

Registered number: 00096205

Annual Report and Financial Statements 2025
Trafalgar Insurance Limited

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Trafalgar Insurance Limited

Company Information

Directors:

M J Cox
C J Holmes
M F Ruf

Company Secretary:

C M Twemlow

Registered office:

57 Ladymead
Guildford
Surrey
England
GU1 1DB

Registered number:

00096205

Independent auditors:

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

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

Trafalgar 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 and Highway Insurance Company Limited (the "Combined Board").

Principal activities

The Company ceased underwriting activity in 2006 and since that date has been actively managing the settlement and run-off of the remaining insurance contract liabilities.

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 private car business in 2004 and commercial vehicles in 2006. The Company's business operations are now solely in connection with the management of the run-off of the insurance contract liabilities.

The results for the year are set out in the Statement of Profit and Loss and Other Comprehensive Income on page 15. The profit for the year wholly attributable to the equity holder amounted to £159k (2024: £216k). The profit for the year arose primarily from investment income and income from reinsurance contracts after deducting insurance service expenses.

Key performance indicators ("KPIs")

The financial KPIs monitored by the Company are total comprehensive income wholly attributable to the equity holder, total equity and Minimum Capital Requirement ("MCR") coverage ratio.

The total comprehensive income wholly attributable to the equity holder amounted to £179k (2024: £275k). At the year end, the Company had equity of £8,979k (2024: £8,800k) and an unaudited MCR coverage ratio of 256.6% (2024: 249.3%). 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"). The increase in total equity during the year is a result of the total comprehensive income attributable to the equity holder.

The Company does not monitor any non-financial KPIs.

Risk appetite

As a result of the governance structure, strategic decisions and matters which affect Allianz UK are considered by the Combined Board. 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 14.

- **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 by the Combined Board and its committees rather than at a subsidiary board level.

Stakeholder engagement

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

Customers

Since ceasing underwriting activities in 2006, the Company's business operations have been solely in connection with management of the run-off of its insurance contract liabilities.

Employees

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

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 Directors have 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, AZI, as well as to Allianz UK 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

During the year, the Company's Board considered financial and risk related matters. This included undertaking solvency monitoring, approval of the Company's Annual Report and Financial Statements and Solvency and Financial Condition Report, and approval of the annual Own Risk and Solvency Assessment. In reviewing and approving these important statutory and regulatory reports, the Company's Board had regard to its fiduciary and regulatory responsibilities and the need to promote the success of the Company for the benefit of its shareholder.

Stakeholders, their interests and the manner in which the Company engages with them, are integral to how Allianz UK and the Company conduct business. When strategic and operational decisions are considered by the Combined Board, the broader impacts on stakeholders are taken into account and this approach is embedded within the Allianz UK governance structure.

On behalf of the Board



M F Ruf
Director
1 April 2026

The Directors present their Annual Report and Financial Statements for the year 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 and other key 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:

M J Cox (appointed 18 July 2025)
G A Gibson (resigned 30 June 2025)
C J Holmes
U Lange (resigned 30 November 2025)
M F Ruf (appointed 1 December 2025)

Directors' liabilities

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

Dividends

No interim dividend was paid during the year ended 31 December 2025 (2024: £nil). The Directors do not recommend the payment of a final dividend for the year 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 3.

Internal audit

The 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, PricewaterhouseCoopers 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 the 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 PricewaterhouseCoopers LLP 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-adopted international accounting standards.

Under company law, Directors must not approve the Financial Statements, unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit 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-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for 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 auditors' report to the members of Trafalgar Insurance Limited

Report on the audit of the financial statements

Opinion

In our opinion, Trafalgar Insurance Limited's financial statements:

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

We have audited the financial statements, included within the Annual Report and Financial Statements 2025 (the "Annual Report"), which comprise:

- the Statement of Financial Position as at 31 December 2025;
- the Statement of Profit and Loss and Other Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended;
- the Statement of Cash Flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee of Allianz Holdings plc.

Basis for opinion

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

Independence

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

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

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

Our audit approach

Overview

Audit scope

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

Key audit matters

- Valuation of the liability for incurred claims within insurance contract liabilities and the associated reinsurance contract assets – assumptions and judgements

Materiality

- Overall materiality: £89,700 (FY24: £88,000) based on 1% of Net Assets.
- Performance materiality: £67,275 (FY24: £66,000).

The scope of our audit

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

Key audit matters

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

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

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
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<p>Valuation of the liability for incurred claims within insurance contract liabilities and the associated reinsurance contract assets – assumptions and judgements</p> <p>Refer to Notes 1.4 (b), 2, 3, and 4 to the financial statements for disclosures of related accounting policies and balances including the 'liability for incurred claims' ('LIC') within the insurance contract liability and the associated 'assets for incurred claims' ('AIC') within the reinsurance contract asset.</p> <p>The valuation of the LIC and AIC is inherently uncertain and contains material estimates. To calculate the LIC and corresponding AIC, a best estimate of the ultimate cost of settlement of all unpaid claims incurred, including the related claims handling costs, is made in order to arrive at the best estimate liability ('BEL').</p> <p>The most subjective element of the BEL is the estimation of future cash flows in relation to two 'Periodic Payment Orders' ('PPOs') (and the associated reinsurer's share).</p> <p>The future cash flows are estimated using standard actuarial projection techniques to predict the settlement cost of future claims and the associated fulfilment cash flows. They are highly sensitive to the underlying assumptions used in determining current year estimates for PPOs, particularly around future inflation and longevity.</p> <p>To arrive at the LIC and AIC, the undiscounted BEL is then risk-adjusted for management's view of the compensation which it requires for bearing uncertainty about the amount and timing of cash flows from non-financial risks and discounted to present value.</p> <p>As a result of the uncertainties and complexities described above, the assumptions and judgements linked to the valuation of future cash flows associated with PPOs within the LIC and AIC were a focus area for the audit.</p>	<p>In performing our work over the valuation of insurance contract liabilities and the reinsurance contract assets, our actuarial specialists were engaged. Audit procedures over the methods and assumptions in relation to the valuation of future cash flows associated with the PPOs included the following:</p> <ul style="list-style-type: none"> • We understood and evaluated management's processes and controls in place in relation to the methods and assumptions linked to the valuation of the PPOs; • We tested the methodologies and assumptions used by management to derive the undiscounted BEL, and whether these produced reasonable estimates based on the company's facts and circumstances. This included consideration of management's assumptions around future levels of social inflation; and • We also evaluated management's net of reinsurance undiscounted BEL by testing the implied net to gross ratios, leveraging the results of our work over the gross liability and our understanding of the reinsurance programme. <p>Furthermore:</p> <ul style="list-style-type: none"> • We assessed the appropriateness of the policy and assumptions applied to determine the adjustment for non-financial risk in respect of the LIC and the AIC accordingly; and • We assessed the reasonableness of the yield curves used to discount the LIC and the AIC (inclusive of the risk adjustment) and conducted testing to ensure that the yield curves had been applied accurately. <p>Based on the work performed, the valuation of the LIC within the insurance contract liability and associated reinsurance contract assets were consistent with the evidence obtained.</p>
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How we tailored the audit scope

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

We considered quantitative and qualitative factors to ensure that we had obtained sufficient coverage across all financial statement line items at a total company level. We applied our performance materiality threshold across each financial statement line item to identify which items were material to the audit of the company, as well as considering their nature, to designate not significant but material financial statement line items.

