

Ageas Insurance Limited

Annual Report
For the year ended 31 December 2024

Company Registration Number : 354568

Ageas Insurance Limited

Company registration number 354568

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Directors and Advisers

Directors

Antonio Cano (resigned 9 July 2024)
Ben Coumans (appointed 9 July 2024)
Hans De Cuyper
Bart De Smet
Jeremy Haynes
Richard Jackson
Malcolm McCaig
Anthony Middle
Nerissa Naidu
Alison Platt
Jonathan Price
Tara Waite

Secretary

Claire Marsh

Head Office and Registered Address

Ageas House
Hampshire Corporate Park
Templars Way
Eastleigh
SO53 3YA

Independent Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

Bankers

HSBC
Rms Dept Level 2 2nd Floor
62-76 Park Street
London
SE1 9DZ

Registered Number

354568
Registered in England and Wales

Ageas Insurance Limited

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Strategic Report

The Directors present their Strategic Report on the Company for the year ended 31 December 2024.

Business Review

Activities

The principal activity of Ageas Insurance Limited ('the Company') is the provision of general insurance in the United Kingdom, with a small proportion written in the Channel Islands. The core products that are sold by the Company are:

- Motor related insurance; and
- Property related insurance.

The Company adopts a multi-channel distribution model focusing on direct and intermediated channels, supported by technical excellence.

Financial Performance during the year

Insurance revenue totalled £1,512.2m (2023: £1,109.3m) increasing by 36.3% compared to 2023.

Profit after tax for the year was £74.6m (2023: profit of £36.1m). The favourable profit in the year has benefitted from continued growth in personal lines customer numbers, higher net earned premiums and lower claims frequency across several perils within personal motor, as well as an improved household performance, and ongoing focus on expense management. There have also been favourable returns on investments.

Under its reinsurance agreements with ageas SA/NV, the ultimate parent holding company, the Company transfers 40% of both prior and future claim liabilities under a loss portfolio transfer ('LPT') agreement and quota share treaties. See note 30 for further details.

The Combined Operating Ratio ('COR') for 2024 was 94.9% (2023: 96.2%). The improvement reflects an increase in insurance revenues and a reduction in claims frequency.

Other Comprehensive Income ('OCI') reflects the movements in the defined benefit pension surplus net of tax, the change in fair value of financial assets and the change in fair value of insurance and reinsurance contracts. Remeasurements of the net defined benefit pension scheme assets and liabilities have led to a net negative contribution of £0.9m after tax to shareholders' equity (2023: negative £1.8m) due to the overall impact of yield curve movements. The change in fair value of financial assets and insurance and reinsurance contracts saw an increase to shareholders' equity of £4.9m after tax (2023: an increase of £11.9m) due to the overall impact of yield curve movements.

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Strategic Report (continued)

Key Financial Performance Indicators

The Board considers that the key indicators that will communicate the financial performance and strength of the Company are:

- Shareholders' equity
- Insurance revenue
- Profit before taxation
- Combined operating ratio
- Return on equity

	2024 £m	2023 £m	Change %
Shareholders' equity	554.5	432.4	28.2

Shareholders' equity is the value of the Company's assets minus its liabilities.

	2024 £m	2023 £m	Change %
Insurance revenue	1,512.2	1,109.3	36.3

Insurance revenue drives the size of the business, and reflect actions to ensure that business is underwritten at the appropriate rates for the risks undertaken.

	2024 £m	2023 £m	Change %
Profit before taxation	93.7	48.1	94.8

The Company aims to deliver sustainable profits over the insurance cycle by risk selection at appropriate rates, rigorous expense control and the delivery of superior customer service to its policyholders and intermediaries.

	2024 %	2023 %	Change
Combined operating ratio	94.9	96.2	(1.3)

The combined operating ratio is a measure of the Company's efficiency. It is calculated by combining a number of key performance indicators which include the total of incurred claims, commissions, expenses, other operating income and reinsurance, as a percentage of insurance revenue.

	2024 %	2023 %	Change
Return on equity	15.1	8.8	6.3

The return on equity after tax is a key measure of the total return the Company generates for its shareholder. Return on equity is measured by taking the profit after tax divided by the average of current and prior year closing shareholders' equity.

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Strategic Report (continued)

Year End Position

Shareholders' equity

Shareholders' equity increased in the year by £122.1m to £554.5m, from an opening position of £432.4m. This was driven by an increase in retained earnings of £73.7m (2023: increase of £34.1m) primarily as a result of profit after tax in the year of £74.6m (2023: profit of £36.1m), an increase in the fair value of investments and insurance and reinsurance contracts of £4.9m (2023: an increase of £11.9m), and an increase of £43.6m due to the issuance of perpetual Restricted Tier 1 notes during the year (see note 25 for further details).

Assets

Total assets have increased by £133.7m in the year to £2,923.4m (2023: increase of £103.9m). This has been driven by an increase in intangible assets as well as increases in the fair value of financial assets, cash and other receivables.

Liabilities

Total liabilities have increased by £11.6m in the year to £2,368.9m (2023: increase of £57.7m) mainly as a result of an increase in other provisions and other payables and deferred income, offset by a reduction in insurance contract liabilities.

Cash and cash equivalents and financial assets

Cash and cash equivalents have increased by £36.2m (2023: increase of £29.2m) in the year. Financial assets have increased by £49.5m (2023: increase of £69.3m) following an increase in the fair value of investments. Debt securities are liquid and can be converted to cash in a normal market at short notice. Financial assets valued at fair value through profit or loss can be converted to cash subject to the fund manager's terms and conditions on notice.

Non-Financial and Sustainability Information Statement

Following the implementation of The Companies (Strategic Report) (Climate-Related Financial Disclosures) Regulations 2022, which amended sections 414C, 414CA and 414CB of the Companies Act 2006, Ageas Insurance Limited is required to provide additional disclosures regarding climate change related risks and opportunities. The following section outlines the key non-financial matters of the Company:

Climate Related Risks and Opportunities

The Ageas UK Boards (which includes the Board of Ageas Insurance Limited) are responsible for perpetuating the long term, sustainable success of the Ageas UK companies, and has ultimate oversight of climate change related risks and opportunities. In addition to considering the impact of Ageas UK companies on the environment, the Ageas UK Boards also consider the impact of climate change on the business, specifically within the context of the Ageas UK strategy and risk management, including supporting policies. The Ageas UK Boards are supported by several committees including the Ageas UK Board Risk Committee, Investment Committee, Reinsurance Committee and Remuneration Committee.

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Strategic Report (continued)

Non-Financial and Sustainability Information Statement (continued)

In February 2022 the Ageas 2022-2024 Environmental, Social and Governance ('ESG') strategy and supporting targets were approved by the Ageas UK Boards, which sought to ensure ESG considerations are integral to the way the Company works, including by ensuring we have robust governance measures in place, deliver the best possible service and products for Ageas customers, reduce the impact of the Company on the environment and support employees and communities. The Ageas UK Boards oversee implementation of the ESG strategy on a quarterly basis by tracking progress against an ESG scorecard. In addition, the Ageas UK Boards, supported by the Board Risk Committee, set risk appetite in respect of climate related risks, approving the Ageas Insurance Limited ('AIL') Own Risk and Solvency Assessment ('ORSA') report, which includes the consideration of climate related risks, alongside the forward-looking risk and capital assessment of the Ageas UK strategy and plans, together with supporting stress and scenario analysis.

Senior Management across Ageas UK have been allocated responsibility for various ESG-related matters and the governance arrangements for climate change have been embedded and are integral to the governance framework. The Ageas UK Boards have assigned the responsibility for managing climate change financial risks to the Chief Underwriting Officer, and the responsibility of the development, implementation and management of ESG initiatives, supporting the alignment of business practices with Ageas' sustainability principles, has been assigned to the Chief People Officer. To assist with these duties, the senior managers participate in the People & ESG Forum, chaired by the Ageas UK Chief People Officer, which oversees and supports the implementation of the ESG Strategy set by the Ageas UK Boards. Throughout 2024 an ESG Working Group has coordinated ESG activities across the business, including the identification and management of ESG risks and opportunities, reporting these to the People & ESG Forum. ESG risks and opportunities are escalated via the Prudential and Conduct Risk Committees, chaired by the Chief Risk Officer, to the Board Risk Committee, and a quarterly report is provided to the Ageas UK Boards detailing the progress made against ESG targets by the business. Additionally, the Ageas UK Chief Financial Officer, supported by the Ageas UK Investment Committee, is responsible for investments, including responsible investment and climate change considerations.

The Ageas UK Boards are supported by the Risk Function, whereby the identification and assessment of climate related risks and opportunities have been integrated into the overall approach to risk management, with the output reported to the Executive and Board Risk committees on a quarterly basis and incorporated within the ORSA report. The Risk Function also supports the production of an Emerging Trends report that is provided to the Board Risk Committee bi-annually, providing the latest view of the matters that could impact the business on a 0-3 year; 3-5 year; more than 5 year basis, and the changing environmental landscape and the impact on the business incorporated. During 2024, the Ageas UK Boards also received focussed sessions on the progress of the delivery of the ESG Strategy, gaining a deeper understanding of how initiatives being implemented by Ageas UK supported the Ageas Group Impact 24 strategy, to put sustainability at the heart of the business and stimulate transition to a more sustainable world.

As a general insurance group, Ageas UK has limited involvement in activities that give rise to substantial direct emissions, with the bigger potential climate change impact being through the delivery of general insurance products, and by seeking to introduce products that encourage environmentally responsible actions by Ageas UK customers. From a risk perspective, the general adoption of annual insurance policies means Ageas UK can mitigate portfolios in response to climate changes. The primary insurance impacts are therefore expected to be:

- Physical Risks – risks arising from the physical effects of climate change; and
- Transition Risks – risks arising from a transition to a low-carbon economy.

The primary physical risk to the Company arises from higher than expected losses because of climate driven changes in the frequency and/or severity of weather events, such as flooding or subsidence. In addition, a high prevalence of future physical risk has the potential to adversely impact the reinsurance market capacity, affecting the availability and/or pricing of reinsurance.

The primary transition risks to the Company arise through strategic risk, as the transition could lead to a fall in demand for traditional motor insurance products and services; and investment risk, with the transition leading to volatile asset values, credit rating, and default activity or reputational risk.

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Strategic Report (continued)

Non-Financial and Sustainability Information Statement (continued)

The ongoing execution of Ageas UK's wider ESG strategy serves as the over-riding mitigation to climate risk. The importance of understanding and managing climate impacts is recognised and therefore climate risk considerations have been incorporated into our decision-making, for example by continuing to actively seek to innovate Ageas products to support a climate-resilient future and a commitment to growing profitably through ethical and responsible investments that support a sustainable future.

We recognise that with the risks posed by climate change, there are also significant opportunities that could ultimately impact the future success of the business, examples of which include:

- The continued embedding of initiatives to improve sustainability, strengthen resilience and reduce reoccurrence (e.g., through supporting the Build Back Better initiative, a 'repair over replace' philosophy, and an award-winning green parts programme).
- The potential to develop new products and grow our existing product offering which supports the transition to a low carbon economy by incentivising climate-positive behavioural change (e.g. use of electric/hybrid vehicles, pay-per-mile and telematics).
- Continuing to increase exposure to a wider range of 'positive impact investments' which support the transition (e.g. sustainable infrastructure equity and certified real estate funds with a high Global Real Estate Sustainability Benchmark (GRESB) rating).

In recognition of the importance of understanding and managing climate impacts, the Company has undertaken stress and scenario analysis to help better understand the impacts of climate change on AIL assets and liabilities over an extended time horizon. The scenario analysis undertaken has involved considering various climate pathways based on a different range of global mean temperature increases over the 21st century, resulting in a varying degree of physical and transition risk, and the outcomes shared with the Ageas UK Board Risk Committee and the Ageas UK Boards. The launch of Ageas UK's new three-year strategy Elevate UK in October 2024, positions sustainability as a guiding principle of the strategy, and a new Ageas UK sustainability strategy is being developed and expected to be approved by the Ageas UK Boards, early 2025.

Based on the Company's business model, the stress testing results from the Own Risk Solvency Assessment (ORSA) reports and the Company's strong solvency capital requirement (SCR) coverage, it is not considered that climate related physical or transitional risks will pose a material threat to the Company's solvency and therefore, the Directors do not consider that it is necessary for an understanding of the Company's business to include here a description of the actual or potential impacts on the business model and strategy, or their resilience, under different climate related scenarios, or the targets or key performance indicators used. Further details of the Company's energy use and associated greenhouse gas emissions have been included on page 17. Based on this, the Company have taken the exemptions from disclosures offered by the Companies Act 2026 S414CB (4A) - (4B).

Employees

For an overview of employee numbers and how the Company engages with its employees, see the Report of the Directors on page 13.

Human rights

The respect for human rights, as described in the Universal Declaration of Human Rights of the United Nations of 1948, is a condition for maintaining a sustainable society. During 2024 the Ageas UK Boards approved the adoption and implementation of the Ageas UK Human Rights policy. This sets out 10 principles ensuring Human Rights are considered across all aspects of the business, including relationships with employees, suppliers and in the development of products. The Company acknowledges responsibility for promoting the application of Human Rights whenever the Company, as a private enterprise, is able to make a meaningful contribution to this cause.

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Strategic Report (continued)

Non-Financial and Sustainability Information Statement (continued)

Social matters

The Company instils a culture which is inclusive and supports diversity, which is essential to the long-term success of the business and better enables the Company to respond to customer and wider stakeholder needs. This is reflected in the Company's diversity and inclusion strategy and policy, which applies to the Company as a whole. Further details are given in the Report of the Directors on page 13.

Anti-corruption and anti-bribery

The Company's reputation as a market leading insurer is important to the directors and is maintained and enhanced by proper business conduct. The Company operates a policy of zero-tolerance to any form of bribery or corruption whether through direct or indirect contact with third parties. The appropriate policy defines this stance in accordance with the Bribery Act 2010 and Financial Conduct Authority ('FCA') requirements to avoid any acceptance or offering of bribes or sales inducements.

The Company has procedures in place to ensure ongoing compliance with the policies referenced above. Adherence to the policies and applicable legislation and guidance is monitored by Ageas UK's Compliance department.

