

Registered number: 00423930

Annual Report and Financial Statements 2025
Fairmead Insurance Limited

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Fairmead Insurance Limited

Company Information

Directors: S Diffey
M F Ruf
H Topham

Company Secretary: C M Twemlow

Registered office: 57 Ladymead
Guildford
Surrey
GU1 1DB

Registered number: 00423930

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

The Directors present their Strategic Report for the fifteen month period ended 31 December 2025.

Fairmead Insurance Limited (“the Company”) is, via intermediate companies, a wholly owned subsidiary of Allianz Holdings plc (“AzH”), which is itself owned by Allianz (UK) Limited (“AZ(UK)”). AZ(UK) and its subsidiaries are collectively referred to in this document as “Allianz UK”. The Company’s ultimate shareholder is Allianz Societas Europaea (“Allianz SE”), which is headquartered in Germany.

Allianz UK operates a combined board for AzH, Allianz Insurance plc (“AZI”), Liverpool Victoria Insurance Company Limited (“LVIC”) and Highway Insurance Company Limited (“HICO”) (the “Combined Board”).

During the year the Company changed its Accounting Reporting Date to 31 December to align with all other Allianz UK companies.

Principal activities

The Company’s principal activity is the undertaking of general insurance business in the personal lines market. The Company has migrated all lines of business to other companies within Allianz UK. Consequently, the core activity of the business is managing the run-off of its insurance contract liabilities. The last policy was underwritten through a delegated authority scheme via a Managing General Agent (“MGA”) on 31 March 2023 and expired on 31 March 2024.

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

Business review

The Company ceased underwriting business on 31 March 2023 having migrated Household business to LVIC and HICO and Pet business to AZI. The Company previously transferred all Accident Sickness and Unemployment (“ASU”) policies at renewal to a third party in 2021. The claims handling for the Company’s ASU book in run off has been delegated to a third party claims handler. All new and existing Household claims handling activities have been delegated to LVIC and Pet claims to AZI.

Gross written premium (“GWP”) for the fifteen month period ended 31 December 2025 was £375k (2024: £789k). Although the Company ceased underwriting on 31 March 2023, there has been transacted premium recognised in the period as a result of a time lag in reporting of data from cover holders. The Company accounts for a pipeline premium accrual, and the premium recognised in the current year is an adjustment to the estimate, as a result of the time lag outlined.

The Company has a 100.0% reinsurance arrangement transferring all economic risk in respect of the Household insurance business underwritten via the MGA. The treaty was effective from 31 December 2019 and acts before the joint catastrophe treaty.

The Company has a quota share (“QS”) reinsurance arrangement with an Allianz SE group reinsurance company. The arrangement is that 50.0% of net earned premiums and net incurred claims are ceded (after all other reinsurance and QS arrangements) and the Company receives a contribution of 38.2% of ceded earned premiums against incurred expenses and commission. The Company also entered into a loss portfolio transfer (“LPT”) arrangement with an Allianz SE group reinsurance company on 1 January 2025 covering the remaining 50.0% of the net outstanding claims reserves. The Company has recorded outward reinsurance premium relating to the transfer of the remaining 50% of the net outstanding claims reserves and a one off LPT premium payment.

The loss after tax for the period ended 31 December 2025 is £1,696k (2024: £6,972k). The loss for the year is primarily driven by a one off LPT premium payment offset by provision releases.

Ongoing operational costs are limited and the balance of the provision that related to customer remediation activity has been released.

The Company’s investment portfolios is gradually maturing and the proceeds are being retained in cash to settle the run-off of the insurance liabilities. Additionally the directors’ approved a share capital reduction of £37,000k, which transferred into retained earnings, leaving share capital of £1. Subsequently a dividend of £20,000k was paid.

Key performance indicators (“KPIs”)

The financial KPIs monitored by the Company are outlined below:

	2025	2024
	£'000	£'000
Balance on technical account (loss)	3,575	8,805
Loss before tax	2,325	9,475
Loss after tax	1,696	6,972
Total equity	20,712	41,832
Minimal capital requirement ("MCR") coverage ratio/Solvency capital requirement ("SCR") coverage ratio (unaudited) ⁽¹⁾	401.8%	735.3%
Prior year claims development (net)	-	7,541

⁽¹⁾MCR coverage ratio is defined as the Company's eligible own funds as a percentage of the MCR as required by Solvency II as it applies in the UK (“Solvency UK”). SCR coverage ratio is defined as the Company's eligible own funds as a percentage of the SCR as required by Solvency UK.

The Company does not monitor any non-financial KPIs.

Risk appetite

The Combined Board has a written statement confirming the degree of uncertainty (or risk) that it is willing to accept in the pursuit of its goals, that it reconsiders and approves annually.

Allianz UK has risk appetite statements in place for insurance, market, credit, liquidity, operational, information security, strategic, reputational and climate risks. Each of these includes a risk appetite statement expressing the Company's preference for each risk type and where appropriate risk metrics and associated limits and thresholds that are used to define the tolerance for each risk.

In relation to the objectives in the annual corporate plan, Allianz UK aims to ensure that the extent of a possible variance to the planned result caused by an event or combination of events is kept within the stated risk appetite.

The risk management framework is designed to deal with the various risks Allianz UK may encounter, as well as how they are reported and monitored.

Principal risks and uncertainties

The Company assesses the principal risks and uncertainties facing the business, continually monitoring potential impacts and where necessary implementing mitigation actions. For details of the Company's principal risks and uncertainties, refer below and to note 22.

- **Information security/cyber security** – risks relating to exposure to cyber security incidents or internal issues that lead to data loss, corruption or compromise and / or Cyber incidents that impact upon servers and systems, employees, partners and customers.
- **Macroeconomic and operational impacts of rising geopolitical uncertainty** – risk of political, economic and/or social instability arising from shifts in global or regional power dynamics, government policies, conflicts, or international relations, which can impact markets, supply chains, and business operations.
- **Governmental and regulatory policy** – the uncertainty and impact of changes in government and regulatory policies require timely responses to new directives. Failure to act within expected timeframes may result in regulatory actions.
- **Operational resilience** – operational resilience pertains to the risk of business disruption to the most important business services that breach predefined impact tolerances. The risk includes service resilience, business continuity management and disaster recovery processes and impacts on customers, firm viability and financial system stability.

Future Outlook

The intention is that the Board will apply for a Part VII transfer as part of the programme to rationalise the insurance entities in Allianz UK during 2026. The Part VII transfers all insurance related liabilities and assets from the Company to AZI. While detailed plans have been developed for the rationalisation programme, completion remains subject to regulatory and Court approvals outside the Company's control. At the date the Financial Statements are approved for issue, court dates to obtain legal and regulatory approval are May and October 2026. Whilst management remain confident that the Part VII transfer will complete on 1 January 2027, the timing of regulatory deauthorisation and subsequent liquidation remains uncertain. Should the Part VII transfer not complete as anticipated, the Company will continue to carry out its principal activity.

Going concern

These Financial Statements have been prepared on a going concern basis. The Company has capital in excess of the minimum regulatory requirements. In addition, the Board has reviewed the Company's forecasts for the next 12 months and beyond. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the reporting date of the Financial Statements.