Where we relied on work performed over centralised functions by the auditor of the Allianz SE group, we determined the level of involvement we needed with the group auditor to be able to conclude on whether sufficient and appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole. We maintained regular and timely communication with the group auditor, including video calls and written communication as appropriate.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company's financial statements.

Materiality

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

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

Overall company materiality	£89,700 (FY24: £88,000).
How we determined it	1% of Net Assets
Rationale for benchmark applied	The materiality amount selected is appropriate to the size and nature of the business. We consider net assets to be the measure most relevant to the primary users of the financial statements in assessing the insurance run-off activities of the company.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (FY24: 75%) of overall materiality, amounting to £67,275 (FY24: £66,000) for the company financial statements.

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

We agreed with the Audit Committee of Allianz Holdings plc that we would report to them misstatements identified during our audit above £4,480 (FY24: £4,400) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- Obtaining the Directors' going concern assessment, considering the company's capital, solvency and liquidity positions, and challenging the material assumptions made using our knowledge of the business, review of regulatory correspondence and obtaining further corroborative evidence;
- Considering information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict the assessment of going concern; and
- Assessing the disclosures made in respect of going concern.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2025 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory principles, such as those governed by the Prudential Regulation

Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journals. Audit procedures performed by the engagement team included:

- Discussions with the Audit Committee, management, internal audit, senior management involved in the Risk and Compliance functions and the Legal function, including consideration of known or suspected instances of non-compliance with laws and regulation, and fraud;
- Reading key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Board of Directors, the Combined Board, Audit Committee, Reserving Committee and Risk Committee;
- Testing and challenging, where appropriate, the assumptions and judgements made by management in their significant accounting estimates;
- Identifying and testing journal entries identified as having potential indicators of fraud; and
- Designing audit procedures to incorporate unpredictability into our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

We were first appointed by the company for the financial year ended 31 December 2018. Our uninterrupted engagement covers 8 financial years.

ANDREW BOX

Andrew Box (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
2 April 2026

Trafalgar Insurance Limited

Statement of Profit and Loss and Other Comprehensive Income for the Year Ended 31 December 2025

		2025	2024
	Note	£'000	£'000
Insurance service expenses	3(a), 5	(454)	(348)
Net income from reinsurance contracts	3(b)	243	156
Insurance service result		(211)	(192)
Net investment income	6	434	489
Net investment income		434	489
Finance expenses from insurance contracts	7(a)	(87)	(84)
Finance income from reinsurance contracts	7(b)	79	77
Net insurance finance expenses		(8)	(7)
Net insurance and investment result		215	290
Other operating and administrative expenses	5	(3)	(3)
Profit before tax		212	287
Income tax expense	8(a)	(53)	(71)
Profit for the year wholly attributable to the equity holder		159	216
Other comprehensive income ("OCI")			
Items that will be reclassified subsequently to profit and loss when specific conditions are met			
Finance (expenses)/income from insurance contracts	7(a)	(12)	477
Finance income/(expenses) from reinsurance contracts	7(b)	38	(399)
Income tax expense relating to these items	8(b)	(6)	(19)
OCI for the year		20	59
Total comprehensive income wholly attributable to the equity holder		179	275

The accounting policies and notes on pages 19 to 41 are an integral part of these Financial Statements.

Statement of Changes in Equity for the Year Ended 31 December 2025

	Share capital	Insurance finance reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
Balance as at 1 January 2024	6,000	193	2,332	8,525
Profit for the year	-	-	216	216
OCI	-	59	-	59
Total comprehensive income for the year	-	59	216	275
Balance as at 31 December 2024	6,000	252	2,548	8,800
Profit for the year	-	-	159	159
OCI	-	20	-	20
Total comprehensive income for the year	-	20	159	179
Balance as at 31 December 2025	6,000	272	2,707	8,979

The accounting policies and notes on pages 19 to 41 are an integral part of these Financial Statements.

Trafalgar Insurance Limited

Statement of Financial Position as at 31 December 2025

	Note	2025 £'000	2024 £'000
Assets			
Reinsurance contract assets	3(b)	3,710	3,474
Other receivables	9	9,559	9,476
Cash and cash equivalents	10	57	158
Total assets		13,326	13,108
Equity and liabilities			
Equity attributable to equity holder of the parent			
Share capital	11	(6,000)	(6,000)
Insurance finance reserve		(272)	(252)
Retained earnings		(2,707)	(2,548)
Total equity		(8,979)	(8,800)
Liabilities			
Insurance contract liabilities	3(a)	(4,075)	(3,947)
Deferred tax liabilities	8(d)(ii)	(90)	(84)
Accruals and other payables	12	(28)	(176)
Current tax liabilities	8(c)	(154)	(101)
Total liabilities		(4,347)	(4,308)
Total equity and liabilities		(13,326)	(13,108)

The accounting policies and notes on pages 19 to 41 are an integral part of these Financial Statements.

These Financial Statements on pages 15 to 41 were approved by the Board of Directors on 1 April 2026 and signed on its behalf by:



M F Ruf
 Director
 1 April 2026
Trafalgar Insurance Limited
Registered number: 00096205

Trafalgar Insurance Limited

Statement of Cash Flows for the Year Ended 31 December 2025

	Note	2025 £'000	2024 £'000
Cash flows from operating activities			
Profit before tax		212	287
<i>Adjusted for</i>			
Net investment income	6	(434)	(489)
		(222)	(202)
<i>Changes in working capital</i>			
Increase/(decrease) in insurance contract liabilities	3(a)	128	(329)
(Increase)/decrease in reinsurance contract assets	3(b)	(236)	385
Increase in insurance finance reserve		26	78
Decrease/(increase) in other receivables	9	351	(49)
(Decrease)/increase in accruals and other payables	12	(148)	62
		(101)	(55)
Cash flows used in operating activities		(101)	(55)
Income tax paid	8(c)	-	(115)
		(101)	(170)
Net decrease in cash and cash equivalents		(101)	(170)
Cash and cash equivalents at the beginning of the year	10	158	328
Cash and cash equivalents at the end of the year	10	57	158

The accounting policies and notes on pages 19 to 41 are an integral part of these Financial Statements.

