensed consolidated statement of financial position on the transition date:

Notes to the financial statements (continued)

	31 December 2021 As previously reported	Reclassification and derecognition	IFRS 17 measurement	Total change	1 January 2022 Restated
	£'000	£'000	£'000	£'000	£'000
Assets					
Financial investments	48,985	—	—	—	**48,985**
Reinsurance contract assets	94,730	(72,271)	(15,947)	(88,218)	**6,512**
Deferred tax assets	—	—	2,038	2,038	**2,038**
Receivables	65,890	(63,982)	—	(63,982)	**1,908**
Deferred acquisition costs	19,735	(19,735)	—	(19,735)	**—**
Prepayments and accrued income	1,610	—	—	—	**1,610**
Cash and cash equivalents	37,540	—	—	—	**37,540**
Total assets	268,490	(155,988)	(13,909)	(169,897)	**98,593**
Equity					
Ordinary share capital	10,000	—	—	—	**10,000**
Retained earnings	1,946	—	(6,630)	(6,630)	**(4,684)**
Total equity	11,946	—	(6,630)	(6,630)	**5,316**
Liabilities					
Insurance contract and liabilities	95,887	(34,385)	(7,279)	(41,664)	**54,223**
Payables and other financial liabilities	91,257	(64,195)	—	(64,195)	**27,062**
Other liabilities	69,400	(57,409)	—	(57,409)	**11,991**
Total liabilities	256,544	(155,988)	(7,279)	(163,268)	**93,276**
Total equity and liabilities	268,490	(155,988)	(13,909)	(169,898)	**98,593**

Reclassification and derecognition in the restated opening statement of financial position

On adoption of IFRS 17, the concept of deferred acquisition costs (DAC) is no longer applied to produce separately recognised assets and liabilities in relation to insurance contracts, instead they are implicitly included in the measurement of insurance contract assets and liabilities. DAC on insurance contracts of £19,735 thousand million has been presented as a reclassification to insurance contract liabilities.

There are also changes in presentation and content of the receivables, payables and other liabilities in respect of insurance contracts financial statement line items, to which IFRS 17 now applies, are now included within insurance contract assets or liabilities.

Remeasurement in the restated opening balance sheet

The drivers of remeasurements in the restated opening balance sheet include the following:

Drivers	**Description**	**Remeasurement**
		£'000
IFRS 4 margins	Margins included in the IFRS 4 measurement of insurance contract liabilities are excluded from the IFRS 17 fulfilment cash flows, as the liabilities are measured on a best estimate basis with a separate explicit adjustment for risk.	1,635
Differences in the valuation of future cash flows	The primary differences in measurement of the future cash flows are: Introduction of discounting for all non-life insurance business (under IFRS 4 only longer duration claims are discounted).	4,106
Contractual Service Margin	This IFRS 17 liability represents the unearned profit of the insurance contracts which will be recognised in profit or loss over the coverage period in line with the service provided to customers.	874
Risk Adjustment	The risk adjustment is an explicit allowance for risk recognised under IFRS 17, replacing some of the IFRS 4 margins.	(2,023)
Change in deferred tax due to increase in liabilities	Taxable profits are generally based on an accounting profit and the adoption of IFRS 17 impacted current tax liabilities. The principles of deferred tax mean that the total tax (current and deferred) remains aligned to the reported profits. The transition CSM includes profits that were previously reported in accordance with IFRS 4 and subject to tax. The decrease in net assets on adoption of IFRS 17, including the CSM recognition, gives rise to a deferred tax asset deductible on adoption of IFRS 17.	2,038
Total		**6,630**

IFRS 17 also introduces significant changes in the presentation of the income statement:

- The insurance service result separately presents the result, before the effects of financial risks, for insurance and participating investment contracts, and comprises insurance revenue and insurance service expenses.
- Insurance revenue, the composition of which is set out in accounting policy E, represents the allocation over the life of the insurance contract of premiums received (excluding investment components as set out in accounting policy H(i)). Insurance revenue replaces net earned premiums.
- Insurance service expense separately presents the claims and expenses incurred in fulfilling insurance contracts. Costs incurred in relation to other types of business continue to be presented within other operating expenses.

Notes to the financial statements (continued)

- The net financial result comprises investment return, the finance income/expense on insurance contracts that arises from discounting, and changes in financial risk and changes in the fair value of underlying items.
- Other income and expense items are presented in a similar manner as previously reported.

IFRS profit for the year ending 31 December 2022 has been restated as follows:

	As previously reported	**Change**	**As restated**
31 December 2022	**£'000**	**£'000**	**£'000**
IFRS profit before tax attributable to shareholders' profits	3,128	2,669	5,797
Tax	—	(627)	(627)
IFRS profit/(loss) for the period	3,128	2,042	5,170

(b) IFRS 9 Financial Instruments

IFRS 9 introduces new classification and measurement requirements for financial assets, resulting in the Company's financial assets being measured at FVTPL or amortised cost. The basis of classification depends on the business model for managing the cash flows from these assets and their contractual cash flow characteristics, as set out in accounting policy I. The IFRS 9 expected credit loss model for impairment is applied to any financial assets held at amortised cost and lease receivables. The outcome for financial liabilities remains unchanged as the Company has elected to recognise fair value changes attributable to own credit risk in the income statement for financial liabilities designated at FVTPL.

Changes in accounting policies as a result of adopting IFRS 9 have been implemented retrospectively with the exception of assessments that have been made on the basis of facts and circumstances that existed at the date of initial application of 1 January 2022, as follows:

- The determination of the business model within which a financial asset is held.
- The designation (and revocation of previous designations) of certain financial assets and financial liabilities measured at FVTPL.

The retrospective restatement of comparatives has resulted in no adjustments to the measurement of financial instruments in the financial statements.

The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amounts under IFRS 9 for each class of the Company's financial assets as at the transition date of 1 January 2022. These new measurement categories have had no impact on the Company's financial assets.

	IFRS 9			IAS 39		
	Designated at FVTPL	Amortised cost	Total carrying amount	Designated at FVTPL	Amortised cost	Total carrying amount
At 1 January 2022	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets						
Cash and cash equivalents	**—**	**37,540**	**37,540**	—	37,540	37,540
Financial investments	**48,985**	**—**	**48,985**	48,985	—	48,985

2. Insurance revenue

	Note	2023 £'000	2022 £'000
Contracts measured under the PAA		**101,624**	110,604
Total insurance revenue		**101,624**	110,604

Notes to the financial statements (continued)

3. Net financial result

The following table analyses the companies net financial results in profit or loss.

	Notes	2023 Total £'000	Restated[1] 2022 Total £'000
Interest and similar income		**3,350**	1,134
From financial assets designated at FVTPL on inception		**647**	(1,194)
Total investment return		**3,997**	(60)
Interest accreted		**(2,067)**	(483)
Effect of, and changes in, interest rates and other financial assumptions		**(560)**	11,153
Total net finance (expense)/income from insurance contracts		**(2,627)**	10,670
Interest accreted		**1,022**	203
Effect of, and changes in, interest rates and other financial assumptions		**807**	(10,467)
Net finance income/(expense) from reinsurance contracts		**1,829**	(10,264)
Net financial result		**3,199**	346

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 and remeasurement of the acquisition balance sheet, as described in note 1.