Section 172(1) Companies Act 2006 Statement

Section 172(1) of the Companies Act 2006 (the "Act") requires the directors of a company to act in a way that promotes the success of the company for the benefit of its members as a whole. This statement sets out how the Directors have had regard to the matters set out in section 172(1) of the Act when performing their duties. The Directors have acted in a way that they considered, both individually and collectively, in good faith, would be most likely to promote the success of the Company for the benefit of its members, having had regard to the stakeholders set out in section 172(1) (a) to (f) of the Act in the decisions taken during the year.

The Board is responsible for setting the Company's strategic aims and ensuring that the necessary resources are in place to meet its objectives. The Board receives information from across the business in the form of Board reports and presentations when making decisions, and these include information about how stakeholder interests have been considered.

As a result of the governance structure, strategic decisions and matters which affect Allianz UK are considered by the Combined Board. Certain stakeholders and their interests (including employees, community and the environment) are considered at and actions concerning them determined at Allianz UK level by the Combined Board and its committees rather than at a subsidiary board level.

Stakeholder engagement

This section of the Company's statement explains the Company's engagement activities in relation to Allianz UK's customers, employees, suppliers, regulators and other stakeholders relevant to the Company.

Customers

The Board is committed to delivering good outcomes for customers. Customer centricity is fundamental to the Company's strategy.

Following Consumer Duty implementation in July 2023, the delivery of good customer outcomes is monitored and assessed on a regular basis. An annual assessment of customer outcomes was submitted to the Board in July 2025. This provided assurance to the Board that positive customer outcomes were being delivered, and identified any areas where additional action had been or needed to be taken.

Engagement takes place on a day-to-day basis, between Allianz UK's customer-facing staff, its customers and distribution partners. Direct and indirect feedback received from customers and partners is collated and reviewed, together with other data such as complaints received and the number of complaints referred to, and upheld by, the Financial Ombudsman Service ("FOS"). This information is fed back to the Combined Board's Customer & Conduct Committee, which is responsible for overseeing customer conduct matters for the key regulated entities of Allianz UK. The Customer & Conduct Committee reports into the Combined Board, ensuring that the Directors have sight of customer engagement and experience metrics to factor into decision making. NPS surveys are a key method of engaging with customers across Allianz UK's businesses and helping to embed a customer-centric culture.

Employees

The Company does not have any employees. Allianz Management Services Limited ("AMS"), a company within Allianz UK, provides administration services and staff resources to the Company and to other Allianz UK companies.

Suppliers

Material supplier contracts are considered by the Combined Board on behalf of Allianz UK. In accordance with the Allianz Outsourcing and Third-Party Management Policy, the Combined Board is responsible for approving and overseeing procedures related to material contracts, as well as their ongoing monitoring and performance.

Suppliers are required to comply with the Allianz UK Vendor Code of Conduct, which sets standards in relation to ethics, labour and environmental sustainability.

In 2025, work was undertaken to support greater oversight and resilience of Allianz UK's third-party suppliers in compliance with UK legal and regulatory requirements

Regulators

The Company is regulated by the FCA and authorised and regulated by the PRA. Maintaining a transparent relationship with the Company's regulators is a priority for the Board, and careful consideration is given to regulatory impact when making decisions.

The Board carefully considers key regulatory developments and requirements as well as any letters received by the Company from the regulators and oversees implementation of necessary changes. In 2025, the Board considered the Periodic Summary Meeting letter from the PRA and the Firm Evaluation Letter from the FCA. This informed the planned focus areas of the supervisory engagement throughout the year.

The Board has regular direct contact and dialogue with the regulators, giving them an understanding of the regulators' requirements and intentions which are then brought into Board discussions.

Shareholder

The Company has regard to the interests of its immediate shareholder, LVGIG as well as Allianz UK more broadly and Allianz SE when making decisions. The Company's strategy is closely aligned with Allianz UK's strategy and the Allianz SE strategy.

Community and the environment

The Company is acutely aware of the broader impact it has on its various environments, its customers and society in general, and adheres to and participates in the Allianz UK Sustainability Strategy and the Allianz UK corporate social responsibility policies and practices.

Board decision-making

This part of the section 172 statement describes how the Board has had regard to the Company's stakeholders and other matters to be considered under section 172(1) of the Act in some of its key decisions taken during the year.

Accounting Reference Date Change

In 2025 the Company changed its Accounting Reference Date to end on 31 December, aligning its financial year end with all other Allianz UK entities. These Financial Statements therefore cover a fifteen month period from 1 October 2024 to 31 December 2025. The alignment of the Company's reporting dates with other Allianz UK entities has helped to streamline financial reporting and simplify year end processes across Allianz UK.

Own Risk and Solvency Assessment ("ORSA")

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

On behalf of the Board



M F Ruf
Director

1 April 2026

Fairmead Insurance Limited

Directors' Report for the Fifteen Month Period Ended 31 December 2025 and the Year Ended 30 September 2024

The Directors present their Annual report and Financial Statements for the fifteen month period ended 31 December 2025.

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

- Customers, suppliers and other stakeholders statement;
- Results for the year;
- Principal activities of the Company; and
- Business review and future prospects.

Directors

The Directors who held office during the year, and up to the date of signing the Financial Statements, were as follows:

S Diffey

U Lange (resigned 30 November 2025)

M F Ruf (appointed 1 December 2025)

H Topham

Directors' liabilities

A qualifying third-party indemnity insurance was in force during the financial year and at the date of approval of the Financial Statements.

Dividends

An interim dividend of £20,000k was paid during the fifteen month period ended 31 December 2025 (2024: £nil). The Directors do not recommend the payment of a final dividend for the fifteen month period ended 31 December 2025 (2024: £nil).

Going concern

The Directors, having undertaken an assessment, are confident in the Company's ability to continue as a going concern. Refer to the Strategic Report on page 4.

Internal audit

The Allianz UK Audit Committee has reviewed and confirmed that the internal audit function had sufficient resources to enable it to act in an independent and effective manner.

Independent auditors

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

Following the Combined Board's confirmation of its intention to appoint Ernst & Young LLP ("EY") as its next statutory auditor, EY is expected to assume the audit engagement across other Allianz UK subsidiaries including the Company. This is subject to the expected cessation of BDO holding office as statutory auditor after the conclusion of the audit for the financial year ending 31 December 2026. This anticipated change remains subject to formal Board and shareholder approval at the appropriate time.

By order of the Board



C M Twemlow
Company Secretary
1 April 2026

Statement of Directors' responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

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

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

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

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

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Act.

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

Directors' confirmations

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board



M F Ruf
Director
1 April 2026

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

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2025 and of its loss for the fifteen month period then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Fairmead Insurance Limited (the 'Company') for the fifteen month period ended 31 December 2025 which comprise the Statement of Profit and Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, except that element of Note 22 which is marked as 'Unaudited', including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland and Financial Reporting Standard 103 Insurance Contracts (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by the FRC's Ethical standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtained and reviewed the Directors' assessment of the ability of the Company to continue as a going concern, including forecasts, assumptions and future actions in relation to continuing solvent run-off. We considered the appropriateness and validity of this information given the knowledge obtained during the course of our audit about the Company and the transactions they have concluded;
- Enquired of the Directors and scrutinised board minutes and regulatory correspondence to ascertain the existence of undisclosed events or obligations that may cast doubt on the Company's ability to continue as a going concern;
- Assessed the Company's solvency position through reference of the sufficiency of assets to meet liabilities and regulatory solvency requirements; and

Independent auditors’ report to the members of Fairmead Insurance Limited

- In addition to discussing the nature and timing of the planned Part VII, considered whether there have been any events subsequent to the period end that may cast doubt over the Company’s ability to remain a going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company’s ability to continue as a going concern.