Section 172(1) statement

The Ageas UK directors continue to be aware of and attentive to all their duties and responsibilities, including those as set out under section 172 of the Companies Act 2006, when setting and embedding Ageas UK's culture and values in line with its purpose to 'Understand People + Simplify Insurance'. The Ageas UK Boards (including the Board of Ageas Insurance Limited) recognises that the long-term success of the Company is only possible through engagement with, and having regard to, the interests of key stakeholders, which for Ageas UK includes customers, employees, shareholders, suppliers, the community, environment, and regulators.

The Ageas UK Boards' role is to perpetuate the long term, sustainable success of the Ageas UK business; providing strategic leadership within a framework of prudent and effective controls, setting the strategy, ensuring the direction and performance of the business is aligned to Ageas Group objectives, that obligations to all stakeholders are understood and met, including through the delivery of good customer outcomes. A range of mechanisms have been established to support directors in the discharge of their duties, and for each matter which comes before the Boards, stakeholders who may be affected and their interests, are carefully considered as part of the decision-making process. Further detail has been incorporated within the Corporate Governance and Stakeholder Engagement statements set out in this report and in the Report of the Directors on page 13.

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Strategic Report (continued)

Corporate Governance Statement

At Ageas UK a strong culture of corporate governance and ethical behaviour is fundamental to the way it does business and considered to be essential to building and sustaining a successful business. Therefore a governance framework that complies with the Wates Corporate Governance Principles for Large Private Companies (Wates Principles) has been adopted by the Ageas UK Boards and has been articulated in a Governance Manual adopted by the Ageas UK Boards which incorporates these principles, together with those as set out within the PRA Rulebook, the FCA Handbook and the UK Corporate Governance code (where relevant), and which explains how these principles are reflected in the organisation and operations of the Ageas UK businesses. The corporate governance framework is reviewed at least annually by the Ageas UK Boards to confirm that governance arrangements remain effective.

The Company complies with the Wates Principles as follows:

Principle one: Purpose and Leadership

The purpose of Ageas UK is to 'Understand People + Simplify Insurance'. The Ageas UK Boards develop and promote this purpose, and ensure that its vision, values, strategy, and culture align with it. This purpose, as well as the Ageas Group wide values of 'Care, Dare, Deliver and Share', form the basis of the new Ageas UK Strategy set by the Ageas UK Boards and are embedded into Ageas UK's way of working. The purpose and values underpin Ageas UK's strategy to become 'a Podium Personal Lines Insurer'. Details of Ageas UK's strategy have been cascaded to employees by the UK Executive Team at a series of employee briefings, with functional and individual priorities and objectives aligned to the values and strategy, and recognition schemes reflect the values and strategic priorities.

The Ageas UK Boards set the tone from the top, they have articulated the desired culture within the Ageas UK values & behaviours framework and the UK strategy, and act in a manner consistent with this framework, including building positive relationships with all stakeholders. Formal responsibility for leading the development of culture, and for overseeing the adoption of Ageas UK's culture on a day-to-day basis has been apportioned by the Ageas UK Boards to the Chair and CEO, with quarterly reports considered at the Ageas UK Board meetings, providing information to support oversight.

Principle two: Board Composition

Ageas UK is committed to attracting and retaining Boards of Directors whose composition reflects a diversity of backgrounds, skills, knowledge, abilities, and experience necessary for the Boards to be effective, including the appointment of Independent Non-Executive Directors ('INEDs') with the capacity and capabilities to make a valuable contribution, and provide independent and informed challenge both from an external perspective (via INEDs) and from an Ageas Group perspective (via Ageas Group Executive and Non-Executive Directors). Appointments are based on merit and also consider diversity and the mix of skills required. A copy of the Ageas UK Boards' diversity and inclusion statement is available on the Ageas UK website (www.ageas.co.uk) and further information regarding Ageas UK's approach to diversity and inclusion can be found in the Stakeholder Engagement statements on page 13. The current composition of the Ageas Insurance Limited Board is set out on page 1.

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Strategic Report (continued)

Principle two: Board Composition (continued)

There is a clear division of responsibilities between the Chair of the Boards and the CEO, whereby the Chair is responsible for the leadership of the Boards, and the CEO is responsible for the day-to-day leadership of the business operations. The Chair is an INED and has a pivotal role in setting the Boards' cultural tone, facilitating positive behaviours, and creating the conditions for the overall effectiveness of the Boards and individual directors.

A formal review and assessment of the performance of the Board and its directors is undertaken on a regular basis. At the end of 2023 an internal Board effectiveness assessment confirmed the Ageas UK Boards continued to be well functioning, and the opportunities identified for further improvement were actioned and tracked through 2024, following the plan agreed by the Ageas UK Boards, with a further review and reassessment planned to be undertaken early 2025.

Ageas UK is committed to the ongoing professional development of the Board, and the training and the development needs of each director are regularly reviewed. To support Board development, a series of focus sessions are organised throughout the year and directors engage with all training opportunities provided. During 2024 the Ageas UK Board have received dedicated sessions on ESG, IFRS 17 Insurance Contracts, Customer Immersion Sessions, IT & Digital, Artificial Intelligence, and People and Talent.

Principle three: Director Responsibilities

The decision-making framework within Ageas UK is defined by the Ageas UK Boards using high-level parameters agreed with Ageas Group. It reflects the principle of delegated authority based on competence and appropriate mechanisms and triggers for escalation. The framework is a tiered approach with ultimate authority in the UK resting with the Ageas UK Boards. Guiding principles have been established by the Ageas UK Boards within the Ageas UK Governance Manual, and roles and responsibilities are clearly articulated in the Boards' Terms of Reference. The Boards delegate authority to certain key governance committees and the scope and responsibilities of each committee is set out in separate Terms of Reference which are agreed by the Boards.

The corporate governance framework also operates effectively through individuals fulfilling their responsibilities. These are outlined within specific job descriptions, role profiles and the Ageas UK Management Responsibilities Map. Accountabilities are further recorded within policies and processes where relevant.

The Ageas UK Boards receive timely, accurate, complete, and relevant management information, in a form and of a quality appropriate to enable it to discharge its duties. In particular, the Board receives a balanced and understandable assessment of the Company's performance, strategic position, stakeholders, and prospects consistent with the values and standards set.

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Strategic Report (continued)

Principle four: Opportunity and Risk

The role of the Ageas UK Boards is to perpetuate the long term, sustainable success of the Ageas UK business. Ageas UK strategy is set by the Boards, balancing entrepreneurship with sound control and risk management.

The Ageas UK Boards are supported by an established Board Risk Committee, which is comprised of INEDs and a Group Executive Director. This Committee assists the Boards in fulfilling their responsibilities for the oversight of the adequacy and effectiveness of risk governance and the capital allocation models and, in particular, the risk profile relative to the risk appetite determined by the Ageas UK Boards. The Committee meets quarterly and reports to the Ageas UK Boards on its activities, escalating certain risks (in accordance with the risk appetite set by the Board) to the Ageas UK Boards as necessary. The principal risks and uncertainties, and an overview of processes in place to identify risks and opportunities, have been documented within this Strategic Report.

Ageas UK is organised within a 'three lines of defence' model of operation consistent with that established across the Ageas Group. Management and staff within each Ageas UK function have the primary responsibility for owning and managing risks (first line of defence). Oversight of the effective operation of the internal control framework is supported by the Risk Management and Compliance functions (second line of defence). The third line of defence is provided via independent verification and challenge of the adequacy and effectiveness of the internal risk and control management framework by the Internal Audit Function. Both the Audit Committee and the Board Risk Committee oversee the adequacy and effectiveness of internal controls, receiving reports from the Risk Management, Compliance and Internal Audit Functions and track actions.

Principle five: Remuneration

The Ageas UK Boards have established a Remuneration Committee, comprised of Group Executive and Non-Executive Directors, to consider and ensure that the framework and arrangements that govern the remuneration of the executive and senior management are appropriate, transparent, and aligned with Ageas UK's long term business strategy, risk appetite and values. The Terms of Reference of the Remuneration Committee make it clear that the pay and employment conditions of all Ageas UK employees and the delivery of good customer outcomes is considered when reviewing the structure of the Executive remuneration package.

Principle six: Stakeholder Relationships and Engagement

The Ageas UK Boards have a responsibility to set and maintain a culture, values and standards that have customers at the heart of how the Company's business is conducted and to ensure that the Company's obligations to its shareholders and other stakeholders, including customers, employees, suppliers, the community, the environment, and regulators, are understood and met.

A range of mechanisms have been established to support directors in the discharge of their duties and obligations to key stakeholders are understood and met, and further detail, including the Company's approach to diversity and inclusion, and environmental social and governance matters has been included within the Stakeholder Engagement statements.

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Strategic Report (continued)

Strategic direction

2024 marked the conclusion of the 'Sharp Focus, Better Results' three-year strategy established by the Ageas UK Boards in 2021, which has been successfully implemented by the Ageas UK business. In the final year of its strategy, Ageas UK continued to align with its purpose to Understand People + Simplify Insurance. The strategic objectives: Competing Where We Can Win, Maximising Commercial Value, Investing in the Best, and Pride In Low Cost, were successfully delivered. Quarterly updates on strategy progress were reported to and considered by the Ageas UK Boards, influencing decisions and actions across the business. The detail of the strategic decisions and outcomes are incorporated within the Stakeholder Engagement statements.

Throughout 2024, the Ageas UK Boards developed and approved a new three-year Strategy, Elevate UK, designed to support the long term sustainability of the business, aligning to and supporting ageas SA/NV's, Elevate27 Strategy. A full programme of communication has been designed and commenced, cascading the ambition of ElevateUK to the business, highlighting the new vision to be 'A Podium Personal Lines Insurer' with the following key areas of focus underpinning the strategy:

- **The Heartbeat** – At the centre of the new strategy is the commitment to run a purposeful business that puts customers and people at the forefront of decisions. Sustainability will be at the heart of everything we do to protect the environment and society, whilst maintaining a performance mindset to ensure Ageas UK delivers for the shareholder
- **Market Leading Capabilities** - Enhance market-leading underwriting, pricing, and claims capabilities, building a best in class approach to tackle fraud, whilst continuing to maintain a commitment to Pride in Low Cost.
- **Accelerating Growth** – Continued investment and growth in the Broker and Partner business, whilst increasing growth in the Direct business, future proofing the distribution of Ageas' products in the longer term.
- **Leading the Charge in the use of Data, Technology and AI** – an ambition to increase the pace of development in data, AI and technology to enable growth in all parts of the business and to be fit for the future. Aiming to be market leaders in data, analytics and AI. With investment into technology and digital to create enhanced future services, tools and skills.

In October 2024 Ageas UK announced the intention to enter into a 20-year affinity partnership with Saga Services Limited, part of Saga Plc's group, to sell motor and home insurance to their customers through Ageas Insurance Limited and Ageas Retail Limited, and the acquisition of Saga's underwriting business, Acromas Insurance Company Limited ('AICL'), by Ageas (UK) Limited. This deal marked an important milestone in the growth of the business, supporting the strategic aims to be a Podium Personal Lines Insurer and demonstrating the Company's commitment to building strong partnerships. The exclusive negotiations were successfully concluded in December 2024. Completion of this proposed transaction is subject to the necessary regulatory and operational approvals and milestones which, as at the date of signing of these accounts on 3 April 2025, have not yet taken place.

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Strategic Report (continued)

Principal risks and uncertainties

The Company has identified the following principal risks and uncertainties:

- Insurance;
- Regulation;
- Market;
- Credit;
- Liquidity;
- Operational;
- Sustainability and climate change;
- Pension; and
- Capital management.

A review of these principal risks and uncertainties and the way in which they are managed is detailed in note 3 to the financial statements, and details regarding climate related risks are provided on pages 4 to 6. In addition, details of energy and carbon emissions in connection with Ageas UK activity has been provided on page 17.

This report was approved by the Board of Directors on 3 April 2025 and signed on behalf of the board by:



Jonathan Price
Chief Financial Officer

Ageas Insurance Limited

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Report of the Directors

The directors submit their report, together with the audited financial statements for the year ended 31 December 2024.

Results

The results of the Company are contained in the financial statements on pages 20 to 102. The 2024 profit before tax was £93.7m (2023: £48.1m).

Business review and future direction

The business review and strategic direction of the Company is set out in the Strategic Report on pages 2 to 12.

In October 2024 Ageas UK announced the intention to enter into a 20-year affinity partnership with Saga Services Limited, part of Saga Plc's group, to sell motor and home insurance to their customers through Ageas Insurance Limited and Ageas Retail Limited, and the acquisition of Saga's underwriting business, Acromas Insurance Company Limited ('AICL'), by Ageas (UK) Limited. This deal marked an important milestone in the growth of the business, supporting the strategic aims to be a Podium Personal Lines Insurer and demonstrating the Company's commitment to building strong partnerships. The exclusive negotiations were successfully concluded in December 2024. Completion of this proposed transaction is subject to the necessary regulatory and operational approvals and milestones which, as at the date of signing of these accounts on 3 April 2025, have not yet taken place.

Dividends

The Company did not declare or pay dividends during the year (2023: £nil).

Post balance sheet events

Effective from 1 January 2025, the Company entered into a loss portfolio transfer reinsurance agreement that transfers the economic risks remaining on its commercial lines of business. Further information is set out in note 32.

Use of financial instruments

Further information on the Company's risk management process and the policies for mitigating certain risks are set out in note 3.

Directors

The Members of the Board are shown on page 1. All directors served throughout the year and to the date of this report except as highlighted on page 1.

Employees

The average number of persons employed in the United Kingdom by the Company during the year was 1,950 (2023: 1,830). The full-time equivalent number of employees adjusted for part time staff was 1,836 (2023: 1,719). Their annual aggregate remuneration was £92.5m (2023: £79.5m). An analysis is shown in note 26.

Stakeholder Engagement Statements

Ageas UK Shareholder, ageas SA/NV

Given ageas SA/NV's 100% ownership of the Company, the promotion of the long-term success of Ageas UK, including the development of a well-defined UK purpose and strategy, is fully aligned with and supportive of ageas SA/NV's strategic plans. In 2024, ageas SA/NV launched a new strategy, Elevate27, leading to the development and approval of an aligned strategy for Ageas UK, known as ElevateUK. Throughout 2024, ageas SA/NV was represented on the Ageas UK Boards by both Executive and Non-Executive Directors from the Ageas Group.