4. Details of expenses

	Note	2023 £'000	Restated[1] 2022 £'000
Claims and benefits incurred			
Claims and benefits incurred - general insurance		**54,020**	74,898
Claim recoveries from reinsurers		**(35,788)**	(68,378)
Claims and benefits incurred, net of recoveries from reinsurers		**18,232**	6,520
Fee and commission expense			
Acquisition costs		**8,408**	26,889
Amount attributed to insurance acquisition cash flows incurred during the year		**5,383**	5,674
Fee and commission expense		**13,791**	32,563
Other expenses			
Amortisation of intangible assets		**1,765**	2,188
Other expenses		**187**	320
Total expenses		**33,975**	41,592
Represented by expenses included within the income statement:			
Insurance service expense		**69,576**	109,649
Expense recovery from reinsurance contracts		**(35,788)**	(68,378)
Other operating expenses		**187**	320
Total expenses		**33,975**	41,592

Expense recovery from reinsurance contracts is presented in the income statement within Net expense from reinsurance contracts, which comprises an allocation of premiums paid to reinsurers of £66,833 thousand (*2022*: £65,805 thousand) and amount recovered from reinsurers of £35,788 thousand (*2022*: £68,378 thousand).

The Company's expenses (with the exception of levy expenses) are subject to a 100% quota share reinsurance agreement.

Notes to the financial statements (continued)

5. Employee information

The Company has no employees (*2022: none*).

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

6. Directors' remuneration

T J Latter, J Holliday, C Moran, J Marsh and A Winslow were remunerated during the year for their roles as employees across the Group. They were not remunerated directly for their services as directors of this Company and no cost is borne by the Company for these services.

D W Kelly was remunerated by a company outside of the Group during their term. No recharge was made to the Company for their services.

During the year, three of the directors exercised share options (2022: none) and six of the directors were granted shares under long term incentive schemes (2022: four) in relation to shares of the Company's ultimate parent company, Aviva plc.

7. Auditors' remuneration

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

	2023 **£**	2022 £
Fees payable to PricewaterhouseCoopers LLP for the statutory audit of the Company's financial statements	**56,000**	**52,080**
Audit related assurance	**—**	**—**
	56,000	**52,080**

Audit fees are payable by Aviva Central Services UK Limited, a fellow Group subsidiary, and recharged as appropriate to the Company and fellow Group companies.

8. Tax

(a) Tax charged to the income statement

(i) The total tax charge comprises:

	2023 £'000	Restated1 2022 £'000
Deferred tax		
Origination and reversal of temporary differences	**(1,411)**	(627)
Total deferred tax	**(1,411)**	(627)
Total tax charged to the income statement	**(1,411)**	(627)

(ii) Deferred tax charged to the income statement represents movements on the following items:

	2023 £'000	Restated1 2022 £'000
Insurance items	**(1,411)**	(627)
Total deferred tax charged to the income statement	**(1,411)**	(627)

(b) Tax reconciliation

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

	Note	2023 £'000	Restated1 2022 £'000
Total profit before tax		**6,515**	5,797
Tax calculated at standard UK corporation tax rate of 23.5% (2022: 19.00%)		**(1,531)**	(1,101)
Movement in valuation of deferred tax		**—**	(120)
Surrender of tax losses from Group undertakings for no value		**120**	594
Total tax (charge)/credit to income statement	8(a)	**(1,411)**	(627)

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

The UK Government has enacted an increase in the UK corporation tax rate to 25% to take effect from 1 April 2023. This rate has been used in the calculation of the Company's deferred tax asset as at 31 December 2022.

During 2023, legislation on The Organisation for Economic Co-operation and Development proposals to reform the international tax system and introduce a global minimum effective rate of corporation tax of 15% was enacted in the UK, to take effect from 31 December 2023. The Company (as part of the Aviva Group) has assessed its potential exposure, based on the available information, and does not anticipate any exposure to additional tax under these provisions.

9. Dividends

	2023 £'000	2022 £'000
Ordinary dividends declared and charged to equity in the year:		
	—	—

Notes to the financial statements (continued)

10. Fair value methodology

This note explains the methodology for valuing our assets and liabilities measured at fair value and for fair value disclosures. It also provides an analysis of these according to a fair value hierarchy, determined by the market observability of valuation inputs. Fair value methodology used to support the fair value approach to IFRS transition is set out in Note 1.

(a) Basis for determining fair value hierarchy of financial instruments

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the 'fair value hierarchy' described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1

Inputs to Level 1 fair values are quoted prices (unadjusted) in active markets for identical assets and liabilities that the Company can access at the measurement date. Level 1 inputs already reflect market participant views of climate change impacts and no further adjustments are made to these values.

Level 2

Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the instrument.

The Company does not hold any Level 2 financial instruments.

Level 3

Inputs to Level 3 fair values are unobservable inputs for the asset or liability. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability.

The Company does not hold any Level 3 financial instruments.

All of the Company's assets and liabilities measured at fair value, are based on quoted market information or observable market data. The Company applies fair value hierarchy Level 1 to its assets as detailed in note 11.

(b) Changes to valuation techniques

No changes were made to the valuation techniques during the year compared to those described in the Company's 2022 annual report and financial statements.

(c) Carrying amounts and fair value of financial instruments

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

				31 December 2023			Restated[1] 31 December 2022
	Notes	**Mandatorily held at FVTPL**	**Amortised cost**	**Total carrying amount**	Mandatorily held at FVTPL	Amortised cost	Total carrying amount
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Financial assets		**—**	**110,828**	**110,828**	—	77,554	77,554
Cash and cash equivalents	21	**—**	**103,447**	**103,447**	—	22,393	22,393
Debt securities	11	**—**	**—**	**—**	—	47,331	47,331
Receivables	12	**—**	**7,382**	**7,382**	—	7,489	7,489
Accrued interest		**—**	**—**	**—**	—	341	341

1.The 2022 comparative results have been restated from those previously published recognising that IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments had always applied as described in note 1.

For financial liabilities designated at FVTPL, the change in fair value attributable to changes in the credit risk of the financial liability and recognised in the income statement is set out below.

Fair values of the following financial assets and financial liabilities approximate to their carrying amounts:

- Receivables
- Cash and cash equivalents
- Payables and other financial liabilities

Notes to the financial statements (continued)

(d) Fair value hierarchy

An analysis of assets and liabilities measured at amortised cost and fair value categorised by fair value hierarchy is given below:

		Fair value hierarchy	2023		2022
31 December 2023	**Notes**	**Level 1 £'000**	**Total carrying £'000**	**Level 1 £'000**	**Total carrying £'000**
Recurring fair value measurements					
Financial investments		—	—	—	—
Debt securities	11	—	—	47,332	47,332
Cash and cash equivalents	21	103,447	103,447	22,393	22,393
Total		103,447	103,447	69,725	69,725

11. Financial investments

Financial investments comprise:

(a) Carrying amount and movements in assets

The table below shows movements in the assets measured at fair value through profit and loss :

Debt securities UK Government	**2023**	2022
	£'000	£'000
Balance at 1 January	**47,332**	48,985
Total net losses recognised in the income statement	**333**	(1,654)
Disposals	**(47,665)**	—
Balance at 31 December	**—**	47,332

(b) Cost, unrealised gains and fair value

The following is a summary of the cost/amortised cost, gross unrealised gains and losses and fair value of financial investments.

	2023				2022			
	Cost/ amortised cost	**Unrealised losses**	**Unrealised losses and impairments**	**Fair value**	Cost/ amortised cost	Unrealised gains	Unrealised losses and impairments	Fair value
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
UK Government	—	—	—	—	47,980	(648)	—	47,332
	—	—	—	—	47,980	(648)	—	47,332

All unrealised gains and losses and impairments on financial investments classified as fair value through profit or loss have been recognised in the income statement.