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

Overview

Key audit matters		2025	2024
	Valuation of gross claims incurred but not reported (IBNR) and additional management provision (AMP) included in claims outstanding	✓	✓
Materiality	<i>Financial statements as a whole</i>		
	£621k (2024: £1,250k) based on 3% of Net Assets (2024: 3% of Net Assets)		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, the applicable financial reporting framework and the Company’s system of internal control.

We identified and assessed the risks of material misstatement of the financial statements. We then applied professional judgement to focus our audit procedures on the areas that posed the greatest risks to the financial statements. We continually assessed risks throughout our audit, revising the risks where necessary, with the aim of reducing the risk of material misstatement to an acceptable level, in order to provide a basis for our opinion.

How Climate change affected the scope of our audit

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

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

We also assessed the consistency of management’s disclosures included as ‘Other Information’ on pages 3 with the financial statements and with our knowledge obtained from the audit.

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

Key audit matters

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

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Valuation of gross IBNR and AMP included in claims outstanding</p> <p>The Company recorded claims outstanding of £38,916k (2024: £65,549k) including IBNR and AMP of £15,346k (2024: £18,905).</p> <p>The valuation of IBNR and AMP is a key area of estimation within the financial statements.</p> <p>Insurance reserves are inherently uncertain and involve a significant degree of judgement, making them more susceptible to fraud or error than other financial statement balances. A small error or manipulation of an assumption could have a significant impact on the reported gross liability.</p> <p>The valuation is reliant on:</p> <ul style="list-style-type: none"> - Relevant claims data being input correctly into actuarial models from the accounting and underlying claims systems; - The selection and application of appropriate assumptions for each class of business; and - Selection and application of appropriate actuarial models. <p>Refer to Notes 1.4 k, 2, 12, 20 and 22 for further information.</p>	<p>As part of our audit procedures, we have performed the following in conjunction with our actuarial specialists:</p> <ul style="list-style-type: none"> • Obtained an understanding of the relevant processes and controls in place to address the risk of inappropriate assumptions, methodology and data being used in the valuation; • Assessed the consistency of the actuarial data used for our re-projections with the data from the Company's underlying records; • Performed an independent re-projection of the majority of the reserves, including deriving a reasonable range and compared our estimate to that calculated by management; • Performed a methodology and assumptions review in respect of the remainder of the business; and • Considered the level of AMP recorded over the best estimate. Specifically we considered the period on period consistency in the amount recognised and the impact on the positioning in the range. <p>Key observations: We consider the gross IBNR and AMP to be fairly stated.</p>

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Company financial statements	
	2025 £'000	2024 £'000
Materiality	621	1,250
Basis for determining materiality	3% of Net Assets	3% of Net Assets
Rationale for the benchmark applied	Net assets is considered an appropriate benchmark for an insurance company in run-off as it reflects the ability of the Company to settle any outstanding liabilities.	
Performance materiality	388	813
Basis for determining performance materiality	62.5% of Materiality	65% of Materiality
Rationale for the percentage applied for performance materiality	The percentage is determined to be appropriate based on the assessment of the risk of material misstatement and our expectation of error based on past experience with the Company.	

Reporting threshold

We agreed with Those Charged With Governance that we would report to them all individual audit differences in excess of £31k (2024: £63k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

<p>Strategic report and Directors' report</p>	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> • the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.</p>
<p>Matters on which we are required to report by exception</p>	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> • 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 • the Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of

irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

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

we considered the significant laws and regulations to be the Companies Act 2006, UK Tax legislation and UK Generally Accepted Accounting Principles.

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

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulatory capital requirements;
- Review of financial statement disclosures and agreeing to supporting documentation.
- Involvement of tax specialists in the audit;
- Review of the Own Risk and Solvency Assessment ('ORSA') for any evidence of non-compliance with regulatory solvency requirements during the financial period;
- Enquiring of the Directors and other management of instances of non-compliance; and
- Enquired with compliance and internal audit departments about knowledge of any non-compliance with laws and regulations.

Fraud

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

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

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

Our procedures in respect of the above included:

- Involving forensics specialists as part of our risk assessment procedures;
- Testing a sample of journal entries throughout the period, which met a defined risk criteria, by agreeing to supporting documentation; and
- In response to the risk of fraud in the valuation of gross IBNR and AMP, we have performed the procedures set out in the key audit matters section of our report.

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

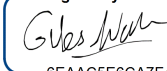
Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signed by:



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Giles Watson (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London, UK

2 April 2026

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

Fairmead Insurance Limited

Statement of Profit and Loss and Other Comprehensive Income for the Fifteen Month Period Ended 31 December 2025 and the Year Ended 30 September 2024

	Note	2025 £'000	2024 £'000
Technical account			
Gross written premiums		375	789
Outward reinsurance premiums		(16,154)	(769)
Net premiums earned		(15,779)	20
Other technical income	4	536	194
Total technical income		(15,243)	214
Claims incurred, net of reinsurance			
Gross claims paid and change in insurance liabilities	5	(14,557)	(13,775)
Reinsurers' share of gross claims paid and change in insurance liabilities	5	26,711	9,482
Total claims incurred		12,154	(4,293)
Acquisition income/(costs)	6	193	(6,261)
Administrative expenses	7	(746)	(5,250)
Reinsurance commission and expenses	8	67	6,785
Total net operating expenses		(486)	(4,726)
Total technical charges		11,668	(9,019)
Balance on technical account		(3,575)	(8,805)
Non-technical account			
Investment income/(expense)	9	1,250	(670)
Loss before tax		(2,325)	(9,475)
Total tax credit	10(a)	629	2,503
Loss after tax		(1,696)	(6,972)
Other comprehensive income ("OCI")			
Items that may be reclassified to profit and loss			
Change in fair value of available-for-sale ("AFS") financial assets		768	2,271
Change in fair value of AFS financial assets transferred to profit and loss	9	-	1,895
Income tax relating to these items	10(b)	(192)	(1,042)
OCI for the period		576	3,124
Total comprehensive expense wholly attributable to the equity holder		(1,120)	(3,848)

The accounting policies and notes on pages 19 to 36 are an integral part of these Financial Statements.

Statement of Changes in Equity for the Fifteen Month Period Ended 31 December 2025 and the Year Ended 30 September 2024

	Share capital	Available-for-sale reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
Balance as at 1 October 2023	37,000	(4,187)	12,867	45,680
Loss for the year	-	-	(6,972)	(6,972)
OCI	-	3,124	-	3,124
Total comprehensive expense for the year	-	3,124	(6,972)	(3,848)
Balance at 30 September 2024	37,000	(1,063)	5,895	41,832
Dividend	-	-	(20,000)	(20,000)
Share capital transfer to retained earnings	(37,000)	-	37,000	-
Loss for the period	-	-	(1,696)	(1,696)
OCI	-	576	-	576
Total comprehensive expense for the period	(37,000)	576	15,304	(21,120)
Balance at 31 December 2025	-	(487)	21,199	20,712

The accounting policies and notes on pages 19 to 36 are an integral part of these Financial Statements.