Customers, Brokers and Partners and Suppliers

Customers continue to be at the heart of how Ageas UK's business is conducted, supported by its purpose, 'Understand People + Simplify Insurance' which is set by the Boards and articulated with the Ageas UK Strategy. The customer remains at the centre of the ElevateUK Strategy set and approved by the Ageas UK Boards in 2024, centring around the provision of great value all of the time and being brilliant when it matters most.

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Report of the Directors (continued)

Customers, Brokers and Partners and Suppliers (continued)

During the year the Ageas UK Boards, supported by the Board appointed Consumer Duty champion (an INED), approved the Consumer Duty Board assessment that confirmed the actions Ageas UK were taking to address identified risks were appropriate to ensure delivery of good customer outcomes, and the future strategy consistent with acting to deliver good customer outcomes. Regular updates on progress have been provided to the Boards on a quarterly basis. To support oversight, quarterly customer reporting continued to be provided to the Ageas UK Boards, and the Board members have participated in a customer immersion programme throughout the year, which has provided them the opportunity to experience first-hand the customer journey. The Board and Executive team also had the opportunity to meet with Ageas customers who provided direct feedback on their experience of Ageas and shared views on the insurance market more broadly. Feedback from the sessions, together with performance against customer metrics, have informed Board discussions, and ultimately incorporated into the ElevateUK strategy.

In 2024 Ageas UK continued to be recognised by the Institute of Customer Service 'Service Mark' accreditation, improving its rating to become the biggest personal lines insurance company to achieve an overall score at distinction level. This accomplishment reflecting the company's commitment to customer care and its determination to consistently deliver value and brilliant service where it matters.

The focus on digital transformation has continued, with the Ageas UK Boards overseeing the deployment of the customer digital transformation programme. This initiative has increased online functionality, making it easier for customers to manage their insurance policies independently. As a result, 90% of customers now complete their transactions online after purchasing directly from Ageas. Additionally, 2024 marked the successful launch of the new customer platform to Family and Friends and the implementation of Chatbots and Voicebots has also continued to streamline customer interactions effectively. The introduction of a new customer insight dashboard reported quarterly at Ageas UK Board meetings and the focus on data-driven approaches have furthered the ability of the Ageas UK Board to support the oversight and management of customer improvements and initiatives, such as updates on the end to end review of complaints handling undertaken, which ensured customers were receiving the right outcomes, and regulatory obligations were being met.

In 2024, the Ageas UK Boards endorsed a new claims strategy known as Elevate Claims. This initiative is designed to uphold Ageas' commitment to customers by ensuring a resilient and efficient claims process. By leveraging digital technology and data analytics, Ageas UK aim to lead the industry, manage costs effectively, and reduce fraud. To support the implementation of this new strategy, a dedicated team focused on data and analytics was established. Through enhanced collaboration with our data science team, we have developed tools that integrate Artificial Intelligence to assist claims handlers. These innovations enable faster and more accurate claims decisions, ultimately enhancing the customer experience during times of need.

Ageas UK's relationship with brokers and intermediaries remains fundamental to its distribution, due not only to the significant percentage of our business being conducted through this channel, but the continued focus set out in the new ElevateUK strategy and ambition to continue to grow its broker and partner business. Throughout 2024 Ageas UK continued to grow its personal lines business via brokers, and by the end of the year had exceeded its ambitions and targets, reflected in the continuous delivery of strong Gross Written Premiums across the Broker channels. In 2024 Ageas UK announced its plan to execute a 20-year affinity partnership with Saga to sell motor and home insurance to their customers, and the acquisition of Saga's underwriting business, Acromas Insurance Company Limited (AICL). This deal marked an important milestone in the growth of the business, supporting the strategic aims to be a Podium Personal Lines Insurer and demonstrating our commitment to building strong partnerships. During the year the Ageas UK Boards received a spotlight session focusing on Distribution Partner Engagement.

During 2024 Ageas UK continued to demonstrate a strong commitment to supporting its broker partners and suppliers through various strategic initiatives, highlighted by the highest ever broker sentiment recorded, with positive feedback received from our annual broker surveys and Ageas UK being voted the Insurance Times Personal Lines Insurer by brokers for the fifth (5th) time. To support broker engagement and to understand their experiences working with Ageas, a feedback tool 'Your Platform' has been provided to them, and the high-level results regularly shared with the Ageas UK Boards. During 2024 Ageas UK was recognised by the British Insurance Broker Association for its support of personal lines brokers, and Ageas remains dedicated to fostering positive and collaborative relationships with its broker partners and suppliers.

Ageas Insurance Limited

Company registration number 354568

Report of the Directors (continued)

Customers, Brokers and Partners and Suppliers (continued)

Ageas UK uses a wide variety of suppliers. Like most large businesses, it engages with suppliers to support the provision of core business activities (e.g. IT), the supply of commodities or maintenance service contracts. As an insurer we also engage with suppliers of goods and repair services when customers' property has been lost or damaged, and medical and assistance services when customers have suffered accident or injury. Ageas UK is committed to high standards of business conduct and has policies and procedures in place to define the way in which Ageas wants to do business, and the standards of conduct required. Ageas UK has adopted a Supplier Charter setting out expected standards and new suppliers are asked to complete a questionnaire which seeks to understand whether their environmental, societal and governance standards are aligned to those of Ageas UK. 2024 the Ageas UK Boards approved the adoption of a Human Rights policy which sets out our commitment to ensuring Human Rights is integral to our business operations, including the standards we expect of our suppliers and partners.

Employee engagement

Attracting, developing, retaining and engaging our people is central to our success as a business, enabling Ageas UK to achieve its strategy by building 'Podium People'. Throughout 2024 the Ageas UK Boards have overseen a number of activities that have sought to: develop a strong people culture, drive engagement, commitment and strong leadership; create a positive working environment in which people have the tools and resources to give their best; grow and attract strong technical skills and capabilities; and improve efficiency and effectiveness. The People strategy formed a core component of the ElevateUK Strategy set and approved by the Ageas UK Boards in 2024, which aims to build on the already established 'great people everywhere' ethos.

The Ageas UK Boards receive a quarterly 'People and Property' report from the Chief People Officer that provides a summary of the key developments and activities; and they are kept apprised of the feedback from employees via 'Peakon' the digital employee engagement tool which enables the business to monitor employee sentiment on a real time basis and respond accordingly. A focus session on the People and Talent strategy was provided to the Ageas UK Boards, providing an opportunity to understand in greater depth the initiatives being implemented across the business and receive details of the actions being taken to invest in the talent and skills, build a stand out employee proposition and to harness technology and data to boost efficiencies.

Ageas UK Board directors have participated in several employee events throughout the year, including site visits, leadership events, employee townhalls, strategic briefings and attendance at the Employee Forum, this engagement providing them with crucial insights into the culture of the Company. These channels have been utilised to disseminate key information to employees including, at the end of the year, to introduce the new three-year strategy Elevate UK. The Employee Forum attended by the Ageas UK CEO and Chief People Officer, allows employees to directly raise questions and concerns with Board directors, aiding communication between the Executive team and the Ageas UK Boards. Additionally, the Chair of the Remuneration Committee, an INED, is invited to attend the Employee Forum, and to meet the Chair of the Forum, an employee, without the Executive present, further enhancing the engagement between the Ageas UK Boards and employees. Quarterly 'Meet the Board Lunches' have offered further opportunities for the Board to speak directly with cohorts of employees from across the business.

To reinforce a strong people culture, Ageas UK continues to provide employees with timely and regular communications issued via a digital platform 'Engage', whilst an online 'People Hub' provides online learning and development tools. Health and wellbeing of our people has continued to be a priority throughout 2024, with the launch of a Carers@Ageas Hub enabling employees to access resources and services along with a carers support network provided on Engage.

Ageas UK has established and promotes a culture where employees have the confidence and ability to raise their concerns. The Ageas UK Boards approved a 'Speak Up' policy and process, providing clear principles and guidance on the action to take in the event of bullying, harassment, or victimisation or in the event of a financial crime such as Internal Fraud, Money Laundering or if Data Theft was identified. Ageas Directors and managers have a responsibility to ensure that mechanisms are in place to encourage such concerns to be raised, and any wrongdoing dealt with. The Chair of the Audit Committee has responsibility for the maintenance of the independence, autonomy and effectiveness of Ageas UK whistleblowing policies and procedures; he reported to the Ageas UK Boards and Audit Committee in 2024 stating his view that the systems and controls in place were satisfactory.

Ageas Insurance Limited

Company registration number 354568

Report of the Directors (continued)

Diversity and Inclusion

The Company is committed to a culture which is inclusive and supports diversity, helping Ageas achieve the combined purpose to Understand People + Simplify Insurance. Recruitment, promotion, career development, selection for training and all other aspects of people management are regularly reviewed and monitored to ensure they are free from discrimination, including all protected characteristics as set out in the Equality Act 2010. The Ageas UK Boards have set the policies and standards within which the Company will operate, and the Boards' approach to diversity and inclusion is monitored regularly. The Board has received quarterly updates regarding the progress and strategy for cultivating a diverse and inclusive culture and during the year participated in a focus session that provided them with an in-depth understanding of the actions being progressed to enhance an inclusive and diverse culture, and which provided an opportunity for further discussion and feedback.

The Ageas UK CEO is joined by senior representatives of each business area of the Company to manage an inclusion steering group called 'Momentum,' who are accountable for progress against the diversity targets. During 2024, the Ageas UK Boards received regular updates on the diversity and inclusion plan's progress which included participation in the 10,000 Black Interns scheme, and a detailed analysis of age representation to understand the experiences of different age cohorts across the business. Ageas UK's focus on gender progression within senior management roles has remained strong with mandatory unconscious bias training provided for all managers, and exit interviews conducted to understand the reasons why women may leave the business.

The gender pay gap report is submitted to the Ageas UK Remuneration Committee and Boards annually, alongside progress against set targets. Since 2021, we have published data on ethnicity, disability, and LGBTQIA+ pay gaps in addition to the gender pay gap. In 2024, the Ageas UK pay gap report identified that the underrepresentation of women in management and technical roles contributed to the pay gap, consequently, an action plan, supported by the Ageas UK Boards, was established to address this issue, emphasising increasing female representation at senior levels and expanding initiatives to other minority groups.

Ageas has created an environment where inclusion can develop and throughout 2024 has continued to support various Colleague Resource Groups including Ageas Enable, Ageas Equal, Ageas Ethnicity, and Ageas LGBTQ+. These groups focus on issues such as equality, disability, and an inclusive workplace providing an opportunity for feedback from the business to be escalated to the Ageas UK Boards. As part of a programme of events organized alongside the quarterly Board meetings, the Ageas UK Boards met with representatives of the Colleague Resource Groups to discuss the work and actions being undertaken, aimed at expanding their understanding of the issues impacting employees.

Our policies and standards align with employment discrimination legislation, including provisions for people with disabilities. We ensure that employees with disabilities are treated fairly and have equal opportunities for career progression. An applicant with a disability who meets the minimum criteria is guaranteed an interview. We are also committed to retaining and arranging training for employees who become disabled while employed by Ageas. Ageas UK continues to be recognised as a Disability Confident Leader.

Ageas Insurance Limited

Company registration number 354568

Report of the Directors (continued)

Community and Environment

Details on the identification, process and governance arrangements of the Company in relation to ESG oversight, specifically climate-related risks and opportunities, have been included within the Non-Financial and Sustainability Information Statement on page 4. Ageas UK Boards receive quarterly updates on progress against the ESG strategy and associated targets, including updates relating to environmental and community initiatives, such as the leading green parts initiative, winner of the Eddies Circular Economy Innovation of the year 2024 award. The scheme makes the repair of vehicles more sustainable, reducing plastic and metal waste and giving a second life to car parts that would have otherwise been scrapped, whilst alleviating supply chain challenges. Ageas UK Boards have implemented a Supply Chain Charter which sets out our commitment to contributing to a more sustainable society and provides a framework for our supplier partners to clearly understand our values and ethical standards. Ageas UK has continued to support the 'Build Back Better' scheme, designed to help those most at risk from flooding by offering homeowners the chance to have good resistance and resilience measures installed if their home had been damaged by flood waste. Sustainability formed a core component of the ElevateUK Strategy set and approved by the Ageas UK Boards in 2024, which aims to simplify sustainable choices for our people and our customers.

The Company continues to support its 'Charity of the Year' initiative, as nominated by employees. For 2024, Air Ambulance UK has been selected once again. Employees have engaged in fundraising efforts through sponsorships, various fundraising activities, and donations. Additionally, the Company supports community involvement by providing two paid days of leave for staff who choose to volunteer, as outlined in the Ageas UK Board approved Volunteering Policy. In 2024, this policy led to significant increases in volunteering across the business, which were reported to the Ageas UK Boards. As part of Ageas UK's broader commitment to sustainability and social responsibility, the Company participated in the 'Laptops for Schools' initiative, this program involves repurposing old laptops, thereby reducing electronic waste and providing valuable resources to schools.

Following the implementation of the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Reporting) Regulations 2018 (the Regulations), which resulted in additional disclosures for quoted companies and new disclosures for all large unquoted companies and large LLPs, the Company is required to disclose its energy and carbon emissions in the year.

The following table shows the Company's energy use and associated greenhouse gas emissions:

	2024	2023
Energy consumption in kilowatt hours ('kWh') (aggregate of Scopes 1 and 2)	<u>3,553,000</u>	<u>4,308,000</u>
Total Gross emissions in metric tonnes of carbon dioxide equivalent ('tCO ₂ e')		
Scope 1	197.3	269.3
Scope 2	22.0	23.3
Total Scope 1 and 2	<u>219.3</u>	<u>292.6</u>
Intensity metric	<u>0.10</u>	<u>0.15</u>

Scope 1 is direct greenhouse gas emissions ('GHG') emissions occurring from sources that the Company owns or controls (including combustion of gas and consumption of fuel for the purposes of transport). Scope 2 is indirect emissions from the energy generated offsite that the Company purchases and uses. Emissions from business travel in rental cars or employee-owned vehicles where the Company is responsible for purchasing the fuel (Scope 3) represents less than 1% (2023: less than 1%) of the Company's total carbon footprint and, as such, has not been disclosed in the table above.

All emissions are from the UK.