1. ACCOUNTING POLICIES

1.1 Company and its operations

Trafalgar 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

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.

1.2 Statement of compliance

The Financial Statements of the Company have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Act as applicable to companies reporting under those standards.

1.3 Basis of preparation

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
Insurance and reinsurance contracts	Fulfilment cash flows ("FCF")

The functional and presentational currency is British Pounds.

Going concern

These Financial Statements have been prepared on a going concern basis. Refer to the Strategic Report on page 3.

New standards and interpretations adopted by the Company

There are no new standards and interpretations affecting the Company that are mandatorily effective from 1 January 2025. The accounting policies have been consistently applied, unless a new policy has been implemented.

New standards and interpretations not yet adopted by the Company

New standards and interpretations which are not mandatorily effective have not been applied in preparing these Financial Statements. The Company does not plan to adopt these standards early; instead it will apply them from the effective date as determined by the UK Endorsement Board.

International Financial Reporting Standards ("IFRS") 18 'Presentation and Disclosure in Financial Statements'

In April 2024, the International Accounting Standards Board ("IASB") issued IFRS 18, which aims to improve comparability and transparency. IFRS 18 is effective for annual periods beginning on or after 1 January 2027. IFRS 18 supersedes IAS 1 'Presentation of Financial Statements' and will result in major consequential amendments to IFRS Accounting Standards. IFRS 18 will not have any effect on the recognition and measurement used for the Financial Statements, however it is expected to have a significant effect on presentation and disclosure. These changes include specified categories and defined subtotals in the Statement of Profit and Loss and Other Comprehensive Income, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures in the notes to the Financial Statements.

IFRS 18 requires retrospective application with specific transition reconciliations between restated profit and loss amounts and those previously presented under IAS 1. The Company intends to adopt IFRS 18 from 1 January 2027 and is assessing the implications of this new standard. No significant change is expected in the scope of disclosures, though the grouping and presentation of information may change.

New amendments to existing standards not yet adopted by the Company

Amendments to IFRS 7 'Financial Instruments: Disclosures' and IFRS 9 'Financial Instruments'

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7, effective for annual periods beginning on or after 1 January 2026, that refine derecognition and classification rules and add targeted disclosures. Entities may deem liabilities settled via electronic payment to be discharged (and derecognised) before the settlement date when specified criteria are met. These amendments are not expected to have a material impact on the Company.

1.4 Summary of material 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 and the ascertainment of fair values of financial assets and liabilities. 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. For judgements made by management in the application of IFRS 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 material accounting policies adopted in the preparation of the Financial Statements are set out in the following paragraphs.

(a) 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 Statement of Financial Position ("SFP") 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 temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the SFP date. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantially enacted at the SFP date.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The carrying amount of deferred income tax assets are reviewed at each SFP 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.

Group tax losses are utilised when available. Consideration paid for group relief is accounted for in the Financial Statements as though the payment had been made to the relevant tax authorities.

(b) Insurance and reinsurance contracts

Definition and classification

Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Company uses judgement to assess whether a contract transfers insurance risk (i.e. if there is a scenario with commercial substance in which the Company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the reinsured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

All references to insurance contracts in these Financial Statements apply to insurance contracts issued and reinsurance contracts held, unless specifically stated otherwise.

Accounting for contract modification and derecognition

An insurance contract is derecognised when it is:

- extinguished (that is, when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- the contract is modified.

FCF within contract boundary

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Company expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:

- are based on a probability-weighted mean of the full range of possible outcomes;
- are determined from the perspective of the Company, provided that the estimates are consistent with observable market prices for market variables; and
- reflect conditions existing at the measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. The explicit risk adjustment for non-financial risk is only estimated for the measurement of the liability for incurred claims ("LIC").

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation. Refer to note 2.1.

Risk of the Company's non-performance is not included in the measurement of groups of insurance contracts issued. In the measurement of reinsurance contracts held, the probability-weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

The Company uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

Contract boundary

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when the Company has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks.

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

The excess of loss reinsurance contracts held provides coverage for claims incurred during an accident year. Thus, all cash flows arising from claims incurred and expected to be incurred in the accident year are included in the measurement of the reinsurance contracts held.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

For methods and assumptions used to determine the risk adjustment for non-financial risk, refer to note 2 and note 4.

Initial and subsequent measurement

All of the Company's gross and reinsurance contracts have a duration of one year or less and are automatically eligible for the premium allocation approach ("PAA") measurement model.

The carrying amount at the end of each reporting period is the LIC only as the business is in run off.

Similarly, for the group of reinsurance contracts held at the end of each reporting period, the carrying amount is the incurred claims only.

There are no investment components within insurance contracts issued and reinsurance contracts held that are measured under the PAA.

Insurance service expenses

Insurance service expenses include the following:

- incurred claims and benefits;
- other incurred directly attributable expenses; and
- changes that relate to past service – changes in the FCF relating to the LIC.

Other expenses not meeting the above categories are included in other operating and administrative expenses in the Statement of Profit and Loss and Other Comprehensive Income.

Balances payable related to recharged insurance service expenses are initially recognised within the insurance contract liabilities under IFRS 17. These balances are deemed to be settled under IFRS 17, derecognised from the insurance contract liability and recognised under IFRS 9 at the point they are recharged.

Net income from reinsurance contracts

The Company presents financial performance of net income from reinsurance contracts, comprising the following amounts:

- reinsurance expenses;
- incurred claims reinsurance recovery;
- other incurred directly attributable expenses;
- changes relating to past service – (i.e. adjustments to incurred claims); and
- the effect of changes in the risk of reinsurers' non-performance.

Finance income/(expenses) from insurance and reinsurance contracts

Finance income/(expenses) from insurance and reinsurance contracts comprise the change in the carrying amount of the group of insurance contracts arising from:

- the effect of the time value of money and changes in the time value of money;
- the effect of financial risk and changes in financial risk; and

The Company disaggregates finance income/(expenses) from insurance contracts and finance income/(expenses) from reinsurance contracts held between profit and loss and OCI. The impact of changes in market interest rates on the value of the insurance assets and liabilities are reflected in OCI, to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities. Amounts presented in OCI are accumulated in the insurance finance reserve. The Company disaggregates changes in the risk adjustment for non-financial risk between insurance service result and finance income/(expenses) from insurance contracts.

(c) Investment income

Interest income is calculated by applying effective interest rate to the gross carrying amount of a financial asset.

(d) Other receivables

Other receivables are initially recognised and subsequently re-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 expires or when the asset is transferred.

An expected credit loss ("ECL") provision is assessed as at the SOFP date and the carrying amount of the receivables balance is reported after deduction of any ECL.