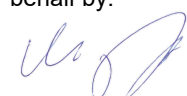
Fairmead Insurance Limited

Statement of Financial Position for the Fifteen Month Period Ended 31 December 2025 and the Year Ended 30 September 2024

	Note	2025 £'000	2024 £'000
Assets			
Available-for-sale financial assets	11	14,235	21,885
Reinsurers' share of technical provisions	12	38,916	51,324
Deferred tax asset	10(d)	3,963	3,981
Debtors	13	19,171	36,029
Current tax asset	10(c)	-	2,694
Cash at bank and in hand	14	325	454
Prepayments and accrued income		-	397
Total assets		76,610	116,764
Equity and liabilities			
Equity			
Share capital	15	-	37,000
Available-for-sale reserve		(487)	(1,063)
Retained earnings		21,199	5,895
Total equity		20,712	41,832
Liabilities			
Claims outstanding	12	38,916	65,549
Deposits owed to reinsurers	16	12,622	3,629
Creditors			
Creditors arising out of direct insurance operations	17	105	154
Creditors arising out of reinsurance operations	17	2,870	4,749
Other creditors	17	814	41
Current tax liabilities	10(c)	571	-
Accruals and deferred income	17	-	11
Provisions for other liabilities and charges	18	-	799
Total liabilities		55,898	74,932
Total equity and liabilities		76,610	116,764

The accounting policies and notes on pages 19 to 36 are an integral part of these Financial Statements.

These Financial Statements on pages 15 to 36 were approved by the Board of Directors on 1 April 2026 and signed on its behalf by:



M F Ruf
Director

1 April 2026

Fairmead Insurance Limited
Registered number: 00423930

Fairmead Insurance Limited

Statement of Cash Flows for the Fifteen Month Period Ended 31 December 2025 and the Year Ended 30 September 2024

	Note	2025 £'000	2024 £'000
Cash flows from operating activities			
Loss before tax		(2,325)	(9,475)
<i>Adjusted for</i>			
Investment (income)/expense	9	(1,250)	670
Interest expenses	7	627	659
		(2,948)	(8,146)
<i>Changes in working capital</i>			
Net decrease in gross technical provisions	12	(26,633)	(84,349)
Net increase in deposits owed to reinsurers	16	8,993	2,928
Net decrease in balances due from reinsurers		-	4,207
Net decrease in reinsurers' share of gross technical provisions	12	12,408	87,290
Net decrease in prepayments and accrued income		397	7,627
Net decrease/(increase) in debtors	13	16,952	(13,969)
Net decrease in creditors	17	(1,166)	(48,426)
Net (decrease)/increase in provisions for other liabilities and charges	18	(799)	799
Cash flows generated from/(used in) operating activities		7,204	(52,039)
Interest received		1,874	3,023
Interest expense	7	(627)	(659)
Income tax received	10	3,720	469
Net cash flows generated from/(used in) operating activities		12,171	(49,206)
Cash flows used in financing activities			
Dividend paid	21	(20,000)	-
Net cash flows used in financing activities		(20,000)	-
Cash flows generated from investing activities			
Proceeds from maturity of AFS financial assets		7,700	46,517
Net cash flows generated from investing activities		7,700	46,517
Net decrease in cash at bank and in hand		(129)	(2,689)
Cash at bank and in hand at the beginning of the period/year	14	454	3,143
Cash at bank and in hand at the end of the period/year	14	325	454

The accounting policies and notes on pages 19 to 36 are an integral part of these Financial Statements.

1. ACCOUNTING POLICIES

1.1 Company and its operations

Fairmead Insurance Limited is a private limited company incorporated in England and Wales and domiciled in the United Kingdom.

The Company's registered office is shown in the Company Information section on page 1. The principal place of business is:

15 Bishopsgate
London
England
EC2N 3AR

1.2 Statement of compliance

The Financial Statements have been prepared in accordance with UK GAAP, including FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts', the Act and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

1.3 Basis of preparation

The Company is exempt from the obligation to prepare and deliver group consolidated Financial Statements by virtue of the act (Section 401 1a) as it is a subsidiary undertaking of a European Union parent Allianz SE, refer to note 23. The Financial Statements present information about the Company as an individual undertaking.

The Financial Statements have been prepared on the historical cost basis except for the following items, which are measured on the following alternative basis on each reporting date:

Item	Measurement basis
AFS financial assets	Fair value

The functional and presentational currency is British Pounds.

Going concern

These Financial Statements have been prepared on a going concern basis. The Company has capital in excess of the minimum regulatory requirements. In addition, the Board has reviewed the Company's forecasts for the next 12 months and beyond. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the reporting date of the Financial Statements.

Change of Accounting Reference Date

The Directors changed the Accounting Reference Date of the Company to 31 December, lengthening the financial period to which these accounts relate to be the fifteen months ended 31 December 2025.

The Statement of Profit and Loss and Other Comprehensive Income and related notes are presented for the fifteen month period ended 31 December 2025 whereas the comparative is for the twelve month period ended 30 September 2024. The Statement of Financial Position ("SOFP") and related notes are presented as at 31 December 2025 with the comparative being as at 30 September 2024.

The Company changed its Accounting Reference Date to align its financial year end with all other Allianz UK entities. The alignment of the Company's reporting dates with other Allianz UK entities has helped to streamline financial reporting and simplify year end processes across Allianz UK.

New standards and interpretations adopted by the Company

There are no new standards and interpretations affecting the Company that are mandatorily effective from 1 October 2024. The accounting policies have been consistently applied, unless a new policy has been implemented.

New standards and interpretations not yet adopted by the Company

There are no new standards and interpretations which are not mandatorily effective but permit early adoption that have been applied in preparing these Financial Statements. The Company does not plan to adopt these standards early; instead it will apply the standards from the effective date as determined by the Financial Reporting Council.

New amendments to existing standards not yet adopted by the Company

Amendments to FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'

On 27 March 2024, the Financial Reporting Council ("FRC") issued 'Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and other FRSs – Periodic Review 2024' ("Periodic Review 2024"). The amendments for supplier finance arrangements are applicable for accounting periods starting on or after 1 January 2025, with earlier adoption permitted, and require new disclosures about the effect of such arrangements on an entity's financial position and cash flows. The Company will adopt these amendments for the first time on 1 January 2026. These amendments are not expected to have a material impact on the Company.

Amendment to FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts'

The effective date of other amendments in the Periodic Review 2024 is for periods beginning on or after 1 January 2026. These amendments were issued by the FRC on 27 March 2024 and seek to provide greater consistency and alignment to international accounting standards including:

- A new model for revenue recognition, aligned to IFRS 15 'Revenue from Contracts with Customers', but with some simplifications;
- On-balance sheet lease accounting for lessees, aligned to IFRS 16 'Leases', but with certain practical exemptions; and
- Other modifications to fair value measurement, uncertain tax positions, business combinations, and a revised Section 2 aligned with the International Accounting Standard Boards's ("IASB's") Conceptual Framework.

These amendments are not expected to have a material impact on the Company.