(c) Impairment of financial investments

There were no impairments in 2023 *(2022: £nil)*.

Notes to the financial statements (continued)

12. Receivables

	2023 £'000	Restated1 2022 £'000
Amounts owed by contract holders	**5,872**	6,369
Amounts owed by intermediaries	**448**	395
Amounts due from reinsurers	**1,061**	725
Total as at 31 December	**7,382**	7,489
Expected to be recovered in less than one year	**7,382**	7,489

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1.

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

13. Prepayments and accrued income

Prepayments and accrued income of £347 thousand (2022: £1,262 thousand) are expected to be recovered within one year of the statement of financial position date.

14. Ordinary share capital

	2023 £'000	2022 £'000
Allotted, called up and fully paid		
76,500,000 (2022: 10,000,000) ordinary shares of £1 each	**76,500**	10,000

On 7 August 2023 the Company issued 66,500,000 ordinary shares of £1 each at nominal value to AIL, settled in cash.

15. Retained earnings

	Note	2023 £'000	Restated1 2022 £'000
Balance at 1 January		**486**	(4,684)
Profit for the year		**5,104**	5,170
Balance at 31 December		**5,590**	486

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1.

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

16. Insurance and reinsurance contracts

The Company has presented the information about insurance contracts which include home policies issued directly to retail policyholders and which are measured using PAA in a single product group.

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

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

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

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

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

(a) Carrying amount

Insurance contracts at 31 December comprised:

					Restated[1]
			2023		2022
		Personal Lines	**Total**	**Personal Lines**	Total
	Note	**£'000**	**£'000**	£'000	£'000
Insurance contracts					
Insurance contract liabilities					
Insurance contract balances	16(b)(i)	**3,893**	**3,893**	57,638	57,638
Assets for insurance acquisition cashflows	16(c)	**—**	**—**	—	—
Total insurance contract liabilities		**3,893**	**3,893**	57,638	57,638
Insurance contract assets					
Insurance contract balances	16(b)(i)	**(46,129)**	**(46,129)**	—	—
Assets for insurance acquisition cashflows	16(c)	**62,049**	**62,049**	—	—
Total insurance contract assets		**15,919**	**15,919**	—	—

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1(a).

Insurance contract liabilities in 2023 relate to legacy Motor liabilities which were previously written in Gresham. Following the recognition of an asset for insurance acquisition cashflows in 2023, the Household portfolio is a insurance contract asset.

Reinsurance contracts at 31 December comprised:

							Restated[1]
		Intra-group	**Other**	**31 December 2023**	Intra-group	Other	31 December 2022
	Note	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Reinsurance Contracts							
Reinsurance contract assets	16(b)(ii)	**30,217**	**5,008**	**35,224**	**22,702**	**—**	22,702
Reinsurance contract liabilities		**—**	**—**	**—**	**—**	**(700)**	(700)

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1(a).

At 31 December 2023, the maximum exposure to credit risk from insurance contracts is £44,205 thousand (2022: £47,352 thousand), which primarily relates to premiums receivable for services that the Group has already provided, and the maximum exposure to credit risk from reinsurance contracts is £35,225 thousand thousand (2022: £22,002 thousand).

Notes to the financial statements (continued)

(b) Movements - Insurance and reinsurance contracts

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

	2023 £'000	Restated[1] 2022 £'000
Carrying amount at 1 January	**57,638**	54,223
Insurance revenue	**(101,624)**	(110,604)
Insurance service expenses	**69,576**	109,649
Insurance finance expense/(income)	**2,627**	(10,670)
Premiums received	**101,127**	112,281
Claims and expenses paid, including investment component	**(52,844)**	(52,769)
Acquisition cash flows	**(26,478)**	(44,473)
Carrying amount at 31 December	**50,023**	57,638

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1(a).

Included within the carrying amounts are: the present value of expected future cashflows, representing a best estimate view; risk adjustment for non-financial risk. The movements are shown net of the asset for insurance acquistion cashflows.

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

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

	31 December 2023 £'000	31 December 2022 £'000
CSM in respect of reinsurance contracts		
At 1 January	**1,753**	874
CSM recognised for services received	**(5,238)**	(2,633)
Other movements in CSM	**6,708**	3,512
At 31 December	**3,224**	1,753
Net CSM at 1 January	**1,753**	874
Net CSM at 31 December	**3,224**	1,753

Other movements in CSM include:

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

The CSM in respect of reinsurance contracts has increased as the recognition of new contracts and remeasurement of future service on existing contracts (both included within other movements in CSM) is larger than the CSM recognised for services provided. The CSM recognised in the period of £5,238 thousand (2022 £2,633 thousand) is a key component of net reinsurance expense.

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

		2023		2022	
		Personal Lines	Total	Personal Lines	Total
	Note	£'000	£'000	£'000	£'000
Risk adjustment in respect of insurance contracts					
At 1 January		**2,805**	**2,805**	2,023	2,023
Other movements in risk adjustment		**(252)**	**(252)**	782	782
Gross risk adjustment at 31 December	16(b)(i)	**2,553**	**2,553**	2,805	2,805

Notes to the financial statements (continued)

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

		2023			2022		
		Intra Group	**Other**	**Total**	Intra Group	Other	Total
	Note	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Risk adjustment in respect of reinsurance contracts							
At 1 January		**2,540**	**769**	**3,309**	2,529	—	2,529
Change in risk adjustment for risk expired		**(502)**	**—**	**(502)**	(513)	—	(513)
Other movements in risk adjustment		**1,095**	**(278)**	**817**	524	769	1,293
Reinsurance risk adjustment at 31 December	16(b)(ii)&(iii)	**3,133**	**491**	**3,624**	2,540	769	3,309

The net risk adjustment has decreased in the period, where the addition of risk adjustment on new business has been more than offset by the release of risk adjustment for risk expired and decreases due to the increase in discount rates.

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

Notes to the financial statements (continued)

(i) Insurance contracts

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

		Liabilities for remaining coverage		Liabilities for incurred claims		
		Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
2023	**Note**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Opening assets		—	—	—	—	—
Opening liabilities		**12,087**	—	**42,746**	**2,805**	**57,638**
Carrying amount at 1 January		**12,087**	—	**42,746**	**2,805**	**57,638**
Changes in comprehensive income						
Insurance revenue	2	**(101,624)**	—	—	—	**(101,624)**
Insurance service expenses	4	**15,154**	—	**54,799**	**(377)**	**69,576**
Incurred claims and other insurance service expenses		—	—	45,616	1,255	46,872
Losses on onerous contracts and reversal of those losses		—	—	—	—	—
Amortisation of insurance acquisition cash flows		15,154	—	—	—	15,154
Adjustments to liabilities for incurred claims		—	—	9,183	(1,632)	7,551
Insurance service result		**(86,470)**	—	**54,799**	**(377)**	**(32,048)**
Net finance expenses from insurance contracts	3	—	—	**2,502**	**125**	**2,627**
Total changes in comprehensive income		**(86,470)**	—	**57,302**	**(252)**	**(29,421)**
Cash flows		0		0	0	
Premiums received		**101,127**	—	—	—	**101,127**
Claims and other insurance service expenses paid		—	—	**(52,844)**	—	**(52,844)**
Insurance acquisition cash flows		**(26,478)**	—	—	—	**(26,478)**
Total cash flows		**74,649**	—	**(52,844)**	—	**21,806**
Transfer to other items in the statement of financial position		—	—	—	—	—
Contracts derecognised on disposal of subsidiary		—	—	—	—	—
Carrying amount at 31 December		**266**	—	**47,204**	**2,553**	**50,022**
Closing assets		—	—	—	—	—
Closing liabilities		**266**	—	**47,204**	**2,553**	**50,022**
Carrying amount at 31 December		**266**	—	**47,204**	**2,553**	**50,022**