UK energy use covers the Company's consumption of electricity and gas across all office sites, together with energy consumed through reimbursed company mileage and pool cars. The data is collated on an annual basis and extracted from internal software and systems or obtained from external service providers, which is then submitted to an external third party to convert the data into the associated emissions. Total emissions have been calculated using the latest applicable international recognised emissions conversion factors, including DEFRA emission conversion factors for greenhouse gas reporting. The Company's carbon footprint reporting is in line with the GHG Reporting Protocol – Corporate Standard.

Ageas Insurance Limited

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Report of the Directors (continued)

Community and Environment (continued)

The Company is required to calculate and disclose an intensity metric. The intensity metric has been calculated as the tCO₂e per employee.

Ageas UK continues to investigate opportunities to reduce energy consumption. Through monitoring office occupancy, workspaces have been consolidated to occupy less floor space and enabling reduced run-times of plant equipment and lighting in unused office areas. In addition, through migrating services to the cloud we have consolidated our data centre activity and continue to adjust the levels of cooling as demand increases.

Regulatory

The Company and the Ageas UK Boards maintain an open and constructive dialogue with the PRA and FCA alongside the provision of routine regulatory reporting. Throughout 2024 we maintained regular contact with the PRA and FCA, including in relation to the progress of continued implementation of Consumer Duty, participated in cross-sector thematic reviews, and provided updates on operational resilience activities.

Donations

No political donations (2023: £nil) were made during the year. The Company made charitable donations of £28,203 in the year (2023: £21,683).

Disclosure of information to auditor

Each of the persons who are directors at the date of approval of this report confirm that, so far as each director is aware, there is no relevant audit information of which the Company's auditor are unaware; and each director has 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 auditor is aware of that information.

Independent Auditors

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and BDO LLP will therefore continue in office.

This report was approved by the Board of Directors on 3 April 2025 and signed on behalf of the board by:



Jonathan
Chief Financial Officer

Ageas Insurance Limited

Company registration number 354568

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 and the requirements of the Companies Act 2006.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Ageas Insurance Limited

Company registration number: 354568

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2024

	Note	2024 £m	2023 £m
Insurance revenue		1,512.2	1,109.3
Insurance service expense	4	(1,220.9)	(926.5)
Net result from reinsurance contracts	5	(164.9)	(111.6)
Insurance service result		126.4	71.2
Net investment income	6	57.9	38.9
Insurance finance income/(expenses) from insurance contracts issued		(47.8)	(38.0)
Reinsurance finance income/(expenses) from reinsurance contracts held		25.3	20.2
Net insurance finance result	7	(22.5)	(17.8)
Net finance result		35.4	21.1
Net insurance and finance result		161.8	92.3
Other income and charges		1.3	1.0
Other operating expenses	8	(58.2)	(29.6)
Other finance costs	9	(11.2)	(11.3)
Total other income and expenses		(68.1)	(39.9)
Loss on sale of line of business		-	(4.3)
Profit before tax		93.7	48.1
Tax expense	10	(19.1)	(12.0)
Profit for the year		74.6	36.1
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Debt securities - net change in fair value	3d), 16	0.8	33.0
Debt securities - reclassified to profit or loss	6	(0.1)	(0.1)
Related tax	10	(0.2)	(7.1)
Net finance income/(expense) from insurance contracts	7	30.7	(37.4)
Net finance (expense)/income from reinsurance contracts held	7	(24.8)	19.6
Related tax	10	(1.5)	3.9
		4.9	11.9
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit pension scheme	28	(2.7)	(2.7)
Related tax	10	1.8	0.9
		(0.9)	(1.8)
Other comprehensive income, net of tax		4.0	10.1
Total comprehensive income		78.6	46.2

The notes on pages 24 to 102 form an integral part of these financial statements.

Ageas Insurance Limited

Company registration number: 354568

Statement of financial position

As at 31 December 2024

	Note	2024 £m	2023 £m
Assets			
Investment in group undertakings	11	-	-
Investment property	12	18.4	18.5
Property, plant and equipment	13	35.8	36.9
Intangible assets	14	113.2	70.3
Employee benefits	28	25.7	27.7
Deferred tax assets	15	27.5	39.7
Financial assets	16	1,197.1	1,147.6
Reinsurance contract assets	19	880.5	888.7
Current tax asset	23	-	1.6
Other receivables	17	459.2	428.9
Cash and cash equivalents	18	166.0	129.8
Total assets		<u>2,923.4</u>	<u>2,789.7</u>
Shareholders' equity			
Share capital	25	277.8	277.8
Share premium		3.9	3.9
Retained earnings		240.5	166.8
Restricted Tier 1 notes	25	43.6	-
Other reserves		(11.3)	(16.1)
Total shareholders' equity		<u>554.5</u>	<u>432.4</u>
Liabilities			
Insurance contract liabilities	19	2,100.9	2,127.3
Reinsurance contract liabilities	19	-	0.1
Financial liabilities:			
- Loans and borrowings from group companies	20	119.8	119.6
- Other	21	2.3	1.8
Other provisions	22	32.0	19.0
Deferred tax liability	15	6.5	9.7
Current tax liability	23	0.4	-
Other payables and deferred income	24	107.0	79.8
Total liabilities		<u>2,368.9</u>	<u>2,357.3</u>
Total equity and liabilities		<u>2,923.4</u>	<u>2,789.7</u>

The statement of financial position is presented in order of liquidity in accordance with IAS 1 Presentation of Financial Statements.

The notes on pages 24 to 102 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 3 April 2025 and were signed on its behalf by:



Jonathan Price
Chief Financial Officer

Ageas Insurance Limited

Company registration number: 354568

Statement of changes in equity

For the year ended 31 December 2024

	Note	Share capital £m	Share premium £m	Retained earnings £m	Restricted Tier 1 notes £m	Other reserves		Total £m
						Insurance finance reserve £m	Fair value reserve £m	
Balance as at 1 January 2023		277.8	3.9	132.7	-	24.4	(52.5)	386.3
Profit for the year		-	-	36.1	-	-	-	36.1
Other comprehensive (expense)/ income		-	-	(1.8)	-	(13.9)	25.8	10.1
Total comprehensive income		-	-	34.3	-	(13.9)	25.8	46.2
Other movements		-	-	(0.2)	-	-	0.1	(0.1)
Balance as at 31 December 2023		277.8	3.9	166.8	-	10.5	(26.6)	432.4
Balance as at 1 January 2024		277.8	3.9	166.8	-	10.5	(26.6)	432.4
Profit for the year		-	-	74.6	-	-	-	74.6
Other comprehensive (expense)/ income		-	-	(0.9)	-	4.4	0.5	4.0
Total comprehensive income		-	-	73.7	-	4.4	0.5	78.6
Issue of Restricted Tier 1 notes	25	-	-	-	44.9	-	-	44.9
Interest paid on Restricted Tier 1 notes	25	-	-	-	(1.3)	-	-	(1.3)
Other movements		-	-	-	-	-	(0.1)	(0.1)
Balance as at 31 December 2024		277.8	3.9	240.5	43.6	14.9	(26.2)	554.5

The balance as at 1 January 2023 disclosed above is a restated balance which includes the impact of the Company's adoption of IFRS 17 which became effective on 1 January 2023 and to which the Company transitioned as at 1 January 2022. The transition to IFRS 17 has been presented in the prior year financial statements for the year ended 31 December 2023.

The insurance finance reserve represents the impact of changes in market discount rates on the insurance contract liabilities. For further details on insurance finance income and expenses see note 1.

The fair value reserve includes the cumulative net change in the fair value of investments at fair value through other comprehensive income until the investment is derecognised. Taxation is provided on the net change at the prevailing rates when the changes are booked.

Retained earnings include the defined benefit pension scheme remeasurements.

The Company has presented its statement of changes in equity net of tax.

The notes on pages 24 to 102 form an integral part of these financial statements.

Ageas Insurance Limited

Company registration number: 354568

Statement of cash flows

For the year ended 31 December 2024

	Note	2024 £m	2023 £m
Cash flows from operating activities			
Profit before tax		93.7	48.1
<i>Adjustments for:</i>			
Investment income	6	(57.9)	(38.9)
Other finance costs relating to financial liabilities measured at amortised cost	20	12.2	9.9
Other finance costs relating to lease liabilities	21(a)	0.7	1.0
Defined benefit pension income	28	(0.7)	(0.9)
Impairment and depreciation of investment property	8, 12	3.9	0.3
Impairment and depreciation of property, plant and equipment	8, 13	3.1	3.0
Loss on disposal of property, plant and equipment	8, 13	1.7	2.2
Impairment and amortisation of intangible assets	8, 14	8.4	6.2
Loss on sale of line of business		-	4.3
Operating profit before working capital changes		65.1	35.2
(Increase) in financial assets		(42.9)	(36.6)
(Increase)/decrease in reinsurance contract assets		(16.8)	104.6
(Increase) in other receivables	17	(30.3)	(77.7)
Increase in insurance contract liabilities		4.2	12.6
Increase in other payables and deferred income	24	27.2	14.6
Increase/(decrease) in financial liabilities	20, 21	0.7	(3.5)
Increase/(decrease) in provisions	22	13.0	(0.9)
Cash flows generated from operations		20.2	48.3
Interest received		52.1	38.7
Income taxes paid		(8.0)	-
Net cash flows generated from operating activities		64.3	87.0
Cash flows used in investing activities			
Payments in relation to sale of line of business		-	(1.2)
Purchase of investment property	12	(3.8)	-
Purchase of property, plant and equipment	13	(3.7)	(2.2)
Purchase of intangible assets	14	(51.3)	(43.5)
Net cash used in investing activities		(58.8)	(46.9)
Cash flows generated from/(used in) financing activities			
Interest paid on subordinated debt	20	(12.2)	(9.9)
Repayment of lease liabilities	21(a)	(0.7)	(1.0)
Issue of Restricted Tier 1 notes (net of directly attributable costs)	25	44.9	-
Interest payments on Restricted Tier 1 notes	25	(1.3)	-
Net cash generated from/(used in) financing activities		30.7	(10.9)
Net change in cash and cash equivalents		36.2	29.2
Cash and cash equivalents at 1 January		129.8	100.6
Cash and cash equivalents at 31 December	18	166.0	129.8

The notes on pages 24 to 102 form an integral part of these financial statements.

Ageas Insurance Limited

Company registration number 354568

Notes to the financial statements

1 Accounting policies

Ageas Insurance Limited is a private company, limited by shares, domiciled and incorporated in England. The Company is primarily involved in motor and property related insurance products in the UK.

(a) Statement of compliance

The financial statements were approved for issue by the Board of Directors on 3 April 2025.

The financial statements have been prepared in accordance with UK adopted international accounting standards and the requirements of the Companies Act 2006.

(b) Basis of preparation

The Company has elected not to prepare consolidated financial statements. The financial statements as prepared are separate financial statements and the exemption from consolidation has been based on the provisions of CA 2006 s401(2). Consolidated financial statements including the results of the Company are prepared by the ultimate holding company, ageas SA/NV, a company incorporated in Belgium, and copies can be obtained from the Company Secretary, Markiesstraat 1 Box 7, 1000 Brussels.

The financial performance and position of the Company, its cash flows, liquidity position and borrowings are set out in the primary statements on pages 20 to 23, and in the subsequent notes on pages 24 to 102. Further analysis of the objectives and policies for mitigating risk can be found within note 3.

Having considered the position of the Company as above, the approved budget for the next 12 months from the approval date of these financial statements and reviewing the potential risks to the Company, the directors have concluded that the Company has sufficient resources to continue in operation for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

The Company presents its statement of financial position in order of liquidity in accordance with IAS 1 Presentation of Financial Statements. For each asset and liability line item in the statement of financial position that details amounts expected to be recovered or settled within twelve months, or more than twelve months after the statement of financial position date, a classification at the statement of financial position date is included within the notes. The disclosures in the notes for these classifications are distinguished as follows:

- amounts expected to be settled in less than one year are referred to as current; and
- amounts expected to be settled in more than one year are referred to as non-current.

(i) Basis of measurement

The financial statements have been prepared on the historical cost basis with the exception of financial instruments classified as fair value through profit or loss and other comprehensive income, which are stated at their fair value.

Ageas Insurance Limited

Company registration number 354568

Notes to the financial statements

1 Accounting policies (continued)

(b) Basis of preparation (continued)

(ii) Functional and presentation currency

The financial statements are presented in millions of Pounds Sterling, which is the Company's functional currency. All financial information presented in millions of Pounds Sterling has been rounded to one decimal place.

(iii) Use of estimates and judgements

The preparation of financial statements in conformity with international accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These form the basis of judgements concerning carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgements made by the directors in the application of international accounting standards that have a material effect on the financial statements and estimates with a material risk of material adjustment in the following year, are discussed in notes 2 and 3.

(iv) New Standards and Interpretations

All new standards, interpretations and amendments to published standards that have been issued and endorsed by the UK Endorsement Board, have been considered. The following new and amended standards that came into effect in the year have been adopted by the Company during the period as appropriate:

- IAS 1 amendments: Classification of liabilities as current or non-current – January 2024.
- IAS 1 amendments: Non-current liabilities with covenants – January 2024.
- IAS 7 and IFRS 7 amendments: Supplier Finance Arrangements – January 2024.
- IFRS 16 amendments: Lease liability in a sale and leaseback – January 2024.

No adjustments to classification, recognition or measurement were required to be made to the financial statements of the company as a result of adopting these new accounting standards.

Notes to the financial statements

1 Accounting policies (continued)

(b) Basis of preparation (continued)

(iv) New Standards and Interpretations (continued)

In addition, the following is a list of standards that are required to be applied for annual reporting periods beginning after 1 January 2024 and that are available for early adoption in annual periods beginning on 1 January, together with the effective date of application to the Company:

- IAS 21 amendments: Lack of Exchangeability – January 2025.
- IFRS 9 and IFRS 7 amendments: Classification and Measurement of Financial Instruments – January 2026.
- IFRS 18 Presentation and Disclosure in Financial Statements – January 2027.
- IFRS 19 Subsidiaries without Public Accountability: Disclosures – January 2027.

The standards effective from 2025 have been reviewed and are not expected to have a material impact on the Company. The implications of the remaining standards are under review. The material accounting policies adopted are listed below. These policies have been consistently applied to all years presented, unless otherwise stated.