The Company has adopted the "simplified approach" in determining the ECL. Under this approach, the ECL is calculated as the AC of the receivables multiplied by a 1 year probability of default ("PD"), an appropriate loss given default ("LGD") and the number of days to maturity as a fraction of a year ("tenor").

(e) Cash and cash equivalents

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

An ECL provision is assessed as at the SOFP date and the carrying amount of the cash and cash equivalents balance is reported after deduction of any ECL.

The ECL is calculated as the AC of the cash and cash equivalents multiplied by a 1 year PD, an appropriate LGD and tenor.

(f) Accruals and other payables

Accruals and other payables are initially recognised 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.

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

Modified retrospective approach

After making reasonable efforts to gather necessary historical information, the Company has determined that, for certain groups of contracts, such information was not available or was not available in a form that would enable it to be used without undue cost and effort. It was therefore impracticable to apply the full retrospective approach and the Company applied judgements in determining the transition amounts under these approaches.

At the point of transition to IFRS 17, the Company applied the modified retrospective approach to the calculation of the LIC due to the following key information not being readily available without undue cost and effort:

- Data to determine the “locked-in” discount rates by annual cohort was not readily available for 2014 and prior years, therefore the “locked-in” discount rate used for 2014 and prior years was the “locked-in” discount rate at 1 January 2022.
- Data to determine the “locked-in” periodic payment orders (“PPO”) inflation assumptions was not readily available for PPOs settled on 2013 and prior years, therefore the “locked-in” PPO inflation assumption used for PPOs settled on 2013 and prior years was the “locked-in” PPO inflation assumption at 1 January 2022.

2.2 Assumptions and estimation uncertainties

The main source of uncertainty is two PPO claims which are projected and sensitive to the following key assumptions:

Discount rates: Insurance contract liabilities are calculated by discounting expected future cash flows. The bottom-up approach has been adopted to derive the discount rate for all contracts within the scope of IFRS 17. Under this approach, the discount rate is determined as the risk free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk free yield and the relevant liability cash flows (known as an “illiquidity premium”). This is an area of significant uncertainty given the majority of reserves are PPOs, which are projected over a longer-term period. For further details on the methodology and assumptions used to derive the discount rate, refer to note 4.

The Company adopts the OCI approach in relation to insurance finance income and expenses, and the impact of changes in discount rates are recognised through the OCI rather than through profit and loss. This reduces the volatility in the insurance service result that arises from changes in the interest rates and also ensures any accounting mismatch between the valuation of the Company's financial assets and insurance liabilities are minimised. “Locked-in” interest rate assumptions are required to disaggregate the effect of discounting and changes in the discount rate between profit and loss and OCI. For further details on the methodology and assumptions used to derive the “locked-in” rates, refer to note 4.

Cashflow payment patterns: The claim payment pattern is a key assumption to calculate the present value of future cashflows. These are derived mainly from historical experience. Where limited historical experience is available, expert judgement is applied. For further details, refer to note 4.

Risk adjustment: The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The cost of capital (“CoC”) method was used to derive the overall risk adjustment for non-financial risk. To highlight the significance of the CoC input, a sensitivity has been run on the impact of changing this figure. For this sensitivity, further details on the methods and assumptions used to measure the risk adjustment for non-financial risk and the corresponding confidence level, refer to note 4.

Inflation: Reserves are also sensitive to the assumed PPO inflation. PPOs are court ordered regular payments linked to an index. This is usually the Annual Survey of Hours and Earnings (“ASHE”) index. The valuation of PPOs includes a long-term assumption of inflation linked to the ASHE index. As PPO inflation is linked to the ASHE index, it is considered a financial risk.

Similar to the discount rate, the impact of changes in PPO inflation are recognised through the OCI rather than through profit and loss. Similarly, “locked-in” PPO inflation assumptions are required to disaggregate the changes in liabilities between the profit and loss and OCI. For further details on PPO inflation, refer to note 4.

Life expectancy: PPO claims have to be projected over a long-term period, and are therefore sensitive to the assumed claimant life expectancy. For sensitivities highlighting the significance of the life expectancy assumption, refer to note 14.

3. INSURANCE AND REINSURANCE CONTRACTS

	Note	2025 £'000	2024 £'000
Insurance contracts			
- Insurance contract liabilities	3(a)	(4,075)	(3,947)
Reinsurance contracts			
- Reinsurance contract assets ⁽¹⁾	3(b)	3,710	3,474

⁽¹⁾The reinsurance contract assets includes £84k which relates to balances with related parties (2024: £34k).

The following table sets out the presentation of the current and non-current portion of the balances.

	Current portion £'000	2025 Non- current portion £'000	Total £'000	Current portion £'000	2024 Non- current portion £'000	Total £'000
Insurance contract liabilities	(84)	(3,991)	(4,075)	(71)	(3,876)	(3,947)
Reinsurance contract assets	361	3,349	3,710	164	3,310	3,474

The two separate PPOs are associated with accidents that gave rise to claims against the Company's underwritten policies. In 2008, the PPOs were ordered by the respective courts and AZI was listed as the defendant insurer and is therefore legally responsible for complying with the obligations under the respective PPOs. Financially and operationally the liability under the PPOs has been dealt with by the Company. The Company and AZI signed a "Deed of indemnity" on 3 April 2023 ("Deed"). The Deed formally documented the roles and responsibilities that each of the parties have carried out since the creation of the respective PPOs, as such, this has not changed the arrangement or the accounting treatment but documents what is understood to have happened in practice. The Company continues to be liable to indemnify AZI in respect of any and all liabilities arising in connection with the PPOs and the deed of indemnity formally documents this position.

(a) Reconciliation of the LRC and the LIC

The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts in each segment changed during the year as a result of cash flows and amounts recognised in the Statement of Profit and Loss and Other Comprehensive Income.