Notes to the financial statements (continued)

Restated[1] 2022	Note	Liabilities for remaining coverage: Excluding loss component £'000	Liabilities for remaining coverage: Loss component £'000	Liabilities for incurred claims: Estimates of present value of future cash flows £'000	Liabilities for incurred claims: Risk adjustment for non-financial risk £'000	Total £'000
Opening assets		—	—	—	—	—
Opening liabilities		20,546	—	31,653	2,023	54,223
Carrying amount at 1 January		20,546	—	31,653	2,023	54,223
Changes in comprehensive income						
Insurance revenue	2	(110,604)	—	—	—	(110,604)
Insurance service expenses	4	34,335	—	74,532	782	109,649
Incurred claims and other insurance service expenses		—	—	57,764	715	58,478
Losses on onerous contracts and reversal of those losses		—	—	—	—	—
Amortisation of insurance acquisition cash flows		34,335	—	—	—	34,335
Adjustments to liabilities for incurred claims		—	—	16,768	68	16,836
Insurance service result		(76,269)	—	74,532	782	(955)
Net finance expenses from insurance contracts	3	—	—	(10,670)	—	(10,670)
Total changes in comprehensive income		(76,267)	—	63,862	782	(11,623)
Cash flows						
Premiums received		112,280	—	—	—	112,280
Claims and other insurance service expenses paid		—	—	(52,770)	—	(52,770)
Insurance acquisition cash flows		(44,473)	—	—	—	(44,473)
Total cash flows		67,808	—	(52,770)	—	15,038
Transfer to other items in the statement of financial position		—	—	—	—	—
Contracts derecognised on disposal of subsidiary		—	—	—	—	—
Carrying amount at 31 December		12,087		42,746	2,805	57,638
Closing assets		—	—	—	—	—
Closing liabilities		12,087	—	42,746	2,805	57,638
Carrying amount at 31 December		12,087	—	42,746	2,805	57,638

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1(a).

Notes to the financial statements (continued)

(ii) Intercompany contracts held

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

					2023
			Assets for incurred claims		
		Assets for remaining coverage	**Estimates of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
	Note	**£'000**	**£'000**	**£'000**	**£'000**
Opening assets at 1 January		**(16,541)**	**37,482**	**1,761**	**22,702**
Changes in the income statement		**0**	**0**	**0**	**0**
Allocation of reinsurance premiums paid		**(56,879)**	**—**	**—**	**(56,879)**
Amounts recoverable from reinsurers		**0**	**0**	**0**	**0**
Recoveries of incurred claims and other insurance service expenses		**—**	**43,220**	**—**	**43,220**
Adjustments to assets for incurred claims		**(47)**	**6,754**	**(44)**	**6,663**
Effect of changes in non-performance risk of reinsurers		**—**	**—**	**—**	**—**
Net expenses from reinsurance contracts		**—**	**—**	**—**	**—**
Net finance income from reinsurance contracts	3	**(328)**	**—**	**—**	**(328)**
Effect of movements in exchange rates		**—**	**—**	**—**	**—**
Total changes in the income statement		**(57,253)**	**49,974**	**(44)**	**(7,323)**
Cash flows		**0**	**0**	**0**	**0**
Premiums paid		**63,892**	**—**	**—**	**63,892**
Amounts received		**—**	**(49,054)**	**—**	**(49,054)**
Total cash flows		**63,892**	**(49,054)**	**—**	**14,839**
Contracts derecognised on disposal of subsidiary		**—**	**—**	**—**	**—**
Closing assets at 31 December		**(9,902)**	**38,402**	**1,717**	**30,217**

					2022
			Assets for incurred claims		
		Assets for remaining coverage	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
	Note	£'000	£'000	£'000	£'000
Opening assets at 1 January		(21,215)	26,410	2,047	7,242
Changes in the income statement					
Allocation of reinsurance premiums paid		(56,807)	—	—	(56,807)
Amounts recoverable from reinsurers		—	—	—	—
Recoveries of incurred claims and other insurance service expenses		52	50,999	—	51,051
Adjustments to assets for incurred claims		12	25,182	(298)	24,896
Effect of changes in non-performance risk of reinsurers		(23)	—	23	—
Net expenses from reinsurance contracts		—	—	—	—
Net finance income from reinsurance contracts	3	(3,355)	(17,587)	(11)	(20,953)
Effect of movements in exchange rates		—	—	—	—
Total changes in the income statement		(60,121)	58,594	(286)	(1,813)
Cash flows					
Premiums paid		64,795	—	—	64,795
Amounts received		—	(47,522)	—	(47,522)
Total cash flows		64,795	(47,522)	—	17,273
Contracts derecognised on disposal of subsidiary		—	—	—	—
Closing assets at 31 December		(16,541)	37,482	1,761	22,702

Notes to the financial statements (continued)

		2023				2022			
		Estimates of present value of future cash flows	**Risk adjustment for non-financial risk**	**CSM**	**Total**	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
	Note	**£'000**	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Opening assets at 1 January		**18,409**	**2,540**	**1,753**	**22,702**	3,265	3,103	874	7,242
Changes in comprehensive income									
CSM recognised for services received		**—**	**—**	**(5,238)**	**(5,238)**	—	—	(2,633)	(2,633)
Change in risk adjustment for non-financial risk for risk expired		**—**	**(1,022)**	**—**	**(1,022)**	—	(1,046)	—	(1,046)
Experience adjustments		**(7,302)**	**—**	**—**	**(7,302)**	(2,030)	—	—	(2,030)
Changes that relate to future services									
Contracts initially recognised in the year		**(5,182)**	**820**	**4,362**	**—**	(3,665)	1,012	2,653	—
Changes in estimates that adjust the CSM		**—**	**—**	**2,139**	**2,139**	(861)	2	859	—
Changes in estimates that relate to losses and reversals of losses on onerous contracts		**(2,927)**	**741**	**—**	**(2,186)**	41	10	—	52
Changes that relate to past service									
Adjustments to assets for incurred claims		**6,754**	**(44)**	**—**	**6,709**	25,116	(224)	—	24,892
Net expenses from reinsurance contracts		**(8,657)**	**495**	**1,263**	**(6,898)**	18,602	(246)	879	19,235
Net finance income from reinsurance contracts	3	**(632)**	**98**	**207**	**(328)**	(20,635)	(317)	—	(20,953)
Cash flows		**14,741**	**—**	**—**	**14,741**	17,178	—	—	17,178
Closing assets at 31 December		**23,861**	**3,133**	**3,224**	**30,218**	18,409	2,540	1,753	22,702

Notes to the financial statements (continued)

(iii) Others reinsurance contracts held

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

					2023
			Assets for incurred claims		
	Note	**Assets for remaining coverage £'000**	**Estimates of present value of future cash flows £'000**	**Risk adjustment for non-financial risk £'000**	**Total £'000**
Opening assets at 1 January		(3,383)	1,914	769	(700)
Changes in the income statement		0	0	0	0
Allocation of reinsurance premiums paid		(9,999)	—	—	(9,999)
Amounts recoverable from reinsurers		0	0	0	0
Recoveries of incurred claims and other insurance service expenses		—	3,406	230	3,636
Adjustments to assets for incurred claims		—	690	(522)	168
Effect of changes in non-performance risk of reinsurers		—	—	—	—
Net expenses from reinsurance contracts		—	—	—	—
Net finance income from reinsurance contracts	3	—	94	14	108
Effect of movements in exchange rates		—	—	—	—
Total changes in the income statement		(9,999)	4,190	(278)	(6,087)
Cash flows		0	0	0	0
Premiums paid		12,593	—	—	12,593
Amounts received		—	(798)	—	(798)
Total cash flows		12,593	(798)	—	11,795
Contracts derecognised on disposal of subsidiary		—	—	—	—
Closing assets at 31 December		(790)	5,306	491	5,008