(c) Insurance revenue

The Company recognises the majority of its insurance revenue in a reporting period based on the consideration that it expects to receive in that period for the provided insurance contract services. The Company allocates the premium it expects to receive for a group of contracts to insurance revenue based on the passage of time over the coverage period of the group of insurance contracts. However, if the expected pattern of release of risk during the coverage period significantly differs from the passage of time, then the expected premiums are allocated to the respective periods of service based on the expected timing of incurred insurance service expenses.

(d) Insurance service expense

Insurance service expense arising from a group of insurance contracts is recognised in the statement of profit or loss as incurred, where permitted. Insurance service expense includes:

- Claims incurred during the year;
- Insurance acquisition cash flows that are immediately expensed during the year;
- Losses on onerous contracts and reversals of such losses; and
- Other incurred insurance service expenses, which include attributable expenses for the fulfilment of the insurance contract.

Expenses not meeting the above categories and not being part of insurance finance income and expense are included in other operating expenses in the statement of profit or loss.

(e) Net result from reinsurance contracts

The Company presents separately on the face of the statement of profit or loss and other comprehensive income the net result from reinsurance contracts, and it is part of the Insurance service result. The Company recognises reinsurance expenses in its statement of profit or loss in a similar way as insurance revenue and is represented by an allocation of ceding premiums paid, as it receives services under groups of reinsurance contracts. The Company recognises reinsurance income, in a similar way as the insurance service expense, which is represented by the amounts that the Company recovered from the reinsurers for incurred claims. Reinsurance income and expense excludes insurance finance income and expenses. The net result from reinsurance contracts also includes the initial recognition of a reinsurance loss component on an onerous group of underlying insurance contracts and subsequent measurement movements in that reinsurance loss-recovery component.

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Notes to the financial statements

1 Accounting policies (continued)

(f) Net investment income

Investment income comprises interest income, dividend income, investment property income, net realised gains on debt securities, net unrealised gains or losses on financial assets designated as fair value through profit or loss, foreign exchange movements on derivatives, and other investment expense. Interest income is recognised as it accrues in the statement of profit or loss, using the effective interest method. Dividend income is recognised in the statement of profit or loss on the date that the Company's right to receive payment is established.

(g) Net insurance finance income and expenses

Net insurance finance income and expenses comprise changes in the carrying amount of a group of insurance and reinsurance contracts that arise from the effects of the time value of money, financial risk and changes therein, unless such changes are allocated to any loss component and are included in insurance service expenses for groups of insurance contracts. Income and expenses from groups of reinsurance contracts held are presented separately from income and expenses from groups of insurance contracts issued.

Insurance finance income and expenses from insurance contracts issued relate to accreted interest on the fulfilment cash flows in the Liability for Incurred Claims and the effects of changes in interest rates and other financial variables. The Company has elected to disaggregate the changes to the discount rate for the calculation of the Insurance Liabilities and Reinsurance Assets, specifically in relation to the liability for incurred claims, in other comprehensive income and profit and loss.

(h) Insurance acquisition cash flows

Insurance acquisition cash flows are cash flows that arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to the portfolio of insurance contracts to which the group belongs. The Company recognises insurance acquisition cash flows as an expense when it incurs those costs where the coverage period is no more than 12 months. Where the coverage is more than 12 months, insurance acquisition cash flows are included in the liability for remaining coverage and amortised over the coverage period of the related groups of insurance contracts.

(i) Other finance costs

Other finance costs comprise interest payable on borrowings calculated using the effective interest rate method, and interest in respect of lease liabilities, and investment management fees, all of which are expensed in the statement of profit or loss in the period to which they relate.

(j) Income tax

Income tax in the statement of profit or loss and other comprehensive income for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. The following temporary differences are not provided for:

- goodwill not deductible for tax purposes,
- the initial recognition of assets or liabilities that affects neither accounting nor taxable profit; and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Ageas Insurance Limited

Company registration number 354568

Notes to the financial statements

1 Accounting policies (continued)

(j) Income tax (continued)

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is only recognised to the extent that it is probable that future profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are not discounted.

Pillar II – Global minimum taxation

Pillar II arose out of the Organisation for Economic Co-operation and Development's ('OECD') Base Erosion and Profit Shifting ('BEPS') project. It applies to large multinational groups and aims to ensure that large multinational businesses pay a minimum effective tax rate of at least 15% on profits in all countries.

The Company has assessed its exposure to the Pillar II Model rules and expects to rely on the Transitional CbCR Safe Harbour and, as such, does not expect any impact to arise for the period.

On 23 May 2023, the International Accounting Standards Board issued Amendments to IAS 12 Income Taxes in respect of the Pillar II model rules, which have been endorsed by the UK Endorsement Board. A mandatory temporary exception to the accounting for deferred taxes arising from the implementation of the Pillar II rules is to be applied whilst further consideration is undertaken in respect of the rules on the accounting for income taxes applying under IAS 12.

(k) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to the presentational currency (pounds sterling) at the foreign exchange rate ruling at that date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to pounds sterling at foreign exchange rates ruling at the dates the fair value was determined.

Foreign exchange differences arising on translation are recognised in the statement of profit or loss. The foreign exchange differences arise from the translation of both opening claims reserves and financial instruments from their functional currency.

(l) Investment in group undertakings

Investments in group undertakings are stated at the lower of cost and net realisable value.

Ageas Insurance Limited

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Notes to the financial statements

1 Accounting policies (continued)

(m) Investment property

(i) Owned assets

Investment properties are recognised, using the cost model, at cost (or deemed cost) less accumulated depreciation and impairment losses (see accounting policy (v)). Cost includes expenditure that is directly attributable to the acquisition of the asset.

(ii) Depreciation

Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of investment property.

The estimated useful lives of buildings are fifty years. Land is not depreciated.

(n) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost (or deemed cost) less accumulated depreciation (see below) and impairment losses (see accounting policy (v)). Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition of qualifying assets are recognised as part of the cost of those assets in the statement of financial position.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the costs of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the statement of profit or loss during the financial year in which they are incurred.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Leased assets

Leases under which the Company is a lessee are recognised as a right-of-use asset and measured at the amount equal to the present value of the minimum lease payments, adjusted by the amount of any prepaid or accrued lease payments relating to that lease, plus any dilapidation provision required. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by any impairment and adjusted for certain remeasurements of the lease liability. Low value and short-term leases are not recognised in the Company's statement of financial position as payments made under such leases are recorded in the statement of profit or loss in the year in which they are incurred.

Ageas Insurance Limited

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Notes to the financial statements

1 Accounting policies (continued)

(n) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives of assets are as follows:

Buildings	Fifty years
Equipment and motor vehicles	Two to ten years
IT equipment	Two to five years
Right-of-use assets	Lease term

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in the statement of profit or loss.

(o) Intangible assets

An intangible asset is defined as an identifiable non-monetary asset without physical substance. Intangible assets are stated at cost less any accumulated amortisation and any accumulated impairment losses (see accounting policy (v)). Cost is defined as its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and any directly attributable cost of preparing the asset for its intended use.

An internally generated intangible asset is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Amortisation commences when the intangible asset is available for use, and it is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of each intangible asset. The estimated useful lives are as follows:

Software and licences	Three to ten years
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Notes to the financial statements

1 Accounting policies (continued)

(p) Employee benefits

(i) Defined contribution pension plans

A defined contribution pension plan is a post-employment benefit plan under which a company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit pension plan

A defined benefit pension plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years, discounting that benefit to determine its present value, and deducting the fair value of any plan assets. The calculation is performed by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability/asset, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are immediately recognised in other comprehensive income. The Company determines the net interest expense/(income) on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability/asset at that time, taking into account any changes in the net defined benefit liability/asset during the period from contributions and benefit payments. Net interest expense and other expenses related to the defined benefit pension scheme are recognised in the statement of profit or loss.

Where the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan with deferred taxation being recognised at the rate relevant to the expected form of recovery. Consideration is also given to any applicable minimum funding requirements.

Ageas Insurance Limited

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Notes to the financial statements

1 Accounting policies (continued)

(q) Financial assets

(i) Initial recognition

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially recognised on the trade date measured at their fair value. Except for financial assets and financial liabilities recorded at fair value through profit or loss, transaction costs are added to this amount.

(ii) Measurement categories

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. The categories include the following:

- Amortised cost ('AC');
- Fair value through other comprehensive income ('FVOCI');
- Fair value through profit or loss ('FVPL').

Debt instruments measured at amortised cost

Debt instruments are held at amortised cost if both of the following conditions are met:

- the instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows; and
- the contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding.

The details of these conditions are outlined below.

The Company classifies cash, short term deposits and other receivables, including amounts due from related companies, as debt instruments measured at amortised cost.

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount, and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- how the performance of the classes of financial assets held are evaluated, monitored against expectation and reported to the Company's key management personnel;
- how the risks relating to the classes of financial assets affect the performance of those assets and, in particular, the way those risks are managed; and
- how the fund managers that the Company engages choose to invest within the classes of financial assets, how the fund managers perform and how the fund managers are compensated.

Ageas Insurance Limited

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Notes to the financial statements

1 Accounting policies (continued)

(q) Financial assets (continued)

(ii) Measurement categories (continued)

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

As a second step of its classification process the Company assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Debt instruments measured at fair value through other comprehensive income

The Company applies the category under IFRS 9 for debt instruments measured at FVOCI when both of the following conditions are met:

- the instrument is held within a business model, the objective of which is both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset meet the SPPI test.

These instruments largely comprise debt instruments that had previously, before the adoption of IFRS 17 as of January 2023, been classified as available-for-sale under IAS 39. Debt instruments in this category are those that are intended to be held to collect contractual cash flows and which may be sold in response to needs for liquidity or in response to changes in market conditions. The Company classifies UK Government bonds, quasi Government bonds and corporate bonds as debt instruments measured at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss

Financial assets in this category are those that are managed in a fair value business model, or that have been designated by management upon initial recognition, or are mandatorily required to be measured at fair value under IFRS 9. This category includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or both to collect contractual cash flows and sell. The Company classifies property funds and derivatives as financial assets measured at fair value through profit or loss.

Ageas Insurance Limited

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Notes to the financial statements

1 Accounting policies (continued)

(q) Financial assets (continued)

(iii) Subsequent measurement

Debt instruments at amortised cost

After initial measurement, debt instruments are measured at amortised cost, using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. Expected credit losses are recognised in the statement of profit or loss when the investments are impaired.

Debt instruments at fair value through other comprehensive income

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income. Interest income is recognised in profit or loss. The expected credit loss calculation for debt instruments at FVOCI is explained in accounting policy (v). Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to profit or loss.

Financial assets at fair value through profit or loss

Financial assets at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate. Dividend income from infrastructure equity funds measured at FVPL is recorded in profit or loss when the right to the payment has been established.

(i) Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line.

(ii) Derecognition of financial assets

Further information relating to the derecognition of financial assets can be found in accounting policy (y).

(r) Insurance contracts issued

(i) Classification of insurance contracts issued

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the other party are classified as insurance contracts. These contracts remain insurance contracts until all rights and obligations are extinguished or expire. Insurance contracts may also transfer some financial risk. The core products sold by the Company are motor related insurance and property related insurance.

(ii) Level of aggregation

The Company identifies portfolios and groups of insurance contracts. A portfolio of insurance contracts includes contracts that are subject to similar risk and that are managed together. The Company considers both the insurance risk and financial risk that is transferred from the policyholder. When identifying the portfolios and groups of insurance contracts, the Company does not consider lapse risk and expense risk (for example, unexpected increases in policy maintenance expense and claims handling expense).

Ageas Insurance Limited

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Notes to the financial statements

1 Accounting policies (continued)

(r) Insurance contract liabilities (continued)

(ii) Level of aggregation (continued)

For measurement purposes, the Company identifies portfolios of contracts which are not issued more than one year apart. A portfolio of insurance contracts includes contracts that are subject to similar risk and that are managed together. The Company further divides portfolios of insurance contracts into groups of insurance contracts, based on the underlying profitability of the contract, as follows:

- a group of insurance contracts that are onerous at initial recognition, if any;
- a group of insurance contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and
- a group of the remaining insurance contracts, if any.

In its statement of financial position, the Company presents separately the carrying amount of the following portfolios of insurance contracts:

- Insurance and reinsurance contracts issued/held that are in an asset position, and
- Insurance and reinsurance contracts issued/held that are in a liability position.

The carrying amount of a portfolio of insurance contracts includes any asset or liability recognised for cash flows that arise before the recognition of any contracts that are part of the portfolio.

(iii) Recognition

The Company recognises groups of insurance contracts issued in its statement of financial position from the earliest of the date of the beginning of their coverage period, the date when the first payment from a policyholder in the group becomes due, or, when there is no due date, when the first payment from the policyholder is received, or when facts and circumstances indicate that the group of insurance contracts becomes onerous.

Premiums receivable from intermediaries can be recognised within the scope of IFRS 9 or IFRS 17. The Company has opted to recognise these receivables within the scope of IFRS 9 if the intermediary is acting on behalf of the Company, assessed by reference to whether a formal risk transfer agreement exists between the Company and the intermediary. In line with IFRIC interpretation, this best reflects the discharge of rights and obligations between the policyholder and the insurer under the insurance contract. If no such agreement exists, these receivables are recognised as future cash flows within the scope of IFRS 17.

Where no risk transfer agreement exists, premiums due from these intermediaries have been recognised in insurance contract liabilities. Where risk transfer does exist, premiums due are recognised within other receivables.

Upon transition to IFRS 17, the Company used the full retrospective approach where possible to value insurance and reinsurance assets and liabilities as if IFRS 17 had always applied. Where data was not available for certain groups of contracts, the modified retrospective approach ('MRA') was used. There is no revenue or contractual service margins ('CSM') recognised in these financial statements relating to groups of contracts that used the MRA.

Ageas Insurance Limited

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Notes to the financial statements

1 Accounting policies (continued)

(r) Insurance contract liabilities (continued)

(iv) Contract boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with services.

The substantive obligation to provide insurance contract services to the policyholder ends when:

- the Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects the risks of that policyholder; or
- the Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the particular contract and, as a result, can set a price or level of benefits that fully reflects the risks of that portfolio. The pricing of premiums up to the date when the risks are reassessed does not reflect the risks that relate to periods after the reassessment date.

In assessing its ability to reassess the risks, the Company only considers insurance and/or financial risks that are transferred from the policyholder to the Company.