1.4 Summary of significant accounting policy information

The Company has identified the accounting policies that are most significant to its business operations and the understanding of its results. The accounting policies which involve the most complex or subjective decisions or assessments relate to insurance and reinsurance contracts. In each case, the determination of these is fundamental to the financial results and position, and requires management to make complex judgements based on information and financial data that may change in the future periods. Since these involve the use of assumptions and subjective judgements as to future events and are subject to change, the use of different assumptions or data could produce significantly different results. Judgements made by management in the application of UK GAAP that have a significant effect on the Financial Statements and estimates with a significant risk of significant adjustments in the next year, refer to note 2.

The significant accounting policies adopted in the preparation of the Financial Statements are set out in the following paragraphs.

(a) Investments in group undertakings

Investments in group undertakings are shown in the SOFP at cost less impairment. The carrying value is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The impairment assessment compares the carrying amount of the investment in the group undertaking with the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Where the carrying amount is higher than the recoverable amount, an impairment is recognised in the Statement of Profit and Loss and Other Comprehensive Income in the period in which it occurred.

(b) Income taxes

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

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

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

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

(c) AFS financial assets

The Company has elected to adopt IAS 39 in accordance with FRS 102.11.2. Investments are classified as AFS which includes government and corporate bonds.

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

AFS after initial recognition, are measured at fair value. Unrealised gains and losses are reported in the AFS reserve within equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in the AFS reserve is transferred to the Statement of Profit and Loss and Other Comprehensive Income.

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

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

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

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

Impairment losses are recognised in the Statement of Profit and Loss and Other Comprehensive Income immediately.

(d) Debtors

Debtors are initially recognised at the transaction price and subsequently measured at amortised cost ("AC") after taking into account any impairment losses. Other receivables shall be derecognised when the contractual right to receive cash flows expire or when the asset is transferred.

(e) Cash at bank and in hand

Cash at bank and in hand are initially recognised and subsequently re-measured at AC. Cash at bank and in hand have an original maturity of three months or less at the date of placement.

(f) Reinsurers' share of technical provisions

The Company has a 100.0% QS arrangement transferring all economic risk in respect of the Household business underwritten via the specific MGAs. The treaty was effective from 31 December 2019.

There is a 50% QS and a 50% LPT treaty in place with Allianz Group Reinsurance Company ("Allianz Re"). These treaties act after the 100.0% quota share treaty on business from the MGAs detailed above and after other inuring reinsurance contracts. The Company cedes insurance premiums and risk through these QS arrangements to limit the potential for losses and manage the capital requirements of the business.

Under the QS treaty, for all claims incurred in accident years from 2022 onwards, the Company has not transferred any funds in return for the reinsurer assuming the element of ceded reserves passed to them under the quota share arrangement ("Funds Withheld"). The Company transfers funds ("Funds Transferred") for claims incurred prior to the 2022 accident year.

From 1 January 2025, the Company entered into a LPT treaty with Allianz Re, covering the remaining 50.0% of the net outstanding claims reserves. This was entered into on a Funds Withheld basis.

(g) Deposits owed to reinsurers

Under a Funds Withheld basis, the reinsurer's share of the net outstanding claims reserve is withheld and shown as a deposit owed to reinsurers on the Company's SOFP. Each month the balance of the deposit owed to reinsurers is updated with the latest net outstanding claims reserve pertaining to the treaty. This deposit will unwind as the treaty earns through and claims are settled.

(h) Creditors

Creditors are initially recognised at the transaction price and subsequently measured at AC because they are expected to be settled within 12 months and their carrying value is a reasonable approximation of fair value.

(i) Levies

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

(j) Provisions and contingent liabilities

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

The Company recognises a provision for onerous contracts when the expected benefits to be derived from contracts are less than the unavoidable costs of meeting the obligations under the contracts.

(k) Gross insurance

The results of general insurance business are determined after taking account of unearned premiums, outstanding claims and unexpired risks using the annual basis of accounting and appropriate information regarding its claims exposures. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

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

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

Provision is made at the SOFP date for the estimated cost of claims and related insurance recoveries incurred but not settled at that date, including the cost of claims incurred but not yet reported ("IBNR") to the Company. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty in estimating these reserves. In calculating the estimated cost of IBNR and notified unpaid claims, the Company uses a variety of estimation techniques, generally based upon statistical analyses of historic experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made however for changes or uncertainties which may create distortions in the underlying statistics or which may cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims.

(l) Other technical income

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

(m) Dividends

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

(n) Share capital

Share capital is recognised when shares are issued and recognised at the par amount.

2. USE OF CRITICAL ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The Company makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The critical judgements, estimations and assumptions that the Directors have made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements are discussed below.

2.1 Significant accounting judgements

Insurance and reinsurance contracts

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

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

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

2.2 Assumptions and estimation uncertainties

Insurance and reinsurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the most critical accounting estimate for the general insurance business. Estimates are made for the expected ultimate cost of claims as at the SOFP date and the cost of claims IBNR.

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

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

There remains a significant amount of uncertainty around the ultimate cost of subsidence claims on the Household business. There was strengthening over the year to allow for development of subsidence claims given the hot weather in 2025 which could lead to re-opening of past claims and result in prior year deteriorations. However, there is no exposure on a net basis as the Company is fully reinsured.

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

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

3. LINE OF BUSINESS ANALYSIS

For the fifteen month period ended 31 December 2025:

	Accident and health	Fire and other damage to property	Third party liability	Miscellaneous	Total
	£'000	£'000	£'000	£'000	£'000
Gross written premiums	-	366	9	-	375
Outward reinsurance premiums	-	(15,750)	(404)	-	(16,154)
Gross claims paid and change in insurance liabilities	(18)	(14,178)	(339)	(22)	(14,557)
Reinsurers' share of gross claims paid and change in insurance liabilities	20	25,912	640	139	26,711

For the year ended 30 September 2024:

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

4. OTHER TECHNICAL INCOME

	2025	2024
	£'000	£'000
Income associated with the sale of ASU book	184	194
Other	352	-
Total other technical income	536	194

5. CLAIMS INCURRED

	2025	2024
	£'000	£'000
Gross change in claims outstanding	26,633	63,810
Gross change in unexpired risk provisions	-	3,199
Gross change in insurance liabilities	26,633	67,009
Gross claims paid	(41,190)	(80,784)
Gross claims paid and change in insurance liabilities	(14,557)	(13,775)
Reinsurers' share of change in claims outstanding	(12,408)	(67,101)
Reinsurers' share of change in unexpired risk provisions	-	(2,847)
Reinsurers' share of change in insurance liabilities	(12,408)	(69,948)
Reinsurers' share of gross claims paid	39,119	79,430
Reinsurers' share of gross claims paid and change in insurance liabilities	26,711	9,482
Total claims incurred	12,154	(4,293)

6. ACQUISITION (INCOME)/COSTS

	2025	2024
	£'000	£'000
Acquisition (income)/costs	(193)	(347)
Change in deferred acquisition costs	-	6,608
Total acquisition (income)/costs	(193)	6,261

7. ADMINISTRATIVE EXPENSES

	2025	2024
	£'000	£'000
Administrative and claims handling service fees (to)/from other related parties	(392)	2,667
Levies	84	1,199
Investment management (refund)/expenses	(3)	42
Interest expenses	627	659
Other	430	683
Total administrative expenses	746	5,250