					2022
			Assets for incurred claims		
	Note	Assets for remaining coverage £'000	Estimates of present value of future cash flows £'000	Risk adjustment for non-financial risk £'000	Total £'000
Opening assets at 1 January		1,453	(1,613)	(574)	(735)
Changes in the income statement		0	0	0	0
Allocation of reinsurance premiums paid		(9,009)	—	—	(9,009)
Amounts recoverable from reinsurers		0	0	0	0
Recoveries of incurred claims and other insurance service expenses		—	128	767	895
Adjustments to assets for incurred claims		—	(6,273)	592	(5,681)
Net finance income from reinsurance contracts	3	—	9,952	(15)	9,937
Effect of movements in exchange rates		—	—	—	—
Total changes in the income statement		(9,009)	3,808	1,343	(3,858)
Cash flows		0	0	0	0
Premiums paid		4,173	—	—	4,173
Amounts received		—	(280)	—	(280)
Total cash flows		4,173	(280)	—	3,893
Contracts derecognised on disposal of subsidiary		—	—	—	—
Closing assets at 31 December		(3,383)	1,914	769	(700)

Notes to the financial statements (continued)

(c) Assets for insurance acquisition cashflows

	31 December 2023 Total £'000	31 December 2022 Total £'000
Balance at 1 January	**–**	–
Acquisitions through business combinations	**–**	–
Amounts incurred during the year	**89,044**	33,215
Amounts derecognised and included in the measurement of insurance contracts	**(26,995)**	(33,215)
Impairment losses and reversals	**–**	–
Balance at 31 December	**62,049**	–

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

	31 December 2023 Total £'000	31 December 2022 Total £'000
Balance at 1 January		
Insurance contracts assets	**–**	–
Insurance contract liabilities	**–**	–
Balance at 31 December		
Insurance contracts assets	**62,049**	–
Insurance contract liabilities	**–**	–

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

31 December	**31 December 2023 Total £'000**	31 December 2022 Total £'000
Less than one year	**12,592**	–
One to two years	**10,230**	–
Two to three years	**8,347**	–
Three to four years	**7,007**	–
Four to five years	**5,885**	–
Five to ten years	**17,988**	–
More than 10 years	**–**	–

Notes to the financial statements (continued)

(d) Effect of contracts initially recognised in the year

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

Reinsurance contracts

	2023			Restated[1] 2022		
	Profitable contracts issued £'000	**Onerous contracts issued £'000**	**Total £'000**	Profitable contracts issued £'000	Onerous contracts issued £'000	Total £'000
Estimates of present value of cash outflows	**(47,546)**	**—**	**(47,546)**	**(53,884)**	**—**	**(53,884)**
Estimates of present value of cash inflows	**42,364**	**—**	**42,364**	**50,219**	**—**	**50,219**
Risk adjustment	**820**	**—**	**820**	**1,012**	**—**	**1,012**
CSM	**4,362**	**—**	**4,362**	**2,653**	**—**	**2,653**
Losses recognised on initial recognition	**—**	**—**	**—**	**—**	**—**	**—**

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

	1 year or less £'000	1 to 2 years £'000	Greater than 2 years £'000	Total £'000
31 December 2023	**3,224**	**—**	**—**	**3,224**
31 December 2022	**1,753**	**—**	**—**	**1,753**

(e) Loss development tables - General insurance claims development

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

31 December 2023	**All prior years £'000**	**2014 £'000**	**2015 £'000**	**2016 £'000**	**2017 £'000**	**2018 £'000**	**2019 £'000**	**2020 £'000**	**2021 £'000**	**2022 £'000**	**2023 £'000**	**Total £'000**
Gross of reinsurance												
Estimates of undiscounted cumulative claims												
At end of accident year		86,972	70,653	61,599	57,621	67,223	56,104	49,635	39,463	54,615	46,850	
One year		86,717	65,303	62,485	56,705	67,328	51,246	47,720	42,662	58,091		
Two years		86,478	65,685	62,208	56,226	69,171	52,332	48,649	42,845			
Three years		86,856	65,695	62,034	56,457	69,940	53,036	50,016				
Four years		86,884	66,011	61,955	56,658	69,834	53,631					
Five years		86,452	65,409	62,000	56,947	70,310						
Six years		86,606	65,575	62,576	56,996							
Seven years		86,805	65,638	63,147								
Eight years		86,974	65,603									
Nine years		87,066										
Cumulative gross claims paid		(87,017)	(65,550)	(62,626)	(56,591)	(69,040)	(52,081)	(47,491)	(40,597)	(48,540)	(21,504)	
	13,324	49	53	521	405	1,270	1,550	2,525	2,248	9,551	25,346	56,842
Effect of discounting	(6,909)	(2)	—	(34)	(29)	(103)	(133)	(236)	(206)	(969)	(1,020)	(9,641)
Effect of the risk adjustment for non-financial risk	217	3	3	28	21	66	81	130	117	631	1,259	2,556
Gross liabilities for incurred claims included in the statement of financial position	**6,632**	**50**	**56**	**515**	**397**	**1,233**	**1,498**	**2,419**	**2,159**	**9,213**	**25,585**	**49,757**

Notes to the financial statements (continued)

31 December 2023	All years prior to 2014 £'000	2023 £'000	Total £'000
Net of reinsurance[1]			
Estimates of undiscounted claims		2,874	2,874
Cumulative net claims paid		(2,874)	(2,874)
	1,321	—	1,321
Effect of discounting	(986)	—	(986)
Effect of the risk adjustment for non-financial risk	63	—	63
Effect of non-performance risk of reinsurers	—	—	—
Reinsurance of adverse claims development presented in net liabilities for remaining coverage	3,443	—	3,443
Net liabilities for incurred claims included in the statement of financial position	**3,841**	**—**	**3,841**

[1]Values for accident years 2014 to 2022 inclusive are £nil.

Accident years 2014 to 2023 are reinsured under the quotashare reinsurance arrangement with its immediate parent undertaking Aviva Insurance Limited ("AIL") which took effect from 1 January 2006 (refer section 24(a)(i)). The net of reinsurance table above shows net liabilities for incurred claims of £3,841,000 in respect of all accident years prior to 2014. This has arisen from residual claims exposure net of reinsurance which is not covered by the quotashare reinsurance arrangement with AIL.

Notes to the financial statements (continued)

(g) Significant accounting judgements and estimates

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

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

(i) Fulfilment cash flows

Fulfilment cash flows comprise:

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

Estimates of future cash flows

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

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

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

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

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

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

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

Contract boundaries

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

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

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

Claims

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

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

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

Lump sums payable to bodily injury claimants

Lump sum payments in settlement of bodily injury claims are influenced by the Ogden discount rate among other factors. The Ogden discount rate is set by the Lord Chancellor and is applied when calculating the present value of future care costs and loss of earnings for claims settlement purposes. The Lord Chancellor's next review of the Ogden discount rate is expected to begin by summer 2024 and its impact upon the valuation of claims has been estimated on a probability weighted basis which considers a range of possible outcomes from the review.