(v) Significant insurance risk

For accounting purposes, a contract is classified and measured as an insurance contract if it transfers significant insurance risk from the holder to the issuer of the contract. The Company assesses on initial recognition of a contract whether significant insurance risk is transferred. No reassessment is performed subsequently, unless the terms of the contract are modified. In assessing whether significant insurance risk is transferred, the Company considers all substantive rights and obligations arising from the contract, including those arising from law or regulation.

The Company determines whether a contract contains significant insurance risk by assessing if an insured event could cause the Company to pay to the policyholder additional amounts that are significant in any single scenario with commercial substance even if the insured event is extremely unlikely or the expected present value of the contingent cash flows is a small proportion of the expected present value of the remaining cash flows from the insurance contract.

The Company assesses this by comparing, on a present value basis, the benefits payable after the insured event occurred with the benefits payable if the insured event does not occur.

The assessment of significant insurance risk is made only once, and a contract that qualifies as an insurance contract remains an insurance contract until all rights and obligations are extinguished (i.e., discharged, cancelled or expired), unless the contract is derecognised because of a modification.

(vi) Investment components

Investment components exist where the structure of an insurance contract is such that repayments are due to the policyholder even if an insured event does not occur. Where investment components are identified, they are recognised using IFRS 9 only if they are 'distinct' from the insurance contract as defined by IFRS 17. If they are not distinct, they will continue to be recognised using IFRS 17 but will be excluded from insurance revenue and insurance service expense. The Company does not currently have insurance contracts that give rise to "distinct" or "non-distinct" investment components.

Ageas Insurance Limited

Company registration number 354568

Notes to the financial statements

1 Accounting policies (continued)

(r) Insurance contract liabilities (continued)

(vii) Initial measurement

The measurement of the insurance contract liability, which comprises both the Liability for Incurred Claims ('LIC') and the Liability for Remaining Coverage ('LRC'), is determined on a probability-weighted expected value basis. It is adjusted for the time value of money and includes an explicit risk adjustment for non-financial risk.

The Company's insurance contracts issued are measured applying the Premium Allocation Approach ('PAA') as the PAA can be applied to short term duration contracts and to longer duration contracts that meet the PAA eligibility, including coverage arising from all premiums within the contract boundary. The PAA is a policy choice if the eligibility criteria are met, and it simplifies the measurement of the Liability for Remaining Coverage and provides other policy choices that are not available under the General Measurement Model ('GMM').

Premium Allocation Approach

Under the PAA, the LRC reflects premiums received less amounts recognised in revenue for insurance services provided. If facts and circumstances indicate that a group of contracts may be onerous, the LRC is measured using GMM principles and losses for onerous contracts are recognised immediately in the Statement of profit or loss. The company does not currently have any contracts it considers to be onerous.

In applying the PAA, the Company has elected to make the following policy choices:

- the Company expenses its insurance acquisition cash flows immediately.
- the LRC is not discounted for the time value of money because the contracts' coverage is less than a year.
- the election to not discount LIC cashflows expected to be settled within 12 months has been taken.
- the Company has elected to disaggregate financing costs so changes to the discount rate are presented in other comprehensive income.

For groups of insurance contracts that are measured using the PAA and that are not onerous on initial recognition, the Company measures the carrying amount of the LRC on initial recognition at an amount equal to:

- the amount of premiums received on initial recognition;
- adjusted for any insurance acquisition cash flows that are not expensed as incurred and that are allocated to the group of insurance contracts at that date; and
- adjusted for amounts arising from the derecognition of any asset for pre-recognition insurance acquisition cash flows that are not expensed as incurred and any other pre-recognition cash flows that relate to the group at that date.

As noted in the Company's policy choices under the PAA, the Company expenses its insurance acquisition cash flows immediately.

Discounting

A "top-down" approach (aligned to Pillar II Solvency II reporting) is used by the Company to derive the discount rate. The Company has elected to disaggregate the changes to the discount rate in other comprehensive income (rather than in the statement of profit or loss). The discount rate is determined using a risk-free rate plus an appropriate volatility adjustor.

Risk adjustment

The risk adjustment for non-financial risk reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of the group of insurance contracts that arise from non-financial risk. It covers insurance risk and other non-financial risks, such as lapse and expense risk. The risk adjustment is calculated using the confidence interval approach, which is currently set to the 75th percentile but can be within a 70th to 85th percentile range.

Ageas Insurance Limited

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Notes to the financial statements

1 Accounting policies (continued)

(r) Insurance contract liabilities (continued)

(vii) Initial measurement (continued)

Onerous contracts

The Company assesses whether such a group of insurance contracts could be onerous on initial recognition or could become onerous subsequently using information provided by its internal reporting system, including amongst others a combined ratio that is modified based on the requirements in IFRS 17 and that excludes the effect of reinsurance. If the assessment above reveals that a group of insurance contracts could be onerous, the Company increases the carrying amount of the LRC to the amount of the discounted fulfilment cash flows. The Company also recognises a loss in the statement of profit or loss equal to the increase in the carrying amount of the LRC.

(viii) Subsequent measurement

In subsequent reporting periods, the carrying amount of the LRC of a group of insurance contracts is the amount at the beginning of that reporting period, adjusted for:

- any premiums received during the reporting period;
- any insurance acquisition cash flows that are not expensed as incurred and that are allocated to the reporting period;
- amounts arising from the derecognition of any asset for pre-recognition insurance acquisition cash flows that are not expensed as incurred and any other pre-recognition cash flows allocated to the reporting period;
- any adjustments to the financing component, if applicable;
- the amount of insurance revenue recognised in the statement of profit or loss in the reporting period, reflecting the insurance contract services provided during that period; and
- any investment component paid or transferred to the LIC.

At the end of a subsequent reporting period, the Company assesses whether the group of insurance contracts has become or still is onerous, applying the same methodology as on initial recognition. If necessary, the carrying amount of the LRC is adjusted. This assessment may result in a (partial) reversal of a previously recognised loss component.

The carrying amount of the LIC of a group of insurance contracts includes the amount of the risk-adjusted discounted fulfilment cash flows, discounted at current rates, relating to the incurred claims and the expenses that have not yet been paid.

(s) Reinsurance contracts held

(i) Classification of reinsurance contracts held

The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss exposure through the diversification of its risks. Reinsurance arrangements do not relieve the Company from its obligations to policyholders.

(ii) Level of aggregation

The Company measures and presents groups of reinsurance contracts it has purchased ('reinsurance contracts held') separately from groups of insurance contracts it has issued.

The Company identifies portfolios and groups of reinsurance contracts. A portfolio of reinsurance contracts is formed with reference to the risk in the reinsurance contracts rather than the underlying risk it is offsetting.

For measurement purposes, the Company identifies portfolios of contracts which are not issued more than one year apart. A portfolio of reinsurance contracts includes contracts that are subject to similar reinsurance risk.

Ageas Insurance Limited

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Notes to the financial statements

1 Accounting policies (continued)

(s) Reinsurance contracts held (continued)

(ii) Level of aggregation (continued)

The Company further divides portfolios of reinsurance contracts into groups based on the underlying profitability of the contract, as follows:

- a group of reinsurance contracts which have a net gain at initial recognition, if any;
- a group of reinsurance contracts that at initial recognition have no significant possibility of generating a net gain subsequently, if any; and
- a group of the remaining reinsurance contracts, if any.

In its statement of financial position, the Company presents separately the carrying amount of the following portfolios of reinsurance contracts:

- Insurance and reinsurance contracts issued/held that are in an asset position, and
- Insurance and reinsurance contracts issued/held that are in a liability position.

The carrying amount of a group of reinsurance contracts held at the reporting date is the sum of the Asset for Remaining Coverage ('ARC') and the Asset for Incurred Claims ('AIC'). The carrying amount of the ARC of a group of reinsurance contracts held is measured depending on the contract boundary using the Premium Allocation Approach ('PAA') or the General Measurement Model ('GMM').

The carrying amount of the AIC of a group of reinsurance contracts held represents the risk-adjusted present value of the fulfilment cash flows of the incurred claims that the Company has not yet received from the reinsurer.

(iii) Recognition

The Company recognises groups of reinsurance contracts held in its statement of financial position on the following dates:

- quota-share or other reinsurance contracts held that provide proportionate coverage, are recognised at the later of the date that any underlying insurance contract is initially recognised and the beginning of the coverage period of the group of reinsurance contracts purchased.
- other reinsurance contracts held, such as excess-of-loss and stop-loss reinsurance contracts, are recognised at the date that the coverage period of the group of reinsurance contracts purchased begins. However, if the Company recognises an onerous group of insurance contracts before the date that the coverage period of the group of reinsurance contracts purchased begins, and the related reinsurance contract was purchased before that earlier date, then the group of reinsurance contracts purchased is recognised on that earlier date.

(iv) Contract boundary

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

The substantive right to receive services from the reinsurer ends when:

- the reinsurer has the practical ability to reassess the risks that are transferred to the reinsurer and the reinsurer can set a price or level of benefits for the contract that fully reflects those reassessed risks; or
- the reinsurer has a substantive right to terminate the coverage.

(v) Significant insurance risk

Only contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Amounts recoverable under such contracts are recognised in the same year as the related claim. Contracts that do not transfer significant insurance risk (i.e. financial reinsurance), are accounted for as financial assets (see accounting policy (q)).

Ageas Insurance Limited

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Notes to the financial statements

1 Accounting policies (continued)

(s) Reinsurance contracts held (continued)

(vi) Investment components

Investment components exist where the structure of a reinsurance contract is such that repayments are due to the cedant even if an insured event does not occur. Where investment components are identified, they are recognised using IFRS 9 only if they are 'distinct' from the reinsurance contract as defined by IFRS 17. If they are not distinct, they will continue to be recognised using IFRS 17 but will be excluded from reinsurance premiums and amounts recoverable from reinsurers. The Company is party to certain reinsurance contracts that give rise to 'non-distinct investment components', primarily in relation to profit commissions.

(vii) Initial measurement

The measurement of the reinsurance contract asset, which comprises both the Asset for Incurred Claims ('AIC') and the Asset for Remaining Coverage ('ARC'), is determined on a probability-weighted expected value basis. It is adjusted for the time value of money and includes an explicit risk adjustment for non-financial risk.

The majority of reinsurance contracts held are measured applying the Premium Allocation Approach ('PAA') as the PAA can be applied to short term duration contracts and to longer duration contracts that meet the PAA eligibility, including coverage arising from all premiums within the contract boundary. The PAA is a policy choice if the eligibility criteria are met, and it simplifies the measurement of the Liability for Remaining Coverage and provides other policy choices that are not available under the General Measurement Model ('GMM'). The Loss Portfolio Transfer ('LPT') contract held is measured applying the GMM.

Premium Allocation Approach

Under the PAA, the ARC reflects premiums paid less amounts recognised as an expense for reinsurance services provided.

In the event of an onerous contract being recognised, a corresponding reinsurance recovery shall also be recognised. The Company does not currently have any contracts it considers to be onerous, and therefore no reinsurance recovery component has been recognised.

In applying the PAA, the Company has elected to make the following policy choices:

- the ARC is not discounted for the time value of money because the contracts' coverage is less than a year.
- the election to not discount AIC cashflows expected to be settled within 12 months has not been taken.
- the Company has elected to disaggregate financing costs so changes to the discount rate are presented in other comprehensive income.

General Measurement Model

The Company's LPT reinsurance contracts cover events that have already occurred but the financial effect of which is still uncertain. In such contracts, the insured event is the determination of the ultimate cost of those claims.

Consequently, the coverage period for LPT contracts extends until the last claim that is reinsured has been settled, meaning the coverage period is greater than 12 months, therefore the contracts are not automatically eligible for the PAA. In applying the GMM to the LPT contracts:

- No contractual service margin ('CSM') arises in line with the standard, paragraph B5.
- The ARC is calculated using the same principles as under the PAA.
- The AIC including Risk Adjustment calculated using the same principles as under the under the PAA.

For the above reasons the LPT contracts have been disclosed with the contracts eligible for the PAA within these financial statements, including note 19.

Ageas Insurance Limited

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Notes to the financial statements

1 Accounting policies (continued)

(s) Reinsurance contracts held (continued)

(vii) Initial measurement (continued)

Discounting

A “top-down” approach (aligned to Pillar II Solvency II reporting) is used by the Company to derive the discount rate. The Company has elected to disaggregate the changes to the discount rate in other comprehensive income (rather than in the statement of profit or loss). The discount rate is determined using a risk-free rate plus an appropriate volatility adjustor.

Risk adjustment

The risk adjustment for non-financial risk reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of the group of reinsurance contracts that arise from non-financial risk. The risk adjustment is calculated using the confidence interval approach, which is currently set to the 75th percentile but can be within a 70th to 85th percentile range.

(i) Subsequent measurement

In subsequent reporting periods, the carrying amount of the ARC of a group of reinsurance contracts is the amount at the beginning of that reporting period, adjusted for:

- any premiums paid during the reporting period;
- the amount of reinsurance expense recognised in the statement of profit or loss in the reporting period, reflecting the reinsurance contract services provided during that period; and
- any adjustments for “distinct” and “non-distinct” investment components.

The carrying amount of the AIC of a group of reinsurance contracts includes the amount of the risk-adjusted discounted fulfilment cash flows, discounted at current rates, relating to the reinsurance recoveries that have not yet been paid.

(t) Other receivables

Other receivables are stated at their cost less impairment losses (see accounting policy (v)).

(u) Cash and cash equivalents

Cash and cash equivalents comprise short term bank deposit accounts, money market funds and short term cash balances held in trust to guarantee claims liabilities. Bank overdrafts that are repayable on demand and form an integral part of the Company’s cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Ageas Insurance Limited

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Notes to the financial statements

1 Accounting policies (continued)

(v) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The Company recognises an allowance for expected credit losses ('ECL') for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the appropriate effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECLs). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECLs).

The Company's debt instruments primarily comprise investment grade bonds and, therefore, are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. Where the credit risk of any bond deteriorates, the Company will sell the bond and purchase bonds meeting the required investment grade.

The Company considers a financial asset to be in default (credit impaired) when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The calculation of ECLs

The Company calculates ECLs based on scenarios to measure the expected cash shortfalls, discounted at an appropriate effective interest rate. A cash shortfall is the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the entity expects to receive.