8. REINSURANCE COMMISSION AND EXPENSES

	2025	2024
	£'000	£'000
Reinsurance commissions	17	423
Change in reinsurance deferred acquisition costs	-	(6,608)
Expenses recoverable from reinsurers	(84)	(600)
Total reinsurance commission and expenses	(67)	(6,785)

9. INVESTMENT INCOME/(EXPENSES)

	2025	2024
	£'000	£'000
Investment income on AFS financial assets	167	556
Other interest income	1,083	669
Realised losses on AFS financial assets	-	(1,895)
Total investment income/(expense)	1,250	(670)

10. INCOME TAX**(a) Income tax recognised in profit and loss**

	2025	2024
	£'000	£'000
Current tax:		
In respect of the current period/year	(1,204)	(3,187)
In respect of prior years	749	(87)
Total current tax	(455)	(3,274)
Deferred tax:		
In respect of the current period/year	633	771
In respect of prior years	(807)	-
Total deferred tax	(174)	771
Total income tax credit	(629)	(2,503)

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

	2025	2024
	£'000	£'000
Loss before tax	(2,325)	(9,475)
Income tax credit calculated at 25.0% (2024: 25.0%)	(581)	(2,369)
Effect of prior year adjustment	749	(87)
Effect of imputed transfer pricing adjustments	14	(43)
Adjustment in respect of prior year deferred tax	(807)	(4)
Other movements	(4)	-
Income tax credit recognised in profit and loss	(629)	(2,503)

The Organisation for Economic Cooperation and Development (“OECD”) Pillar Two model rules

As a fully consolidated affiliated entity of the Allianz SE Group, the Company is within the scope of the OECD Pillar Two Model rules. Under these rules, a top-up-tax must be paid per jurisdiction for the difference between the Global Anti-Base Erosion (“GloBE”) effective tax rate and the 15.0% minimum rate. Local Pillar Two legislation came into effect from 1 January 2024 in the UK, the jurisdiction in which the Company is incorporated. However, as the GloBE effective tax rate of all Allianz UK entities being situated for tax purposes in jurisdiction the UK is expected to be greater than the minimum rate of 15.0%, no additional income tax is expected for the Company. Any transitional reliefs provided by the Pillar Two regulations will be taken as far as possible to reduce compliance and reporting efforts. The Company has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income tax legislation.

(b) Income tax recognised in OCI

	2025	2024
	£'000	£'000
Deferred tax	(192)	(1,042)
Total income tax recognised in OCI	(192)	(1,042)

(c) Tax received for cash flow purposes

	£'000	£'000
Current tax assets/(liabilities) at 1 October 2024/2023	2,694	(111)
Adjustment in respect of prior years	(749)	87
Amounts credited to profit and loss	1,204	3,187
Tax received during the year	(3,720)	(469)
Current tax (liabilities)/assets at 31 December 2025/30 September 2024	(571)	2,694

(d) Deferred tax balances

The balance comprises temporary differences attributable to:

	2025	2024
	£'000	£'000
(i) Deferred tax assets		
Excess of depreciation over capital allowances	2,993	3,626
AFS financial assets	970	355
Total deferred tax assets	3,963	3,981

Movements in relation to deferred tax assets

	Excess of depreciation over capital allowances	AFS financial assets	Total
	£'000	£'000	£'000
At 1 October 2023	4,397	1,397	5,794
Charged			
- to profit and loss	(771)	-	(771)
- to OCI	-	(1,042)	(1,042)
At 30 September 2024	3,626	355	3,981
(Charged)/credited			
- to profit and loss	(633)	807	174
- to OCI	-	(192)	(192)
At 31 December 2025	2,993	970	3,963

Notes to the Financial Statements for the Fifteen Month Period Ended 31 December 2025 and the Year Ended 30 September 2024

	2025	2024
	£'000	£'000
Non-current deferred tax assets	3,440	3,344
Current deferred tax assets	523	637

Following the substantive enactment of the Finance Act 2021, effective 1 April 2023, the applicable corporation tax rate for both current and deferred taxes is now 25%. The deferred taxation balances are calculated using the corporation taxation rates which will prevail when the balances unwind. The deferred taxation balances in respect of available-for-sale financial assets at 31 December 2025 are recognised at 25% (2024: 25%) and excess of depreciation over capital allowances at a rate of 25% (2024: 25%).

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2025	2024
	£'000	£'000
Debt securities	14,235	21,885
Total AFS financial assets	14,235	21,885
Maturity date within 12 months of the reporting date	4,212	7,708
Maturity date after 12 months from the reporting date	10,023	14,177
Total AFS financial assets	14,235	21,885

Fair value hierarchy

The Company uses a three-level fair value hierarchy for financial assets depending on the inputs used to determine fair value. The fair value hierarchy has the following levels:

Level 1: quoted prices in active markets for identical assets.

Level 2: valuation technique which uses the current prices in an active market of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.

Level 3: if one or more of the significant inputs is not based on observable market data.

All of the Company's AFS assets are level 1.

12. TECHNICAL PROVISIONS

	Gross	Reinsurance	Gross	Reinsurance
	2025	2025	2024	2024
	£'000	£'000	£'000	£'000
Claims outstanding	38,916	(38,916)	65,549	(51,324)
Total technical provisions	38,916	(38,916)	65,549	(51,324)

Expected gross and net insurance claim cash flows

	Date of undiscounted cash flow					Carrying value	
	0-1 year	1-2 years	2-3 years	3-4 years	4+ years	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 31 December 2025							
Gross claims outstanding	26,870	9,256	2,491	297	2	38,916	38,916
Net claims outstanding	-	-	-	-	-	-	-
As at 30 September 2024							
Gross claims outstanding	38,453	17,249	7,447	2,284	116	65,549	65,549
Net claims outstanding	8,344	3,743	1,616	496	26	14,225	14,225

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

Movement in claims outstanding	Gross £'000	Reinsurance £'000	Gross £'000	Reinsurance £'000
As at 1 October 2024/2023	65,549	(51,324)	129,358	(118,426)
Claims arising	-	-	4,399	(3,831)
Claims paid	(41,190)	39,119	(80,784)	79,430
Adjustments to prior period open claims	14,557	(26,711)	12,576	(8,497)
As at 31 December 2025/30 September 2024	38,916	(38,916)	65,549	(51,324)

13. DEBTORS

	2025 £'000	2024 £'000
Receivables arising out of reinsurance operations	8,068	15,021
Amounts due from related parties	6,699	13,269
Accrued interest	474	380
Other receivables	3,930	7,359
Total debtors	19,171	36,029

All amounts are due within 12 months from the SOFP date.

14. CASH AT BANK AND IN HAND

	2025 £'000	2024 £'000
Cash at bank and in hand	325	454
Total cash at bank and in hand	325	454

15. SHARE CAPITAL

Share capital - allotted, called up and fully paid

	2025		2024	
	No.	£	No.	£
Ordinary shares of £1 each	1	1	36,999,999	36,999,999

The directors' approved a share capital reduction of £37,000k leaving share capital of £1.

16. DEPOSITS OWED TO REINSURERS

	2025	2024
	£'000	£'000
Funds withheld	12,622	3,629
Total deposits owed to reinsurers	12,622	3,629

The deposits owed to reinsurers relate to the QS and LPT arrangements with Allianz Re. The balance will be settled in line with the claims.