Discount rates

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

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

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

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

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

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

						2023						2022
	1 year	**5 years**	**10 years**	**15 years**	**20 years**	**40 years**	1 year	5 years	10 years	15 years	20 years	40 years
Non-life contracts												
Structured settlements												
GBP	5.37 %	3.99 %	3.92 %	4.03 %	4.07 %	3.79 %	5.46 %	5.06 %	4.71 %	4.62 %	4.54 %	4.15 %
Other general insurance claims												
GBP	5.05 %	3.67 %	3.60 %	3.71 %	3.75 %	3.48 %	4.96 %	4.56 %	4.21 %	4.12 %	4.04 %	3.65 %

Risk adjustment for non-financial risk

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

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

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

The risk adjustment for non-financial risk corresponds to a 58th percentile (2022: 51st percentile) confidence level, net of reinsurance. This reflects the Company's confidence that the value of the liability for incurred claims, including the risk adjustment, is sufficient to meet the ultimate cost of claims. The percentile benefits from the Company's scale and diverse risk profile and is an uncertain estimate made as of 31 December which could reasonably change within 12 months. Factors which could cause it to change include variations in the Company's risk profile or quantification thereof, for example as might arise from changes in risk-free discount rates and other economic factors or changes in the composition of insurance liabilities. The figures assume that there are no changes in estimate of future cashflows when in reality a lot of factors which influence the risk adjustment calibration will also impact the estimate of future cashflows.

Risk adjustments for non-financial risk

	2023	2022
	£'000	£'000
Movement in net risk adjustment required for 2.5pp confidence level increase	**24**	6
Movement in net risk adjustment required for 2.5pp confidence level reduction	**(24)**	(7)

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

(ii) Contractual service margin

Determination of coverage units

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

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

17. Tax assets and liabilities

(a) Current tax

There are no current tax tax assets/liabilities receivable/payable in more than one year *(2022: £nil)*.

(b) Deferred tax

The net deferred tax asset arises on the following items:

	2023	Restated1 2022
	£'000	£'000
Insurance items	—	**1,411**
Net deferred tax asset	—	**1,411**

The movement in the net deferred tax asset was as follows:

	2023	Restated1 2022
	£'000	£'000
Net deferred tax asset at 1 January	**1,411**	2,038
Amounts charged to income statement	**(1,411)**	(627)
Net deferred tax asset at 31 December	—	1,411

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Notes to the financial statements (continued)

18. Payables and other financial liabilities

	Note	2023 £'000	Restated1 2022 £'000
Payables arising out of direct insurance and assumed reinsurance		**76**	2,271
Payables arising out of reinsurance operations			
- Amount due to other Group companies	24(a)(i)	**28,832**	9,633
Bank overdrafts	21	**—**	1,541
Amounts due to other Group companies	24(a)(iii)	**34,050**	10,954
Total as at 31 December		**62,958**	24,399
Expected to be settled within one year		**62,958**	24,399
		62,958	24,399

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1.

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

19. Other liabilities

	Note	2023 £'000	Restated1 2022 £'000
Deferred income		**770**	1,394
Accruals		**1,953**	2,432
Other liabilities		**10,656**	5,540
Total as at 31 December		**13,379**	9,366
Expected to be settled within one year		**6,879**	9,366
Expected to be settled in more than one year		**6,500**	—
Total as at 31 December		**13,379**	9,366

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1.

Included in other liabilities is a contingent consideration of £6,500 thousand (2022: £nil) regarding the acquisition of the Barclays home insurance portfolio. The deal includes an initial consideration and a variable consideration amount, dependent on Policies In Force, due after two years. This is a financial liability currently valued at £6,500 thousand based upon the best estimate of future cashflows.

20. Contingent liabilities and other risk factors

(a) Uncertainty over claims provisions

Note 16 gives details of the estimation techniques used in determining the general business outstanding claims provisions. These approaches are designed to allow for a degree prudence, to give a result within the normal range of outcomes. However, the actual cost of settling these liabilities may differ, for example because experience may be worse than that assumed, or future general insurance business claims inflation may differ from that expected, and hence there is uncertainty in respect of these liabilities.

(b) Regulatory compliance

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

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

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

(c) Other

In the course of conducting insurance and investment business, the Company receives liability claims, and becomes involved in actual or threatened related litigation. In the opinion of the directors, adequate provisions have been established for such claims and no material loss will arise in this respect.

Notes to the financial statements (continued)

The Company pays contributions to levy schemes in the country in which it operates. Given the economic environment, there is a heightened risk that the levy contributions will need to be increased to protect policyholders if an insurance company falls into financial difficulties. The directors continue to monitor the situation but are not aware of any need to increase provisions at the statement of financial position date.

21. Statement of cash flows

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

	2023 £'000	Restated1 2022 £'000
Profit before tax	**6,515**	5,797
Adjustments for:		
Changes in working capital:		
Increase in net reinsurance assets	**(13,224)**	(15,495)
Increase in receivables	**108**	(5,580)
Decrease in prepayments and accrued income	**916**	350
(Decrease)/increase in net insurance liabilities	**(69,664)**	3,415
Increase in payables and other financial liabilities	**38,558**	(2,663)
Increase/(decrease) in other liabilities	**4,013**	(2,625)
Revaluation of financial investments	**(333)**	1,654
Total cash generated from operating activities	**(33,111)**	(15,147)

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1.

Payables and other financial liabilities, excludes bank overdrafts and is stated after eliminating £nil (*2022*: nil) of corporation tax settled or to be settled by group relief.

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

	Note	2023 £'000	2022 £'000
Cash at bank and in hand		**38**	493
Cash equivalents		**103,409**	21,900
		103,447	22,393
Bank overdrafts	18	**—**	(1,541)
		103,447	20,852

22. Capital structure

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

(a) General

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

(b) Capital management

In managing its capital, the Company seeks to:

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

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

(c) Different measures of capital

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

(i) Accounting basis

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

(ii) Regulatory basis

Relevant capital and solvency regulations are used to measure and report the Company's financial strength. These measures are based on the regulatory requirements under Solvency II. The regulatory capital tests verify that the Company retains an excess of solvency capital above the required minimum level calculated using a risk-based capital model. The risk management note (note 23) gives further details.

Solvency II "own funds" represents the amount of regulatory capital resources that are available to meet regulatory capital requirements under the Solvency II regime, and is a closely monitored metric. At 31 December 2023 the Company's estimated own funds under Solvency II were £27,670 thousand (*2022*: £16,178 thousand) (unaudited). The Company's own funds are sufficient to meets its capital requirements under Solvency II. The Company fully complied with the relevant regulatory requirements during the year.

(d) Company capital structure

IFRS Net Assets **General insurance**	**2023** **£'000**	2022 £'000
Equity shareholders' funds	**82,090**	10,486
Total capital	**82,090**	10,486

23. Risk management

Risk Environment

During the year, the global economy has continued to experience elevated inflation and interest rates coupled with low levels of economic growth. Market expectations for 2024 are that monetary policy will begin to be cautiously eased as central banks look to protect economic growth with inflation declining and the softening of the labour market, albeit remaining tight by historical standards. Economist forecasts for growth have been revised upwards and inflation is expected to continue a gradual downwards trend, although this is likely to be highly dependent on the outcome of heightened geo-political tensions and the potential for further disruption to global supply chains and energy supplies. Further the potential for material levels of regime and/or policy change across the globe are an additional source of uncertainty for financial and commodity markets. Affordability concerns due to the economic climate will continue to impact many customers and the Company continues to actively manage customer experience and outcomes.