	Note	2025		Total
		Present value of future cash flows	LIC Risk adjustment for non-financial risk	
		£'000	£'000	£'000
Opening liabilities		(3,834)	(113)	(3,947)
Net opening balance		(3,834)	(113)	(3,947)
Insurance service expenses				
Incurred claims and other directly attributable expenses		(2)	-	(2)
Changes that relate to past service – changes in the FCF relating to the LIC		(466)	14	(452)
Insurance service expenses	5	(468)	14	(454)
Finance expenses from insurance contracts issued	7(a)	(93)	(6)	(99)
Total amounts recognised in comprehensive income		(561)	8	(553)
Cash flows				
Claims and other directly attributable expenses paid		425	-	425
Total cash flows		425	-	425
Closing liabilities		(3,970)	(105)	(4,075)
Net closing balance		(3,970)	(105)	(4,075)

	Note	2024		Total
		Present value of future cash flows	LIC Risk adjustment for non-financial risk	
		£'000	£'000	£'000
Opening liabilities		(4,140)	(136)	(4,276)
Net opening balance		(4,140)	(136)	(4,276)
Insurance service expenses				
Changes that relate to past service – changes in the FCF relating to the LIC		(371)	23	(348)
Insurance service expenses	5	(371)	23	(348)
Finance income from insurance contracts issued	7(a)	393	-	393
Total amounts recognised in comprehensive income		22	23	45
Cash flows				
Claims and other directly attributable expenses paid		284	-	284
Total cash flows		284	-	284
Closing liabilities		(3,834)	(113)	(3,947)
Net closing balance		(3,834)	(113)	(3,947)

(b) Reconciliation of the remaining coverage and incurred claims components – reinsurance contracts

	Note	2025		Total
		Incurred claims for contracts under the PAA		
		Present value of future cash flows £'000	Risk adjustment for non-financial risk £'000	
Opening assets		3,377	97	3,474
Net opening balance		3,377	97	3,474
Net income from reinsurance contracts				
Changes that relate to past service – changes in the FCF relating to incurred claims recovery		254	(11)	243
Net income from reinsurance contracts		254	(11)	243
Finance income from reinsurance contracts	7(b)	112	5	117
Total amounts recognised in comprehensive income		366	(6)	360
Cash flows				
Recoveries from reinsurance		(124)	-	(124)
Total cash flows		(124)	-	(124)
Closing assets		3,619	91	3,710
Net closing balance		3,619	91	3,710

	Note	2024		Total £'000
		Incurred claims for contracts under the PAA		
		Present value of future cash flows £'000	Risk adjustment for non-financial risk £'000	
Opening assets		3,742	117	3,859
Net opening balance		3,742	117	3,859
Net income from reinsurance contracts				
Changes that relate to past service – changes in the FCF relating to incurred claims recovery		176	(20)	156
Net income from reinsurance contracts		176	(20)	156
Finance expenses from reinsurance contracts	7(b)	(322)	-	(322)
Total amounts recognised in comprehensive income		(146)	(20)	(166)
Cash flows				
Recoveries from reinsurance		(219)	-	(219)
Total cash flows		(219)	-	(219)
Closing assets		3,377	97	3,474
Net closing balance		3,377	97	3,474

4. INSURANCE AND REINSURANCE CONTRACTS – TERMS, ASSUMPTIONS AND SENSITIVITIES

The Company formerly underwrote motor policies, ceasing private car business in 2004 and commercial vehicles in 2006. As a result, there is no exposure in 2007 or later years. All of the Company's policies covered a 12-month duration, therefore the PAA measurement approach is automatically eligible for all liabilities.

4.1 Methodology and assumptions

Claims provisions are established to cover the ultimate costs of settling the liabilities in respect of claims that have occurred. The claims provision is determined on a case by case basis.

The claim experience is reviewed quarterly to ensure that there are no unexpected developments. The payment cash flow pattern is set based on expert judgement and reviewed annually.

The provision for non-periodical payment order claims is £5k (2024: £5k).

(a) Annuity type liabilities

The majority of the Company's outstanding claims provisions relates to provisions associated with the settlement of high value personal injury claims by way of PPOs established under the Courts Act 2003. During 2025, no PPOs have expired, and no new settlements were agreed on this basis, making the total number of outstanding PPOs unchanged at 2. Total discounted PPO claims reserves are £3,827k (2024: £3,757k) gross and £462k (2024: £511k) net of reinsurance. The corresponding undiscounted amounts are £7,313k (2024: £7,350k) gross and £984k (2024: £1,030k) net of reinsurance.

For PPOs, the annuity type structure of the claim payments mean that these have to be projected over a longer-term period. The key assumptions affecting the undiscounted claims provisions held for PPO are PPO inflation and the life expectancy of the claimant.

Notes to the Financial Statements for the Year Ended 31 December 2025

PPOs are court ordered regular payments linked to an index. This is usually the ASHE index. The valuation of PPOs includes a long-term assumption of inflation linked to the ASHE index. As PPO inflation is linked to the ASHE index, it is considered a financial risk. The Company has adopted the OCI approach, therefore the impact of changes relating to the PPO inflation assumption are recognised within the OCI rather than through profit and loss. This reduces the volatility in the insurance service result that arises from changes in the PPO inflation assumption.

To enable the disaggregation of changes in liabilities between the profit and loss and OCI requires the use of “locked-in” PPO inflation assumptions used in the valuation of the PPO when the PPO was settled at the date of the court order. Changes between the “locked-in” PPO inflation assumption and current PPO inflation assumption is recognised within OCI. Where the “locked-in” PPO inflation assumption is not available, the modified retrospective approach is adopted, and the PPO inflation assumption assumed at transition is used for these years. For further details, refer to note 2.

(b) Events Not In Data (“ENID”)

An ENID reserve is included in the Company’s best estimate outstanding claims provision. The ENID reserve considers events not included within the historical data and is selected using a scenario-based approach.

(c) Discounting

Insurance contract liabilities are discounted to reflect the time value of money and their associated illiquidity characteristics. This is a key assumption for the PPOs as it is long tailed in nature.

The discount rate for all insurance contract liabilities is derived using the bottom-up approach. Under this approach, the discount rate is determined as the risk free yield, adjusted for differences in illiquidity premium.

Risk free rates are determined by reference to the yields of overnight GBP swap rates (Sterling Overnight Index Average – “SONIA”) which are highly liquid. For the illiquidity premium, there are no observable market rates for illiquidity of insurance liability cash flows. Therefore, the Company has determined the illiquidity premium using a top-down approach considering a reference portfolio of assets (mixture of fixed rate bonds) by term as a proxy to determine the implied illiquidity premium for insurance liabilities. The implied illiquidity premium is the difference between the market spread over the risk free rates of these assets and the risk premium for ECL and volatility around the ECL. It is assumed that the risk free rate and illiquidity premium converges to Ultimate Forward Rate assumption which represents real average long-term risk free rate including inflation.

The yield curves that were used to discount the estimates of future cash flows that do not vary based on the returns of the underlying items in the SOFP are as follows:

Insurance liabilities and assets	1 year	3 years	5 years	10 years	20 years	30 years
2025	3.7%	3.8%	4.1%	4.7%	5.3%	5.4%
2024	4.5%	4.4%	4.4%	4.7%	5.1%	5.1%

The Company has adopted the OCI approach, therefore impact of changes in discount rates are recognised within OCI rather than through profit and loss, similar to PPO inflation. This reduces the volatility in the insurance service result that arises from changes in the interest rates.