17. CREDITORS

	2025	2024
	£'000	£'000
Creditors arising out of direct insurance operations	105	154
Creditors arising out of reinsurance operations	76	4,697
Creditors arising out of reinsurance operations to related parties	2,794	52
Accruals and deferred income	-	11
Other creditors	16	41
Amounts due to related parties	798	-
Total creditors	3,789	4,955

Creditors are expected to be settled within twelve months of the SOFP date.

18. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Total
	£'000
At 1 October 2023	-
Amount charged to the Statement of Profit and Loss and Other Comprehensive Income	1,000
Utilised in the year	(201)
At 30 September 2024	799
Utilised in the period	(120)
Released during the period	(679)
At 31 December 2025	-

The provision that related to customer remediation activity has been released since all activity has been completed.

19. INVESTMENT IN GROUP UNDERTAKINGS

The subsidiary undertaking of the Company at 31 December 2025 are shown below. The registered office is 57 Ladymead, Guildford, Surrey, GU1 1DB

Name of subsidiary	Principal activities	Registered office
Buddies Enterprises Limited	Dormant	England and Wales

20. LOSS DEVELOPMENT TRIANGLES

The tables below present changes in the historical provision for losses and loss adjustment expenses since 2020 and the provision for losses and loss adjustment expenses arising in each subsequent accident year. For this purpose, the 2021 and prior accident years cover the period from 1 January 2021 until 31 December 2021, the 2022 accident year covers the period from 1 January 2022 until 30 September 2022, the 2023 accident year covers the year from 1 October 2022 until 30 September 2023, the 2024 accident year covers the year from 1 October 2023 until 30 September 2024 and the 2025 accident year covers the period from 1 October 2024 to 31 December 2025.

From 1 April 2022, a delegated claims handling agreement was put in place with all newly reported claims being handled by LVIC at an agreed cost per claim to the Company. With all policies now in run-off, the volume of new claims has significantly reduced. The estimated cost at 31 December 2025 payable by the Company to LVIC for handling future new claims was deemed to be minimal and an overall gross claims handling provision of £50k (2024: £55k) has been assumed. This figure includes an additional allowance should volumes exceed expected levels.

Gross of reinsurance	2020	2021	2022	2023	2024	Total
	£'000	£'000	£'000	£'000	£'000	£'000
- At end of accident year	249,256	180,302	113,502	100,325	4,399	647,784
- One year later	240,899	186,817	107,860	103,516	17,883	656,975
- Two years later	238,693	198,701	107,560	89,875	-	634,829
- Three years later	241,616	198,428	107,662	-	-	547,706
- Four years later	245,413	202,051	-	-	-	447,464
- Five years later	249,645	-	-	-	-	249,645
Current estimate of cumulative claims	249,645	202,051	107,662	89,875	17,883	667,116
Cumulative payments to date	(244,358)	(193,245)	(101,974)	(84,462)	(13,728)	(637,767)
Outstanding claims provision for prior accident years	-	-	-	-	-	9,567
Total claims liabilities recognised in the SOFP	5,287	8,806	5,688	5,413	4,155	38,916

Net of reinsurance	2020	2021	2022	2023	2024	Total
	£'000	£'000	£'000	£'000	£'000	£'000
- At end of accident year	76,607	62,046	28,801	7,142	568	175,164
- One year later	63,070	57,796	29,525	9,006	1,831	161,228
- Two years later	77,146	64,680	32,492	7,109	-	181,427
- Three years later	75,986	67,091	29,703	-	-	172,780
- Four years later	76,519	64,323	-	-	-	140,842
- Five years later	74,702	-	-	-	-	74,702
Current estimate of cumulative claims	74,702	64,323	29,703	7,109	1,831	177,668
Cumulative payments to date	(74,702)	(64,323)	(29,703)	(7,109)	(1,831)	(177,668)
Total claims liabilities recognised in the SOFP	-	-	-	-	-	-

21. DIVIDENDS

An interim dividend of £20,000k was paid during the fifteen month period ended 31 December 2025 (2024: £nil). The Directors do not recommend the payment of a final dividend for the fifteen month period ended 31 December 2025 (2024: £nil).

22. RISK MANAGEMENT POLICIES

The Company only transacts general insurance business which is wholly written in UK and the majority of the risk exposure is confined within the UK.

Insurance risk

The risk under an insurance contract is the risk that an insured event will occur, including the adequacy of the price charged for the risk and uncertainty as to the amount and time of any resulting claim. The principal risk that the Company faces under such contracts is that the actual claims will exceed the carrying value of insurance contract liabilities. As the Company is in run off and no longer writing new business, this risk is that the reserves will be insufficient to cover the cost of future claims. Due to the LPT and Quota share reinsurance agreements which cover 100% of remaining claims up to a limit, this risk is deemed immaterial.

Financial risk

The Company is exposed to financial risk through its AFS financial assets, debtors and cash at bank and in hand held primarily to meet obligations under insurance contract liabilities. The key financial risk is that proceeds from the realisation of assets are insufficient to meet its obligations as they fall due. The most important aspects of financial risk comprise market risk, credit risk and liquidity risk.

(a) Market risk

Market risk is the risk that changes in market prices will affect the value of the Company's assets and income. The Company's liabilities have very limited exposure to these movements. The Company is exposed to market risk on all of its AFS financial assets. Whilst it seeks to maximise returns it does so in accordance with its risk appetite and in a manner which does not pose undue risk to either its underwriting activities or shareholders' funds.

(b) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts due to the Company in full when they fall due. The Company is exposed to credit risk through its financial assets, cash at bank and in hand, reinsurance contract assets and debtors.

The Company deems the risk associated with its cash at bank and in hand to be low as the cash balances are held with financial institutions with A credit ratings and are immediately available. The Company deems the risk associated with its other receivables to be low. The amount due from group undertakings is due from Allianz SE and as such is AA rated. Despite the remaining other receivables being unrated, the Company deems the associated risk to be low because these amounts are due from many separate counterparties and are due within one year.

Reinsurance is used to manage insurance risk. Reinsurance does not discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason the Company remains liable for the payment to the policyholder. In view of the potential long-term exposure from insurance risks, reinsurance security is limited to a small number of highly regarded reinsurers that offer the best long-term security. Reinsurance is only placed with companies that meet the Company's strict security criteria.

The credit profile of the Company's assets exposed to credit risk is shown in the table below. The credit rating bands are provided by independent rating agencies. For unrated assets, internal ratings are maintained which are used to manage exposure to these counterparties.

Notes to the Financial Statements for the Fifteen Month Period Ended 31 December 2025 and the Year Ended 30 September 2024

	AAA £'000	AA £'000	A £'000	Unrated £'000	Total £'000
As at 31 December 2025					
Debt securities	9,269	4,966	-	-	14,235
Cash at bank and in hand	-	-	325	-	325
Reinsurers' share of technical provisions	-	37,519	1,397	-	38,916
Debtors	-	14,488	-	4,683	19,171
Total	9,269	56,973	1,722	4,683	72,647

	AAA £'000	AA £'000	A £'000	Unrated £'000	Total £'000
As at 30 September 2024					
Debt securities	9,326	12,559	-	-	21,885
Cash at bank and in hand	-	-	454	-	454
Reinsurers' share of technical provisions	-	51,324	-	-	51,324
Debtors	275	31,908	-	3,846	36,029
Other prepayments and accrued income	-	-	-	397	397
Total	9,601	95,791	454	4,243	110,089

(c) Liquidity risk

Liquidity risk is the risk that funds might not be available to settle obligations when they fall due. The Company is exposed to liquidity risk through its insurance contract liabilities and creditors. In regards to liquidity risk associated with the creditors, the Company has sufficient liquid assets to settle these amounts as they fall due.