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

An increased threat of malware/ransomware attacks continues to be seen across the world. In response we have increased the protection level of anti-malware security controls and continue to monitor threat intelligence data and update our security controls to maintain protection against new and emerging ransomware variants.

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

Notes to the financial statements (continued)

(a) Risk management framework (RMF)

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

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

a. Risk preferences: qualitative statements that express where the business prefers to take risk (or else accept or avoid) and why, applied to individual key risk types (e.g. GI Reserving and Inflation).
b. Risk appetites: overarching statements, metrics and thresholds that express the level of risk the business is willing to accept. The Company has risk appetites for Solvency, Liquidity, Operational, Climate and Conduct (albeit the latter two are reported at an AIL/UKGI Business Unit level) (of which the Company is a part)). Risk appetites are reviewed and approved annually by the Board and monitored at least quarterly by relevant management committees.
c. Risk limits: quantify more granular limits for specific defined risk exposure (e.g. maximum credit exposure limits to particular counterparties). These are also reported at an AIL / UKGI Business Unit level (of which the Company is a part).

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

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

A variety of tools and processes are available to support risk identification; both bottom up and top down, and while run separately, these are designed to complement each other and are used to generate risk reports which are shared with the relevant Risk Committees. Consideration to the Company's material existing and emerging risks from events outside the Company which are considered primarily beyond its influence and control is facilitated by the Risk Function, with input from Management. Conversely, the bottom-up Risk and Control Self-Assessment (RCSA) which is owned by Management with challenge from the Risk Function focuses on operational risks, that arise from within internal processes, systems or people and which might prevent the business from achieving its objectives.

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

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

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

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

(b) Credit risk

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

The Company's approach to managing credit risk recognises that there is a risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default, rating transition and credit spread movements. The Company's credit risks arise principally through exposures to debt security investments, cash and cash equivalents, reinsurance counterparties and other receivables.

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

(i) Financial exposures by credit ratings

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

Notes to the financial statements (continued)

31 December 2023	£'000 AA/AA-	£'000 A+/A/A-	£'000 BBB	£'000 Below BBB	£'000 Not-rated	£'000 Carrying value
Debt securities	**—**	**—**	**—**	**—**	**—**	**—**
Reinsurance assets	**31,118**	**4,086**	**—**	**(104)**	**124**	**35,225**

Restated1 31 December 2022	£'000 AA/AA-	£'000 A+/A-	£'000 BBB/B	£'000 Below BBB	£'000 Not-rated	£'000 Carrying value
Debt securities	47,332	—	—	—	—	47,332
Reinsurance assets	21,746	1,370	(9)		(1,105)	22,002

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1.

The table below provides information regarding the aggregated credit risk exposure of the Company's financial assets that are considered to have contractual terms which are Solely Payments of Principal and Interest (SPPI), excluding amounts due from reinsurers, which are included above, and cash and cash equivalents. Cash and cash equivalents are held with highly rated banking institutions or liquidity funds.

SPPI financial exposure by credit ratings

31 December 2023	AA-/AA/AA+ £'000	A-/A/A+ £'000	BB £'000	Not-rated £'000	Carrying value £'000
Receivables	**—**	**1,061**	**—**	**6,320**	**7,382**
Cash and cash equivalents	**—**	**—**	**—**	**103,447**	**103,447**
Accrued income and interest	**—**	**—**	**—**	**—**	**—**
Total	**—**	**1,061**	**—**	**109,767**	**110,828**

Restated1 31 December 2022	AA-/AA/AA+ £'000	A-/A/A+ £'000	BB £'000	Not-rated £'000	Carrying value £'000
Receivables		725	—	6,764	7,489
Cash and cash equivalents	—	—	—	22,393	22,393
Accrued income and interest				340	340
Total	—	725	—	29,497	30,222

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1.

The Company's maximum exposure to credit risk of financial assets is represented by the carrying value of the financial instruments in the statement of financial position. These comprise debt securities, reinsurance assets, and receivables. The carrying values of these assets are disclosed in the relevant notes; financial investments (note 11), reinsurance assets (note 16), and receivables (note 12).

(ii) Credit concentration risk

The Company has significant financial exposure to amounts due from its immediate parent company, arising from its reinsurance arrangement, as described in note 24(a)(i). The credit risk arising from its immediate parent company failing to meet all or part of its obligations is considered remote.

(iii) Impairment of financial assets

Financial investments of £nil thousand (*2022*: £47,332 thousand) and reinsurance assets of £35,224 thousand (*2022*: £22,702 thousand) are neither impaired nor overdue.

Receivables of £7,382 thousand (*2022*: £7,489 thousand) primarily comprising amounts due from insurance contract holders (note 12) and cash and cash equivalents of £103,447 thousand (*2022*: £22,393 thousand) are not impaired.

The following table provides information regarding the ageing of receivables that are past due but not impaired.

		Financial assets that are past due but not impaired				
31 December 2023	Neither past due nor impaired £'000	0-3 months £'000	3-6 months £'000	6 months-1 year £'000	Greater than 1 year £'000	Carrying value £'000
Amounts due from contract holders	**5,858**	**8**	**4**	**1**	**2**	**5,872**
Amounts due from intermediaries	**448**	**—**	**—**	**—**	**—**	**448**
Amounts due from reinsurers	**1,061**	**—**	**—**	**—**	**—**	**1,061**
	7,367	**8**	**4**	**1**	**2**	**7,382**

Notes to the financial statements (continued)

Restated1	Neither past due nor impaired	Financial assets that are past due but not impaired				Carrying value
		0-3 months	3-6 months	6 months-1 year	Greater than 1 year	
31 December 2022	£'000	£'000	£'000	£'000	£'000	£'000
Amounts due from contract holders	5,795	573				6,369
Amounts due from intermediaries	395	—	—	—	—	395
Amounts due from reinsurers	725	—	—	—	—	725
	6,916	573	—	—	—	7,489

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1.

(c) Market risk

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

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

Interest rate risk arises primarily from the Company's investments in long-term debt and fixed interest securities and their movement relative to the value placed on the insurance liabilities, noting the significant reinsurance arrangement in place (as described in note 24(a) (i)).

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

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

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

(d) Liquidity risk

Liquidity risk is the risk of not being able to make payments as they become due because there are insufficient assets in cash form either in normal and / or stressed conditions.

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

Maturity analyses

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

Financial assets and Liabilities

(i) Analysis of maturity of financial liabilities and insurance contract liabilities

For insurance and participating investment contract liabilities, including reinsurance contract liabilities, the following table shows the estimates of the present value of future cash flows at 31 December 2023 and 2022 analysed by estimated timing.

The following table shows the Company's provisions for insurance liabilities and payables and other financial liabilities analysed by duration:

					2023
	Total	**On demand or within 1 year**	**1-5 years**	**5-15 years**	**Over 15 years**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Insurance liabilities	**50,022**	**25,303**	**19,138**	**3,693**	**1,888**
Payables and other financial liabilities	**62,958**	**62,958**	**—**	**—**	**—**
Assets for insurance acquisition cashflows	**(62,049)**	**(12,592)**	**(31,469)**	**(17,988)**	**—**
Accruals	**1,953**	**1,953**	**—**	**—**	**—**
	52,884	**77,622**	**(12,331)**	**(14,295)**	**1,888**

Notes to the financial statements (continued)

	Total	On demand or within 1 year	1-5 years	5-15 years	Over 15 years
					Restated1 2022
	£'000	£'000	£'000	£'000	£'000
Insurance liabilities	57,638	36,432	15,996	2,737	2,473
Payables and other financial liabilities	24,399	24,399	—	—	—
Accruals	2,432	2,432	—	—	—
	84,469	63,263	15,996	2,737	2,473

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1.