When estimating the ECLs, the Company considers three scenarios (an internal base case scenario, an internal base-negative scenario, and an internal base-positive scenario).

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- The Probability of Default ('PD') is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.
- The Exposure at Default ('EAD') is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.
- The Loss Given Default ('LGD') is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive. It is usually expressed as a percentage of the EAD.

Ageas Insurance Limited

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Notes to the financial statements

1 Accounting policies (continued)

(v) Impairment (continued)

(i) Financial assets (continued)

The calculation of ECLs (continued)

The Company allocates its assets subject to ECL calculations to one of these categories, determined as follows:

- The 12-month ECL is calculated as the portion of lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Company calculates the 12-month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an appropriate effective interest rate. This calculation is made for each of the four scenarios, as explained above.
- When an instrument has shown a significant increase in credit risk since origination, i.e. it is no longer considered investment grade or the risk of default at the reporting date has increased significantly since the risk of default at initial recognition, the Company records an allowance for the lifetime ECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected losses are discounted by an appropriate effective interest rate.
- For debt instruments considered credit-impaired, the Company recognises the lifetime ECLs for these instruments. The method is similar to that for lifetime ECLs assets, with the PD set at 100%.

Debt instruments measured at fair value through other comprehensive income

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in other comprehensive income with a corresponding charge to profit or loss. The accumulated gain recognised in other comprehensive income is recycled to the profit or loss upon derecognition of the assets. In its ECL models, the Company relies on a broad range of forward-looking information as economic inputs.

(ii) Non-financial assets

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Ageas Insurance Limited

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Notes to the financial statements

1 Accounting policies (continued)

(w) Financial liabilities

Financial liabilities include payables to related parties, lease liabilities, interest-bearing loans and borrowings and bank overdrafts and other payables. Financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

The directors have determined that the carrying amounts of bank overdrafts and other payables reasonably approximate their fair values because these liabilities are typically either short term in nature or are repriced frequently.

The subordinated debt is held at amortised cost and the directors have determined that the carrying value of the subordinated debt approximates the fair value.

(x) Provisions

A provision is recognised in the statement of financial position if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(y) Derecognition and offset of financial assets and liabilities

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

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

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

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

(z) Share capital, dividends and Restricted Tier 1 notes

Ordinary and deferred shares are classified as equity. Incremental costs directly attributable to the issue of ordinary and deferred shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends payable on ordinary shares are recognised when they are approved by the Board.

Floating rate subordinated perpetual Restricted Tier 1 notes are classified as equity. Incremental costs directly attributable to the issue of the notes, and interest payments, are recognised as a deduction from equity.

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Notes to the financial statements

2 Accounting estimates and judgements

In preparing these financial statements, the Company has made certain judgements, estimates and assumptions, which are reflected in the reported amounts of assets and liabilities, revenues and expenses and in the amounts reported in the notes to these financial statements.

The judgements, estimates and assumptions used are based on experience and on supportable information that is reasonably available at the time these financial statements are prepared. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Each judgement, estimate and assumption carries by its nature some degree of uncertainty and a risk of material adjustment to the carrying amounts of assets and liabilities during future reporting periods. The most critical judgements and estimates made by the Company are as follows:

Insurance and reinsurance contract assets and liabilities, except for LPT reinsurance contracts held

Premium allocation approach

IFRS 17: Insurance contracts ('IFRS 17') allows for contracts with a coverage period of longer than one year to be measured using the Premium Allocation Approach if it is reasonably expected that the liability for remaining coverage for the group of contracts does not differ materially from that produced applying the General Measurement Model. Significant judgment is required to:

- decide what a material difference means in the context of the Standard.
- decide what scenarios the Company should reasonably expect for the group of contracts.
- decide what assumptions should be used to forecast those scenarios.

The Company has assessed its insurance contracts and determined that all contracts qualify for the PAA, apart from LPT which does not qualify for PAA.

Best estimate of future cashflows to fulfil insurance contracts

The process for setting the best estimate claim reserves is as follows:

- the Company establishes reserves in respect of the anticipated losses incurred in respect of business it has written. These reserves reflect the expected ultimate cost of settling claims occurring prior to the statement of financial position date, but remaining unsettled at that time, and take into account any related reinsurance recoveries.
- reserves for reported claims are established on a case-by-case basis and are based largely on past experience of settlements on similar claims. Such reserves are established separately for each line of business written by the Company.
- reserves for claims incurred but not reported are calculated separately for each line of business written and take into account trends in settlement costs in arriving at the final estimates.
- during 2024, the personal injury discount rate ('PIDR') or 'Ogden rate' was raised to plus 0.5% in England and Wales, Scotland and Northern Ireland. The Ogden rate is used by the courts to calculate lump sum personal injury payments and is based on a reference investment portfolio. Reserves as at 31 December 2024 have principally been assessed at the Ogden discount rate of +0.5%.

Discount rates

A "top-down" approach has been applied in the determination of discount rates across all portfolios. Under this approach, the Company determines the discount rates based on a yield curve of a reference portfolio adjusted for credit risk. The reference portfolio consists primarily of investment grade bonds. The yield curves that were used to discount the estimates of future cash flows are as follows:

	2024					2023				
	1 year	5 years	10 years	20 years	30 years	1 year	5 years	10 years	20 years	30 years
All groups of contracts	4.69%	4.27%	4.30%	4.53%	4.46%	4.93%	3.55%	3.47%	3.62%	3.54%

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Notes to the financial statements

2 Accounting estimates and judgements (continued)

Insurance and reinsurance contract assets and liabilities, except for LPT reinsurance contracts held (continued)

Methods used to measure the risk adjustment for non-financial risk

The risk adjustment 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. As the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Company's degree of risk aversion. The Company estimates an adjustment for non-financial risk separately from all other estimates.

Applying a confidence level technique, the Company estimates the probability distribution of the present value of the future cash flows from insurance and reinsurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the target confidence level over the expected present value of the future cash flows.

The target confidence level for the risk adjustment is set at the 75th percentile. The total risk adjustment is allocated to groups of contracts based on their contribution to the undiversified 75th percentile.

For further details on insurance contract assets and reinsurance contract liabilities see note 19.

Defined benefit pension plan

The Company's liability for defined benefit pension obligations is based on various estimates including discount rates, future salary increases, future pension increases, mortality rates and future staff turnover. Differences in future actual experience may result in the balance recorded in the Company's statement of financial position ultimately proving to be either too high or too low. Such differences will be accounted for as they arise.

For further details on defined benefit plan obligations see note 28.

Deferred tax asset

The Company has unutilised tax losses which it acquired from Groupama Insurance Company Limited ('GICL') (renamed GICL 2013 Limited) (now dissolved) under the Part VII Scheme of the Financial Services and Markets Act 2000 on 1 October 2013. These can be carried forward to offset income tax liabilities arising on taxable profits of the Company. These losses were supplemented in 2016 by an additional loss due to the change in the Ogden rate in 2019 to -0.25%. The Company must judge the extent that future taxable profits will arise such that any deferred tax asset is based on profits that are more likely to arise than not based on tax rates that have been substantively enacted at the statement of financial position date. The Company has calculated the deferred tax asset based on the Company's budgets and forecasts, adjusting for any material known tax differences that will arise in that period.

For further details on deferred tax asset see note 15.

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Notes to the financial statements

3 Risk management

Objectives and policies for mitigating business risk

The Company's primary activity, the acceptance of risk of loss from individuals or businesses, exposes it to a number of risks which may adversely affect the Company's ability to meet its business objectives. The Company has identified the following risk areas: insurance, regulation, market, credit, liquidity, operational, sustainability and climate change, pension and capital management.

The Company has various procedures in place to manage these exposures. These procedures have been embedded into decision making processes and the culture of the business. They include an overall risk management framework together with a set of clearly defined risk policies which articulate the Company's risk appetite. The Company also maintains a comprehensive risk register which identifies the individual risks faced in each area of the business and the controls in place to mitigate these. The risk framework includes an event notification procedure which enables focus on preventing a similar incident occurring in addition to managing the impact of the event, thereby ensuring a proactive control environment.

The Ageas UK Board Risk Committee established by the Boards of the Company, Ageas (UK) Limited, Ageas Retail Limited and Ageas Services (UK) Limited meets regularly to review both the risk policies and the risk register, to ensure they are up-to-date, reflecting the risks currently facing the business and that corresponding control issues and risk mitigation actions are being addressed in a timely manner. The findings of the Board Risk Committee are reported to the Boards.

Notes to the financial statements

3 Risk management (continued)

(a) Insurance risk

The Company assumes insurance risk by issuing contracts of insurance to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affecting the policyholder occurred. The risk under any one insurance contract is the possibility that the insured event occurred and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is uncertain and therefore unpredictable. The classification of insurance risks are underwriting, claims reserving, claims management, claims inflation and reinsurance.

(i) Underwriting risk

Underwriting risk occurs when the underwriter binds a policy at a given price and obliges the Company to pay claims under certain specified conditions, thus exposing the Company to the risk that the policy was not priced correctly due to underestimating the frequency and/or severity of the claims. Underwriting risk is at the core of the Company's business and is a major source of exposure for the Company's capital. The systems and controls required to manage and control this area of risk are therefore of critical importance.

The Company's business lines are generally characterised by large numbers of policyholders with homogeneous exposures, such as motor, household and travel. The approach to pricing these products is based on the Company's knowledge and the price is given to the market not to individuals. Therefore, underwriting is tightly controlled. The main technique to determine the price to be charged is to use past exposures, historical losses and external data sources as a basis for developing proposed premiums. Appropriate adjustments are made to reflect anticipated future conditions, expenses and the required profit margin. The performance of each business line is constantly monitored to identify new trends caused by distribution and cause or value of loss so that corrective pricing action can be implemented.

The Company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Company's largest reinsurance arrangement is in respect of a 40% loss portfolio transfer agreement and quota share treaty with ageas SA/NV, the ultimate holding company, of both prior and future claim liabilities respectively. The Company also buys excess of loss (i.e. non-proportional) reinsurance treaties to reduce its net exposure to agreed levels for each line of business in accordance with the Company's risk appetite. In addition, the Company will buy facultative reinsurance on individual risks in certain specified circumstances. There are also occasions when other quota share reinsurance or stop loss treaties are put in place as part of a larger overall transaction.

Concentrations of insurance risk

A key aspect of the insurance risk faced by the Company is the degree of concentration of insurance risk, which may exist where a particular event or series of events could impact significantly upon the Company's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise. Concentrations of risk can arise in both high severity, low frequency events, such as natural and other disasters and in situations where underwriting is biased towards a particular group, such as a particular geographical concentration or demographic trend.

High severity, low frequency concentrations

The timing and frequency of high severity events are, by their nature, uncertain. They represent a material risk as the occurrence of such an event would have a significant adverse impact on the Company's cash flows and profitability. The Company manages these risks by making appropriate allowance within the price calculated by underwriters and by purchasing a reinsurance programme that reduces the impact of these events. The Company uses non-proportional reinsurance treaties to manage retention levels and the limits of protection.

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Notes to the financial statements

3 Risk management (continued)

(a) Insurance risk (continued)

(i) Underwriting risk (continued)

Geographic and demographic concentrations

Material geographical concentrations of risk can exist in property portfolios such that natural perils of windstorm and floods may give rise to a large number of material damage and business interruption claims. The Company models its exposure to this risk to estimate its probable maximum loss and purchases reinsurance to significantly reduce its exposure to such events. Material concentrations of risk may be created by specific distribution channels that target certain age ranges, affinity groups or underwriting strengths in certain geographic locations. These risks are managed through underwriting and use of reinsurance contracts. The Company provides general insurance in the United Kingdom, with a small proportion written in the Channel Islands.

Economic downturn

The Company's insurance portfolio exposes it to a potential accumulation of different risks in the event of an economic recession. The Company's strategy in a recession is to ensure that premiums reflect the additional risks and exposures to those areas that could be adversely impacted by an economic downturn. It also monitors economy related claims closely to identify any that may be exaggerated or fraudulent.

Total aggregate exposure

The Company identifies the total aggregate exposure that it is prepared to accept in relation to concentrations of risk. It monitors these exposures on a regular basis by reviewing reports which show the key aggregations to which the Company is exposed. The Company uses a number of modelling tools to monitor aggregation and to simulate catastrophe losses in order to measure the effectiveness of the reinsurance programmes, and to quantify the net exposure for the Company. Additional stress and scenario tests are run using these models during the year.

Delegated underwriting authorities

The Company has a number of delegated underwriting authorities with third parties. There is a risk that the third party might not have the controls, management information, quality of staff and technical skills to charge an appropriate price for the risk underwritten. Prior to contract the third party is subject to a due diligence process and is subsequently audited on a regular basis to ensure compliance with the contractual obligations and that the required levels of profitability are being achieved.

Third party injury claims

In recent years, the Company and the insurance market in general have experienced an increase in the frequency and value of third-party injury claims, arising mainly in the private and commercial motor accounts. These increases have been driven by an increased propensity for the population to be litigious and the extensive activities of companies actively persuading potential victims to instigate claims. The Company has recognised this trend and monitors its development closely, adjusting the prices of its products accordingly.

(ii) Premium risk

Premium risk is the risk that the premium will not be sufficient to cover all liabilities including claims and expenses resulting from fluctuations in frequency, severity of claims, timing of claim settlements or adverse changes in expenses.

Notes to the financial statements

3 Risk management (continued)

(a) Insurance risk (continued)

(iii) Claims reserving risk

The aim of the reserving policy of the Company is to produce estimates of outstanding claims that are accurate and reliable across each line of business and are consistent over the time period required to settle all the claims. Reserving and the ultimate cost of claims risk occurs where the Company's estimates of its outstanding claims prove to be insufficient through inaccurate forecasting, additional expenses or reinsurance bad debts. The methods used to estimate the insurance liabilities in respect of outstanding claims and provisions are detailed in note 1 to the financial statements. In addition, an external independent actuary undertakes an annual review of large elements of the Company's claims reserves.

(iv) Claims management risk

Claims management risk could arise in the event of inaccurate or incomplete case reserving or settlement, poor customer service or excessive costs of handling claims. The Company's approach to claims management focuses upon creating a successful balance between satisfying the needs of the customer against control of the overall cost of providing the service that meets those needs. Customer includes both insured as well as others that believe our insured has breached a duty of care. The Company's philosophy is based upon the following principles:

- manufacturing claims – production commences at first notification of a loss where the components to satisfy a customer's claim are taken;
- predicament management – tailoring our service to meet the individual customer's needs; and
- reducing failure demand – failure demand is caused by a failure to do something right for the customer.