To enable the disaggregation of changes in liabilities between the profit and loss and OCI requires the use of “locked-in” interest rates. Locked-in spot rate curves are derived for each annual cohort, the impact of the unwind of the discount derived from these locked-in rates is recognised within profit and loss. Where the data is not available, the modified retrospective approach is adopted, and the discount rate assumptions as at the transition date is assumed for these years. For further details, refer to note 2.

Liabilities are discounted at current observable rates on the SOFP and the impact of changes between the locked-in rates and current rates is recognised within OCI.

The disaggregation approach described above is applied to both the best estimate of future cash flows and the risk adjustment.

(d) Methods used to measure the risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled.

The CoC method was used to derive the overall risk adjustment for non-financial risk. The risk adjustment is calculated at the issuing entity level and then allocated down to each group of contracts in accordance with their risk profiles.

The key assumptions which affect the undiscounted risk adjustment are the CoC rate, risk capital charges to determine the projected capital relating to non-financial risk, diversification between risk types and classes of business, Allianz SE Group diversification factor (“GDF”) and lambda dampener assumptions.

The CoC rate is representative of the Company's view of the compensation that is required for the uncertainty arising from non-financial risk as the insurance contract is fulfilled. The CoC rate is set at 6.0% (2024: 6.0%) per annum, which is derived using Allianz SE Group's Capital Asset Pricing Model. It represents the return required by the Company to compensate for the exposure to non-financial risk, and is used to steer the Company's business as part of the planning dialogue, management reporting and KPIs used for monitoring.

To highlight the sensitivity of this assumption, a scenario with the rate at 4.0% has been modelled. The following table shows the impact on gross and net liabilities, profit before tax and equity for this change:

Change in assumptions	2025			
	Impact on profit before tax gross of reinsurance	Impact on profit before tax net of reinsurance	Impact on equity gross of reinsurance	Impact on equity net of reinsurance
	£'000	£'000	£'000	£'000
Reduce from 6.0% to 4.0%	45	6	26	4

Change in assumptions	2024			
	Impact on profit before tax gross of reinsurance	Impact on profit before tax net of reinsurance	Impact on equity gross of reinsurance	Impact on equity net of reinsurance
	£'000	£'000	£'000	£'000
Reduce from 6.0% to 4.0%	49	7	38	6

The capital is determined at a 99.5% confidence level over a one year horizon, and it is projected in line with the run-off of the business.

The risk capital charges are taken from the Company's Standard Formula Model including premium risk, reserve risk (excluding PPO inflation which is considered a financial risk), lapse risk and cost risk. This covers the non-financial risk exposure for the Company from the fulfilment of its insurance contracts. An average of the past three years risk factors is used to reduce the volatility of the risk adjustment and represents the Company's long-term view of the capital required to cover the non-financial risk arising from insurance contract is fulfilled.

Diversification benefit between risk types and classes of business is assumed which is taken from the Company's Standard Formula Model assumptions.

GDF is assumed in the calculation of the risk adjustment which allows for the diversification between different entities within the Allianz SE Group. This assumption is included to reflect the Company's position as part of the wider Allianz SE Group where this assumption is included in the Company's Return on Equity ambition which is used in the Company's pricing, planning dialogue, management reporting and KPIs used for monitoring.

The resulting amount of the calculated net risk adjustment corresponds to the confidence level and ultimate position, which is 70.6% (2024: 72.0%) against the Company's reserve risk distribution outputted from its Standard Formula Model results.

Similar to the best estimate of FCF, the undiscounted risk adjustment is discounted where the payment pattern is aligned to the payment pattern for the best estimate of future cash flows by line of business and the same discount rate used. Similarly, the adoption of OCI and disaggregation approach is also applied to the risk adjustment. For further details, refer to note 4(c).

The methodology used to determine the risk adjustment for non-financial risk was not changed in 2025.

4.2 Loss development triangles

The insurance contract liabilities as per the SOFP in respect of accident years prior to 2025 is £4,075k, which is split £7,583k undiscounted best estimate FCF, £(3,613)k discounting effect on best estimate FCF and £105k effect of risk adjustment for non-financial risk (2024: £3,947k, which is split £7,527k undiscounted best estimate FCF, £(3,678)k discounting effect on best estimate FCF, £114k effect of risk adjustment for non-financial risk and £(16)k other payables).

The net insurance contract liabilities to 2025 is £365k, which is split £1,156k undiscounted best estimate FCF, £(609)k discounting effect on best estimate FCF, £14k effect of risk adjustment for non-financial risk and £(196)k other payables (2024: £473k, which is split £1,147k undiscounted best estimate FCF, £(582)k discounting effect on best estimate FCF, £17k effect of risk adjustment for non-financial risk and £(109)k other payables).

No new losses have been incurred since the 2006 accident year.

5. EXPENSES

		2025	2024
	Note	£'000	£'000
Claims and benefits	3(a)	454	348
Administrative expenses		3	3
Total expenses		457	351

Represented by

- Insurance service expenses	3(a)	454	348
- Other operating and administrative expenses		3	3
Total expenses		457	351

6. NET INVESTMENT INCOME

	2025	2024
	£'000	£'000
Interest income	434	489
Net investment income	434	489

7. INSURANCE FINANCE (EXPENSES)/INCOME

	Note	2025			2024		
		Profit and loss	OCI	Total	Profit and loss	OCI	Total
		£'000	£'000	£'000	£'000	£'000	£'000
(a) Finance (expenses)/income from insurance contracts							
Interest accretion	3(a)	(87)	(12)	(99)	(84)	477	393
Total finance (expenses)/income from insurance contracts		(87)	(12)	(99)	(84)	477	393
(b) Finance income/(expenses) from reinsurance contracts							
Interest accretion	3(b)	79	38	117	77	(399)	(322)
Total finance income/(expenses) from reinsurance contracts		79	38	117	77	(399)	(322)

8. INCOME TAX

(a) Income tax recognised in profit and loss

	2025	2024
	£'000	£'000
Current tax:		
In respect of the current year	53	71
Total current tax	<u>53</u>	<u>71</u>
Total income tax expense	<u>53</u>	<u>71</u>

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

	2025	2024
	£'000	£'000
Profit before tax	<u>212</u>	<u>287</u>
Income tax expense calculated at 25.0% (2024: 25.0%)	53	71
Income tax expense recognised in profit and loss	<u>53</u>	<u>71</u>

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	6	19
Total income tax recognised in OCI	<u>6</u>	<u>19</u>

(c) Tax paid for cash flow purposes

	2025	2024
	£'000	£'000
Current tax liabilities at 1 January	101	145
Amounts charged to profit and loss	53	71
Tax paid during the year	-	(115)
Current tax liabilities at 31 December	<u>154</u>	<u>101</u>

(d) Deferred tax balances

The balance comprises temporary differences attributable to:

	2025	2024
	£'000	£'000
(i) Deferred tax assets		
Unrealised losses on insurance liabilities and reinsurance assets	477	486
Total deferred tax assets	477	486
Set-off of deferred tax liabilities pursuant to set-off provisions	(477)	(486)
Net deferred tax assets	-	-

Movements in relation to deferred tax assets

	Unrealised losses on reinsurance assets and insurance liabilities	Total
	£'000	£'000
At 1 January 2024	385	385
Credited		
- to OCI	101	101
At 31 December 2024	486	486
Charged		
- to OCI	(9)	(9)
At 31 December 2025	477	477

	2025	2024
	£'000	£'000
(ii) Deferred tax liabilities		
Unrealised gains on insurance liabilities and reinsurance assets	567	570
Total deferred tax liabilities	567	570
Set-off of deferred tax liabilities pursuant to set-off provisions	(477)	(486)
Net deferred tax liabilities	90	84

Movements in relation to deferred tax liabilities	Unrealised gains on reinsurance assets and insurance liabilities	Total
	£'000	£'000
At 1 January 2024	450	450
Charged		
- to OCI	120	120
At 31 December 2024	570	570
Credited		
- to OCI	(3)	(3)
At 31 December 2025	567	567
	2025	2024
	£'000	£'000
Non-current deferred tax liabilities	90	84

9. OTHER RECEIVABLES

	2025	2024
	£'000	£'000
Amounts due from related parties	9,559	9,476
Total other receivables	9,559	9,476

The carrying amounts disclosed above reasonably approximate fair values at year end. The other receivables are all current.

The Company has concluded that the ECL model has made no significant impact on the valuation of other receivables reported in the Financial Statements.

10. CASH AND CASH EQUIVALENTS

	2025	2024
	£'000	£'000
Cash and cash equivalents	57	158
Total cash and cash equivalents	57	158

The Company has concluded that the ECL model has made no significant impact on the valuation of cash and cash equivalents reported in the Financial Statements.

11. EQUITY

Share capital – allotted, called up and fully paid

	2025		2024	
	No.	£	No.	£
Ordinary shares of £1 each	6,000,000	6,000,000	6,000,000	6,000,000

The ordinary shares carry full voting rights and qualify for dividends. There are no restrictions on the repayment of capital other than as imposed by the Act.

12. ACCRUALS AND OTHER PAYABLES

	2025	2024
	£'000	£'000
Amounts due to related parties	27	176
Other payables	1	-
Total accruals and other payables	28	176

The carrying amounts disclosed above reasonably approximate fair values at the SOFP date. All of the liabilities are payable within 12 months of the SOFP date.

13. DIVIDENDS

No interim dividend was paid during the year ended 31 December 2025 (2024: £nil). The Directors do not recommend the payment of a final dividend for the year ended 31 December 2025 (2024: £nil).

14. RISK MANAGEMENT POLICIES

Before closing to new business in 2006 the Company underwrote motor business. The business was wholly written in the UK and risk exposure was confined to the UK. The Company's business operations are now limited to managing the run-off of the insurance liabilities.

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. This is influenced by the frequency of claims, severity of claims, weather events and other factors dependent upon the type of the insurance contract. By the nature of an insurance contract, insurance risk is random and unpredictable. Therefore the actual claims costs may exceed the estimated insurance contract liabilities.

To provide protection to the Company, reinsurance is purchased. Reinsurance placement is limited to a small number of highly regarded reinsurers in order to ensure as far as possible that reinsurance claims are met in full.

As the Company is no longer underwriting new business, insurance risk is confined to whether actual claims will exceed insurance liabilities. Sensitivity to the potential impact of any future change in the Ogden discount rate has been considered and has been deemed not significant as the majority of Company reserves are held in respect of settled PPOs.

The following sensitivity analysis shows the impact on profit before tax and equity for reasonably possible movements in key assumptions with all other assumptions held constant. The effect is shown gross and net of reinsurance.

- Timing of liabilities: best estimate of future cash flows have assumed to be one year earlier or one year later which also has a knock on impact on the risk adjustment.
- Life expectancy: assumed to be 4 years greater for each PPO claimant, which also has a knock on impact on the risk adjustment.

Change in assumptions	2025			
	Impact on profit before tax gross of reinsurance	Impact on profit before tax net of reinsurance	Impact on equity gross of reinsurance	Impact on equity net of reinsurance
	£'000	£'000	£'000	£'000
Timing of cash flows				
Increase by 1 year	93	13	158	21
Decrease by 1 year	(92)	(14)	(162)	(24)
Life expectancy				
Increase by 4 years	(1,606)	(232)	(477)	(69)
Change in assumptions	2024			
	Impact on profit before tax gross of reinsurance	Impact on profit before tax net of reinsurance	Impact on equity gross of reinsurance	Impact on equity net of reinsurance
	£'000	£'000	£'000	£'000
Timing of cash flows				
Increase by 1 year	92	14	195	29
Decrease by 1 year	(91)	(14)	(201)	(30)
Life expectancy				
Increase by 4 years	(1,287)	(181)	(533)	(74)

Note that these sensitivities demonstrate the effect of a change in key assumption while other assumptions remain unchanged. However, there are dependencies between these key assumptions and the occurrence of a change in one key assumption may lead to changes in other key assumptions as a result of correlations.

Financial risk

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.

(i) Interest rate risk

Interest rate risk is the risk that interest rates will change, adversely affecting the market value of the assets that the Company has available to meet insurance contract liabilities. None of the Company's general insurance contracts include benefits which involve contractual interest payments.

It also impacts the valuation of insurance contract liabilities as the liability for incurred claims is discounted to reflect the time value of money.

At 31 December 2025 the average duration of the cash and cash equivalent portfolios was 1 day (2024: 1 day) compared with the average duration of the estimate of undiscounted cash flows which is estimated to be 14.6 years (2024: 15.4 years). At 31 December 2025 the average duration of other receivables was 1 day (2024: 1 day).

(ii) PPO inflation risk

PPOs are court ordered regular payments linked to an index. This is usually the ASHE index. The valuation of PPOs includes a long-term assumption of inflation linked to the ASHE index. Therefore, PPO inflation is considered a financial risk as it is linked to the ASHE index. The risk is that changes in the long-term expectation of PPO inflation affect the Company's net asset value.

(iii) Equity risk

Equity risk is the risk that the market price of managed funds will fall in value as a result of adverse stock market movements. The Company is not exposed to equity risk as does not currently hold any traded equity holdings.

(iv) Currency risk

Currency risk is the risk that fluctuations in exchange rates may lead to a material change in the value of currency denominated assets or liabilities. The Company is not exposed to currency risk as all of the Company's financial assets and liabilities are denominated in sterling.