The Company is exposed to calls on its available resources mainly from claims arising on insurance contracts. The investment strategy is to maintain sufficient levels of cash at bank and in hand to meet all the immediately foreseeable demand. In 2025, the cash pool was £6,420k (2024: £12,579k) plus cash at bank and in hand of £325k (2024: £454k) totalling £6,745k (2024: £13,033k), all of these are readily realisable. As the majority of the Company's invested assets are highly liquid, the Company's exposure to liquidity risk is considered low. In line with this assessment, the Company's risk capital model does not allocate capital to liquidity risk, as holding capital is not regarded as an effective mitigant for this type of risk.

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

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than financial risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

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

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

Sensitivity analysis**(a) Claims events**

The following tables show material sensitivities to claims events for the Company on loss before tax and equity. This analysis has been carried out prospectively taking into account the reinsurance the Company had in place over the period. The Company's largest insurance risks were from large subsidence events and an increase in frequency and severity of smaller events. The impact of these is explored through the increase in claims ratio sensitivity. As the net ratio for the current year is £nil, the net impact of these is also £nil. The Company is also exposed to reserve risk where the actual claims are higher than expected. This is explored through the 5.0% surplus over net claims liabilities sensitivity.

	Impact on loss before tax gross of reinsurance	Impact on equity gross of reinsurance	Impact on loss before tax gross of reinsurance	Impact on equity gross of reinsurance
	2025 £'000	2025 £'000	2024 £'000	2024 £'000
Subsidence event - worst claims ratio in last 30 years	(137)	(103)	(6,617)	(4,963)
5.0% decrease in overall Household claims ratio	19	14	906	680
5.0% surplus over net claims liabilities	1,946	1,459	3,277	2,458
	Impact on loss before tax net of reinsurance	Impact on equity net of reinsurance	Impact on loss before tax net of reinsurance	Impact on equity net of reinsurance
	2025 £'000	2025 £'000	2024 £'000	2024 £'000
5.0% surplus over net claims liabilities	-	-	711	533

(b) Market conditions

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

	Impact on loss before tax	Impact on equity	Impact on loss before tax	Impact on equity
	2025 £'000	2025 £'000	2024 £'000	2024 £'000
+100 basis points shift in interest rates	-	(149)	-	(164)

Capital Management

The Company maintains sufficient capital to protect policyholders' and creditors' interests and satisfy regulators whilst creating shareholder value.

The level of capital required by the Company is determined by its risk appetite, approved by the Board. The Company used the Standard Formula to calculate its capital requirements throughout 2025, subject to a floor of the MCR. Capital held to back the SCR and MCR is of high quality and clearly meets the tests for the composition of capital set out by Solvency UK.

The Company is regulated in respect of prudential requirements (including capitalisation) by the PRA. The Company aims to hold capital sufficient to satisfy regulatory and shareholder requirements even after the occurrence of pre-specified financial market and insurance shocks. This risk appetite provides for a buffer above SCR or MCR to ensure that the Company is adequately capitalised in most expected circumstances.

The Company's capital comprises total shareholders' equity and amounts to £20,712k (2024: £41,832k).

The Company has complied with all externally and internally imposed capital requirements throughout the year. At 31 December 2025 the eligible own funds amount to £14,062k, with a coverage ratio of 401.8% on MCR (2024: eligible own funds amount to £29,837k with a coverage ratio of 735% on SCR). The own funds, SCR, MCR and coverage ratios are unaudited.

23. PARENT AND ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is LVGIG, a company registered in England and Wales. The ultimate parent undertaking and controlling party, Allianz SE, is incorporated in Germany and is the parent of the largest and smallest group of undertakings for which consolidated group Financial Statements are drawn up and of which the Company is a member. Copies of the consolidated Allianz SE Group Financial Statements are available on request from the ultimate parent's registered address, Allianz SE, Königinstrasse 28, 80802 München, Germany.

24. CONTINGENCIES AND COMMITMENTS**Guarantee**

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

Legal proceedings and regulations

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a significant effect on its results and financial position.

25. RELATED PARTY TRANSACTIONS**Transactions with and balances from or to related parties**

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

	2025	2024
	£'000	£'000
Administrative and claims handling service fees (to)/from other related parties	(392)	2,667
Dividend paid to parent	20,000	-
Interest received from cash pool with other related parties	943	600
Net amounts transferred (from)/to cash pool with other related parties	(6,159)	11,513
Reinsurance premiums to other related parties	16,408	20
Net reinsurance received from related parties	21,900	6,503
Cost of services from other related parties	(3)	577

Year end balances arising from transactions carried out with related parties are noted in the following table (some of which relate to reinsurance contract assets and liabilities, refer to notes 12, 13, 16 and 17):

	2025	2024
	£'000	£'000
Due from related parties		
Parent	264	841
Other related parties	6,435	27,671
Total due from related parties	6,699	28,512

	2025	2024
	£'000	£'000
Due to related parties		
Parent	697	-
Other related parties	15,516	3,835
Total due to related parties	16,213	3,835

The Company considers its key management personnel to be the Directors only. Further information is disclosed in note 27.

No restrictions are placed on subsidiaries to transfer funds to the parent Company in the form of cash dividends. No guarantees or collateral were provided to subsidiaries. The Company is not liable for any contingent liabilities arising on the side of the subsidiaries and will not settle any liabilities on behalf of them.

26. EMPLOYEE RELATED COSTS

The Company has no employees (2024: none) and, as such, incurs no employee-related costs (2024: £nil). AMS provides services and staff resources to the Company as well as to other Allianz UK companies.

27. DIRECTORS' EMOLUMENTS

One Director (2024: two) was remunerated by AMS and one Director (2024: two by LVGIG) was remunerated by LVGIG until 31 March 2025, after which they transferred to AMS under TUPE and was remunerated by AMS for the remainder of the year. Two Directors (2024: one) were remunerated by Allianz SE with costs borne by AMS.

The Directors provided services to Allianz UK and its subsidiaries including the Company. For the two Directors remunerated by Allianz SE, it was not possible to make an accurate apportionment of their remuneration in respect of their roles as a Director of the Company. In the case of the other Directors no remuneration was paid specifically for their directorship in the Company. AMS and LVGIG are Allianz UK services Companies and do not recharge to the Company for such costs. Consequently, no remuneration is disclosed for these Directors.

28. AUDITORS' REMUNERATION

The total remuneration payable by the Company excluding VAT, to its auditors in respect of the audit of these Financial Statements, is shown below. The Company's audit fees are borne by LVGIG. AMS. Other services supplied pursuant to legislation were £nil (2024: £nil).

	2025	2024
	£'000	£'000
Fees payable to the Company's auditors and its associates	300	372
Overruns charged for prior year statutory audit services	-	37
Total auditors' remuneration	300	409

29. SUBSEQUENT EVENTS

There have been no material subsequent events after the SOFP date.