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

The following table provides an analysis, by maturity date of the principal, of the carrying value of financial assets which are available to fund the repayment of liabilities as they crystallise. The table also includes the maturity of deposits received from reinsurers that represent the reinsurers' interest in the Company's financial assets / reinsurance assets (excluding reinsurers' share of provision for unearned premium).

	Total	**On demand or within 1 year**	**1-5 years**	**5-15 years**	**Over 15 years**
					2023
	£'000	£'000	£'000	£'000	£'000
Reinsurance assets	**35,225**	**20,174**	**11,791**	**2,254**	**1,006**
Receivables	**7,381**	**7,381**	**—**	**—**	**—**
Cash and cash equivalents	**103,447**	**103,447**	**—**	**—**	**—**
Total financial assets	**146,053**	**131,002**	**11,791**	**2,254**	**1,006**

	Total	On demand or within 1 year	1-5 years	5-15 years	Over 15 years
					Restated1 2022
	£'000	£'000	£'000	£'000	£'000
Debt securities	47,332	47,332	—	—	—
Reinsurance assets	22,002	15,189	5,242	879	693
Receivables	7,489	7,489	—	—	—
Cash and cash equivalents	22,393	22,393	—	—	—
Total financial assets	99,216	92,403	5,242	879	693

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1.

The reinsurance assets above are analysed using the estimated timing of expected cash flows. The other assets are analysed in accordance with the earliest possible redemption date of the instrument at the initiation of the Company.

(e) General insurance risk

General insurance risk in the Company arises from:

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

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

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

The Company is now a closed book as of 31 August 2023, and as at the same date assumed accountability for both distribution and underwriting, with policy renewals from that point onwards being issued under the Aviva brand.

The adequacy of the Company's general insurance gross and net claims provisions is overseen by the AIL Reserve and Projections Committee. Actuarial claims reserving is the responsibility of the Company's actuaries, with periodic independent external reviews by consulting actuaries. Reserving processes are further detailed in note 16.

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

Notes to the financial statements (continued)

The Company's largest reinsurance arrangements include a 100% quota share reinsurance arrangement with its parent company, AIL, as described in note 24(a)(i), which has substantially reduced its net insurance risk exposure.

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

(f) Operational risk

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

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

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

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

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

(g) Risk and capital management

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

(i) General insurance

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

(ii) Sensitivity results

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

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

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

Market risk variables

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

						Restated[1]
			2023			2022
	Net insurance contracts profit or loss	**Total profit before tax**	**Shareholder's equity after tax**	Net insurance contracts profit or loss	Total profit before tax	Shareholder's equity after tax
	£'000	£'000	£'000	£'000	£'000	£'000
100 bps increase in interest rate	**1,529**	**1,529**	**1,169**	1,359	1,359	1,039
100 bps decrease in interest rate	**(1,858)**	**(1,858)**	**(1,422)**	(1,719)	(1,719)	(1,315)
50 bps increase in corporate bond spread	**144**	**144**	**110**	143	143	110

Notes to the financial statements (continued)

Underwriting risk variables

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

								Restated[1]
				2023				2022
	Insurance contracts profit or loss	**Reinsurance contracts profit or loss**	**Total profit before tax**	**Shareholder's equity after tax**	Insurance contracts profit or loss	Reinsurance contracts profit or loss	Total profit before tax	Shareholder's equity after tax
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
10% increase in expenses	**(82)**	**82**	**—**	**—**	(88)	88	—	—
5% increase in gross loss ratios	**(2,161)**	**2,161**	**—**	**—**	(2,314)	2,314	—	—

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 as described in note 1.

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

Limitations of sensitivity analysis

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

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

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

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

(h) Climate Change

The Company considers climate change to be a significant risk to our strategy and business model and its impacts are already being felt. Global average temperatures over the last five years have been the hottest on record. Despite the United Nations Framework Convention on Climate Change Paris Agreement, the current trend of increasing CO_2 emissions is expected to continue and in the absence of radical action by governments, global temperatures are likely to exceed pre-industrial levels by at least 2°C and weather events (floods, droughts and windstorms) increase both in frequency and severity.

The Aviva Group is acting now through its Sustainability Ambition to mitigate and manage its impacts both today and in the future. Through these actions, we continue to build resilience to climate-related transition, physical and liability risks. The Company's principal risks impacted by climate change are credit risk, market risk, general insurance risk and operational risk.

Climate considerations continue to be integrated into the Company's strategy, planning, governance, disclosures and risk management processes.

The Company's climate risk appetite statement is supported by quantitative hard and soft metrics (albeit are reported against at an AIL / UK GI business unit level only), which are aligned to the Aviva Group Sustainability Ambition.

Alongside actions taken by the Government, the insurance industry and the wider society, Aviva Group and the Company are playing a leading role in addressing climate change with a broad range of actions underway to deliver on its 2040 Net Zero (NZ) ambitions and by embedding consideration of climate and sustainability risks into the culture of the Company. Furthermore, as an insurer, the Company is able to influence customer behaviour through the coverage of products and services provided and continues to develop climate-conscious products and services to incentivise climate-positive behaviours.

For further details see the Aviva plc Climate-related Financial Disclosure 2023 report.

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 and remeasurement of the acquisition balance sheet, as described in note 1.

Notes to the financial statements (continued)

24. Related party transactions

The Company has the following transactions with related parties which include parent companies, subsidiaries, associates and fellow subsidiaries in the normal course of business.

(a) The Company had the following related party transactions

(i) Quota share arrangement

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

The key terms of the agreement remain:

- a 100% cession rate on premiums, claims costs and underwriting expense costs is applied in respect of the underwriting year; and
- a requirement for the Company to retain a percentage in relation to the Financial Services Compensation Scheme levy.
- On 31 August 2023, Gresham acquired the renewal rights to a back-book of home insurance policies previously owned by Barclays for consideration of £66,500 thousand funded by AIL (refer to note 14). Gresham has accounted for the consideration it paid as an insurance acquisition cashflow. The inwards quota share reinsurance arrangement between the Company and Gresham has been modified to include the amortisation of this insurance acquisition cash flow.
- Since 31 August 2023, as part of the amended and restated quota share arrangements AIL pays a ceding commission to Gresham equal to the amortisation of the deferred acquisition asset.

(ii) *Structured settlements arrangement*

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

Refer to the table in Note 16(b)(ii), which presents intra group reinsurance contracts held analysed by remaining coverage and incurred claims, and relates to the quota share reinsurance contract that the Company holds with AIL and the arrangement with UKLAP for the outwards reinsurance of its obligations in respect of structured settlements as at 31 December 2023. The values relating to UKLAP in respect of structured settlements are £3,487 thousand (*2022*: £3,261 thousand).

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

						Restated1
			2023			2022
	Expenses incurred in the year	**Payable at year end**	**Receivable at year end**	Expenses incurred in the year	Payable at year end	Receivable at year end
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Parent	**20,638**	**(34,050)**	**—**	23,285	(10,954)	—

1.The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1.

Expense incurred in the year of £20,638 thousand (*2022*: £23,285 thousand) represents recharges of costs payable to Aviva Insurance Limited, the Company's parent.

(b) Key management compensation

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

(c) Immediate Parent entity

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

(d) Ultimate controlling entity

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

25. Subsequent events

Management has evaluated subsequent events for the period from 31 December 2023 to the date of these financial statements, and there has been no such material subsequent events during that period.