(v) Sensitivity to market risk

The table below shows the sensitivity of the Company's equity to reasonably possible movements in key assumptions that affect financial risk with all other assumptions held constant. The effect is shown gross and net of reinsurance:

- Interest rate risk: shift in yield curve +/-1.0% impact in yield curves to discount insurance contract liabilities including the risk adjustment. This does not affect the profit and loss due to "locked-in" interest rates used.
- PPO inflation: +/-1.0% impact on PPO inflation on PPO liabilities and knock on impact on risk adjustment. This does not affect the profit and loss due to "locked-in" PPO assumptions used.

Change in assumptions	2025	
	Impact on equity gross of reinsurance	Impact on equity net of reinsurance
	£'000	£'000
Interest rate		
+100 basis points shift in yield curves	307	50
-100 basis points shift in yield curves	(361)	(59)
PPO inflation		
+100 basis points shift in yield curves	(31)	(4)
-100 basis points shift in yield curves	31	4

Change in assumptions	2024	
	Impact on equity gross of reinsurance	Impact on equity net of reinsurance
	£'000	£'000
Interest rate		
+100 basis points shift in yield curves	422	65
-100 basis points shift in yield curves	(501)	(78)
PPO inflation		
+100 basis points shift in yield curves	(40)	(6)
-100 basis points shift in yield curves	40	6

The effects of the specified changes in factors are determined using statistical models, as relevant. The level of movements in market factors on which the sensitivity analysis is based were determined based on economic forecasts and historical experience of variations in these factors.

Note that these sensitivities demonstrates the effect of a change in key assumption while other assumptions remain unchanged. However, the occurrence of a change in a single market factor may lead to changes in other market factors as a result of correlations.

(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 cash and cash equivalents, reinsurance contract assets and other receivables.

The Company deems the risk associated with its cash and cash equivalents 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.

Notes to the Financial Statements for the Year Ended 31 December 2025

The Company deems the risk associated with the reinsurance contract assets to be low. 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 largest reinsurance counterparty risk at 31 December 2025 was £1,634k (2024: £1,723k) with an Allianz SE Group reinsurance company. The prior year largest reinsurance counterparty risk has moved from £3,829k as disclosed in the prior year Financial Statements to £1,723k. This has been updated as it was incorrectly disclosed that all reinsurance was with a related party.

The following table provides information regarding the credit risk exposure of the Company by classifying assets according to the credit ratings of counterparties.

	AAA-A	Other not rated	Total
2025	£'000	£'000	£'000
Reinsurance contract assets	3,545	165	3,710
Other receivables	9,559	-	9,559
Cash and cash equivalents	57	-	57
Total	13,161	165	13,326
Percent	98.8%	1.2%	100.0%

	AAA-A	Other not rated	Total
2024	£'000	£'000	£'000
Reinsurance contract assets	3,175	299	3,474
Other receivables	9,476	-	9,476
Cash and cash equivalents	158	-	158
Total	12,809	299	13,108
Percent	97.7%	2.3%	100.0%

(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 accruals and other payables. The Company has sufficient liquid assets to meet obligations as they fall due. Cash and cash equivalents and other receivables are readily available. In 2025, the cash pool was £9,559k (2024: £9,324k), plus cash and cash equivalents of £57k (2024: £158k) totalling £9,616k (2024: £9,482k). As the majority of the Company's 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 following tables show information about the estimated timing of the contractual undiscounted cash flows (excluding the risk adjustment for non-financial risk) from the Company's financial assets and liabilities, which reflect the dates on which the cash flows are expected to occur.

	2025								Total
	Carrying amount	Less than 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	5 - 10 years	More than 10 years	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Insurance contract liabilities	(4,075)	(85)	(262)	(266)	(270)	(275)	(1,428)	(4,997)	(7,583)
Reinsurance contract assets	3,710	158	223	226	230	233	1,207	4,150	6,427

	2024								Total
	Carrying amount	Less than 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	5 - 10 years	More than 10 years	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Insurance contract liabilities	(3,947)	(75)	(239)	(245)	(248)	(253)	(1,327)	(5,140)	(7,527)
Reinsurance contract assets	3,474	61	209	212	216	219	1,141	4,323	6,381

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's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk.

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 lower capital threshold of the Minimum Capital Requirement ("MCR"). Capital held to back the Solvency Capital Requirement ("SCR")/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/MCR to ensure that the Company is adequately capitalised in most expected circumstances.

The Company's capital comprises total shareholders' equity and amounts to £8,979k (2024: £8,800k).

The Company has complied with all externally and internally imposed capital requirements throughout the year. At 31 December 2025 the own funds amount to £8,979k with a surplus of 156.6% on MCR (2024: own funds amount to £8,727k with a surplus of 149.3% on MCR). The own funds and MCR are unaudited.

15. PARENT AND ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is AZI, 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.

16. RELATED PARTY TRANSACTIONS

Transactions with and balances from or to related parties

The Company enters into transactions with fellow Allianz SE undertakings and key management personnel in the normal course of business. All transactions have been made at arm's length and details of transactions carried out during the year with related parties are as follows:

Notes to the Financial Statements for the Year Ended 31 December 2025

	2025	2024
	£'000	£'000
Administrative and claims handling service fees from other related parties	81	58
Reinsurance recoveries from other related parties	102	87
Net amounts transferred from cash pool with other related parties	234	438
Interest received from cash pool with other related parties ⁽¹⁾	434	488

⁽¹⁾Transactions relating to interest received from cash pool were omitted in the prior year Financial Statements but have been included in the comparative figures in the table above, to align the disclosure across Allianz UK Financial Statements.

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, refer to note 3):

	2025	2024
	£'000	£'000
Due from related parties		
Parent	-	152
Other related parties	9,642	9,358
Total due from related parties	9,642	9,510
	2025	2024
	£'000	£'000
Due to related parties		
Other related parties	27	176
Total due to related parties	27	176

Management services were acquired from a fellow Allianz UK company on a cost-plus basis, including a margin of 5% (2024: 5%).

The Company considers its key management personnel to be the Directors only. For further information, refer to note 18.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given by the Company. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

17. 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.

18. DIRECTORS' EMOLUMENTS

Three Directors (2024: three) were remunerated by AMS. Two Directors (2024: one) were remunerated by Allianz SE, with costs borne by AMS. Two individuals who were previously Directors of the Company, received a payment from AMS relating to their time in office as a Director. The Directors provided services to Allianz UK and its subsidiaries including the Company. For one of the Directors remunerated by AMS, no remuneration was paid specifically for their directorship in the Company. In the case of the other Directors, it was not possible to make an accurate apportionment of their remuneration in respect of their roles as a Director of the Company. AMS is an Allianz UK services company and does not recharge to the Company for such costs. Consequently, no remuneration is disclosed for these Directors.

19. 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 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	63	63

20. SUBSEQUENT EVENTS

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