These principles support the Company's objectives to:

- create empathy with the customer and to offer processes that successfully deal with the resolution of their individual predicament not just their damaged assets;
- provide claims settlement that treats customers fairly, reflects policy and legal liability and complies fully with all other regulatory requirements;
- exercise control over claims reserves, indemnity claims costs, subrogated recoveries and payments to other parties; and
- exercise control over the expense costs associated with handling and settling claims.

(v) Claims inflation risk

Claims inflation risk is the rising of the cost of claims over time in excess of the inflation assumption included in the pricing of the insurance contract. Claims inflation occurs due to increased materials and labour cost, driven by any mix of general market inflation, supply and demand issues, legislative changes, and socio-political events. Claims inflation risk can result in inadequate reserving, writing unprofitable insurance contracts, and decreased solvency coverage.

The Company closely monitors claims inflation on a monthly basis, and tracks the Company, the industry, and the market's trends over time. This detailed analysis is then used for future inflation assumptions included in the underwriting and pricing of new contracts.

(vi) Reinsurance risk

Reinsurance is placed to reduce the Company's exposure to specific risks, events and accumulations. The risk is that the reinsurance contracts fail to perform as planned and do not reduce the gross cost of claims in terms of the limits purchased, either by risks not being appropriately covered or because there are gaps in the programme. The reinsurance programme is subject to considerable scenario planning, including by the Company's various reinsurance brokers, and is approved by the Company's Reinsurance Committee and in accordance with the wider reinsurance strategy set by the Company's Board. The failure of a reinsurer to pay a claim is categorised as a credit risk.

Notes to the financial statements

3 Risk management (continued)

(b) Regulatory risk

The Motor and Home insurance markets have undergone substantive change, with new rules for General Insurance pricing following the Financial Conduct Authority's Pricing Review coming into effect on 1 January 2022. This has reshaped the market and whilst it should lead to a more stable market in the medium-term, it has made the acquisition of new customers increasingly challenging. The Company maintains regular contact with the PRA and FCA, including in relation to the progress of continued implementation of Consumer Duty.

(c) Market risk

Market risk can be described as the risk of change in the fair value of financial assets due to changes in interest rates, foreign exchange rates and market prices, whether specific to the individual asset or its issuer, or to factors affecting all assets traded in the market.

Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument could have fluctuated because of a change in interest rates. The Company's exposure to changes in interest rates is primarily concentrated in its investment portfolio. To mitigate changes in interest rates the Company holds a material proportion of its investments in fixed rate debt securities. It will normally hold these securities until their maturity. This reduces the variation in future cash flows and provides security over future income and redemption values. The market value of fixed interest securities is inversely correlated to movements in interest rates, that is the market value of fixed interest securities rises if interest rates fall and vice versa. The Company regularly monitors its investment strategy to minimise the risk of a fall in the portfolio's market value which could affect the amount of business that the Company is able to underwrite or its ability to settle claims as they fall due. The Company's risk is primarily limited to interest rate risk on the £119.8m (2023: £119.6m) subordinated debt it has issued, as the interest rate is based on SONIA (see note 20).

Claims reserves are discounted using a risk-free rate plus a suitable volatility adjustor. Payment protection orders take account of likely increases in payments due to, for example, inflation, and are discounted using a rate of interest based on the same indexing factors.

Foreign exchange risk

The Company is not exposed to material foreign currency risks on assets and liabilities as a result of changes in exchange rates. The majority of the Company's premiums are currently received in Pounds Sterling.

The Company invests in United States dollar ('USD'), Euro and Australian dollar ('AUD') denominated infrastructure equity funds and so has foreign currency risk exposure on those assets. The Company holds derivative financial instruments in order to mitigate the exchange risk arising from its foreign currency denominated infrastructure equity funds (see note 16).

The Company is exposed to current travel policy claims that require settlement in USD and Euros. These are normally settled within a short period from notification of the loss. Purchases of currency are made to cover the estimated requirement for current liabilities.

Debt security price risk

The Company is exposed to changes in the market values of debt securities for reasons other than changes in interest rates. This may be due to the credit rating changes, anticipated future interest rate changes, trading performance or market sentiment relating to the issuer. The Company mitigates this risk by investing in high quality issuers in line with its investment strategy and normally holding debt securities until their maturity. See note 16.

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Notes to the financial statements

3 Risk management (continued)

(c) Market risk (continued)

Property price risk

The Company is exposed to changes in market value due to its investment in property. To mitigate this risk the Company has invested in property funds as well as holding direct investments. Property funds allow investors to achieve greater diversification across multiple types of property and location, and to gain access to the expertise of specialist managers. See note 16.

(d) Credit risk

Credit risk is the risk that a counterparty will not be able to pay amounts in full when due in accordance with the items of the contract, causing the Company to incur a financial loss. The main sources of credit risk are:

- Investments
- Receivables from intermediaries
- Reinsurance contract assets
- Other financial assets

The Company has a Credit Risk Forum that monitors the exposure, rating and accumulation risks. It will make recommendations on actions to reduce risk. The maximum exposure is equal to the carrying amount of those assets.

Investments

The risk is managed within the Company's investment guidelines by the Investment Committee who regularly update the Board. The investments are held in a high quality, fixed income portfolio and are normally held until maturity.

The analysis based on the second highest credit ratings of debt securities is as follows:

	Note	2024 £m	2024 %	2023 £m	2023 %
AAA		222.9	21.4	214.1	21.4
AA		173.2	16.6	149.4	14.9
A		460.9	44.2	454.3	45.3
BBB		185.2	17.8	185.0	18.4
Total	16	<u>1,042.2</u>	<u>100.0</u>	<u>1,002.8</u>	<u>100.0</u>

The second highest credit rating is used because it gives a better overall assessment of credit risk by avoiding any rating agency anomalies.

The financial assets designated as fair value through profit or loss do not have a credit rating. The investments are in five property funds and three infrastructure equity funds, which are managed by specialist investment managers. Hence, risk is mitigated through this selection.

An analysis of debt securities, derivative financial assets and other financial assets is shown in note 16.

Under IFRS 9, where there has been no significant increase in credit risk in a reporting period, the impairment provision for investments will represent the 12-month expected credit loss. The Company only holds investment grade investments, and it monitors changes in credit risk by tracking published external credit ratings. There was no significant increase in credit risk in the period for debt securities.

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Notes to the financial statements

3 Risk management (continued)

(d) Credit risk (continued)

On that basis, the loss allowance as at 31 December 2024 was determined as follows for investments:

	Stage 1 £m
As at 31 December 2023	0.6
Increase/(decrease) in loss allowance	(0.2)
Allowance utilised in the year	-
Allowance released in the year	(0.1)
As at 31 December 2024	<u>0.3</u>

Receivables from intermediaries

The Company trades only through intermediaries who have been subject to a rigorous credit risk assessment and appointment procedure. All intermediaries are authorised and regulated by the Financial Conduct Authority ('FCA') (with the exception of those located on the Isle of Man and the Channel Islands). Credit insurance is purchased as part of the credit risk strategy. The levels of debt are regularly monitored and appropriate action is taken in respect of slow and non-payment within the terms of credit. The level of bad debts in the current and prior year was negligible.

Balances due:	Note	2024 £m	2024 %	2023 £m	2023 %
Within terms		331.2	97.7	310.8	98.1
Up to 1 month overdue		7.2	2.1	4.4	1.4
Between 1 and 3 months overdue		0.3	0.1	1.3	0.4
More than 3 months overdue		<u>0.3</u>	<u>0.1</u>	<u>0.3</u>	<u>0.1</u>
Total	17	<u>339.0</u>	<u>100.0</u>	<u>316.8</u>	<u>100.0</u>

Reinsurance contract assets

The Company is exposed to credit risk through its reinsurance arrangements, where amounts due under a reinsurance contract may not be paid. The Company manages this risk by only placing reinsurance with reinsurers who are rated A- or above (AM Best or Standard & Poor's), although ratings may subsequently fluctuate after original placement. The only exception to this relates to a small number of proportional treaties where captive reinsurers are used in specific circumstances. Any alternative reinsurance arrangements are required to be agreed by the Company's Board. The ratings of reinsurers are monitored by the Credit Risk Forum. The analysis is as follows:

	Note	2024 £m	2024 %	2023 £m	2023 %
AA		98.5	11.2	129.6	14.6
A		781.6	88.8	758.3	85.3
Below investment grade		-	-	0.1	-
Unrated		0.4	-	0.7	0.1
Total	19	<u>880.5</u>	<u>100.0</u>	<u>888.7</u>	<u>100.0</u>

Ageas Insurance Limited

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Notes to the financial statements

3 Risk management (continued)

(d) Credit risk (continued)

Other financial assets

The credit risk arising from the other financial assets of the Company - comprising cash and cash equivalents, instalments and other receivables, but excluding related party balances - is from the default of the counterparty. Cash and cash equivalents are predominantly held in money market funds which have a rating of AAA, with the balance held with a counterparty rated A. Default on instalment payments results in the Company cancelling the underlying policy in order to reduce its exposure. An analysis of other receivables is shown in note 17.

Under IFRS 9, the Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for receivables from intermediaries, reinsurance contract assets and other financial assets.

On that basis, the loss allowances as at 31 December 2024 were determined as follows:

	Intermediaries £m	Intermediaries instalments £m	Claims floats £m	Loans to customers £m	Total £m
As at 31 December 2023	0.7	-	1.1	0.4	2.2
Increase in loss allowance	-	-	-	-	-
Allowance utilised in the year	(0.3)	-	-	-	(0.3)
Allowance released in the year	-	-	(0.1)	-	(0.1)
As at 31 December 2024	<u>0.4</u>	<u>-</u>	<u>1.0</u>	<u>0.4</u>	<u>1.8</u>

(e) Liquidity risk

Liquidity risk is the risk that the Company, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost. The Company is exposed to liquidity risks arising from daily calls on its cash resources, notably from claims arising on its insurance contracts. There is therefore a risk that cash will not be available to settle liabilities when due.

The liquidity risk needs to be balanced against the aim to match the maturity of financial assets with the estimate of the settlement of insurance liabilities and also optimise the yield on the investment portfolio.

The Company manages its liquidity risk by having investment guidelines and maintains sufficient liquidity to be able to realise its financial assets at short notice if required. The Company may also make use of borrowing facilities if required. There are no significant amounts of insurance payables or reinsurance payables that fall due for payment by the Company other than within one year.

Financial assets and insurance and reinsurance contracts

The following tables provide a maturity analysis of the Company's financial assets (including other financial assets, other receivables, and cash and cash equivalents) and insurance and reinsurance contracts which reflects the dates on which the cash flows are expected to occur. Liabilities for remaining coverage measured under the PAA have been excluded from this analysis. See notes 16 to 19.

Ageas Insurance Limited

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Notes to the financial statements

3 Risk management (continued)

(e) Liquidity risk (continued)

The tables below represent the contractual undiscounted cash flows for the disclosed financial assets and liabilities:

	Assets Financial assets £m	Assets Other receivables £m	Assets Cash and cash equivalents £m	Assets Reinsurance contracts £m	Liabilities Insurance contracts £m
2024					
Within 1 year	284.8	389.2	166.0	239.2	454.9
Between 1 and 2 years	308.9	70.0	-	116.4	221.3
Between 2 and 3 years	173.8	-	-	68.5	130.4
Between 3 and 4 years	86.1	-	-	40.7	77.4
Between 4 and 5 years	82.2	-	-	25.0	47.5
Later than 5 years	261.3	-	-	224.2	426.4
Total	1,197.1	459.2	166.0	714.0	1,357.9
2023					
Within 1 year	211.6	358.9	129.8	250.9	478.6
Between 1 and 2 years	262.0	70.0	-	123.6	235.7
Between 2 and 3 years	290.8	-	-	76.9	146.6
Between 3 and 4 years	136.9	-	-	45.2	86.2
Between 4 and 5 years	31.4	-	-	24.9	47.4
Later than 5 years	214.9	-	-	232.1	442.7
Total	1,147.6	428.9	129.8	753.6	1,437.2

Subordinated debt

Liquidity risk can also have an impact on the Company's ability to pay interest on and ultimately repay the subordinated debt of £119.8m. Below is a table which discloses the contractual cash flows for both interest and repayment of capital. The following table outlines the contractual cashflow maturities represented in the undiscounted cashflows of subordinated debt.

The subordinated debt incurs interest at 3.94% above SONIA per annum, with the SONIA being reviewed quarterly. From 2026 the interest rate will increase to 4.94% above SONIA per annum and will remain at this rate until maturity. Accrued interest is payable quarterly. The subordinated debt has a maturity date of 5 November 2046. This has been reflected in this calculation. The following table outlines the contractual cash flow for the subordinated debt:

	2024 £m	2023 £m
Payment period		
Within 1 year	10.4	10.4
Between 1 and 5	45.1	43.9
Later than 5 years	316.5	328.4
Total	372.0	382.7

Ageas Insurance Limited

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Notes to the financial statements

3 Risk management (continued)

(e) Liquidity risk (continued)

Infrastructure equity funds

The Company has investments in illiquid securities in line with the Company's liquidity risk appetite. The Company is committed to investing a total of £1.2m (2023: £6.1m) in EUR denominated funds and £3.2m (2023: £3.1m) in USD denominated funds.

Lease liabilities

The amounts disclosed in the following table are the contractual undiscounted cash flows for lease liabilities. Liquidity risk can have an impact on the Company's ability to pay the contractual cashflows as and when they fall due.

Payment period	Note	2024 £m	2023 £m
Within 1 year		0.6	0.5
Between 1 and 5 years		1.2	1.1
Later than 5 years		-	0.3
Total undiscounted cashflows		<u>1.8</u>	<u>1.9</u>
Total discounted cashflows	21, 27	<u>1.7</u>	<u>1.8</u>

Other payables and deferred income

All other payables and deferred income are payable within one year, see note 24.

(f) Operational risk

Operational risk arises from inadequate or failed internal processes, people and systems, or from external events. It is diverse in nature and permeates all business activities but remains a distinct form of risk.

The identification, assessment and evaluation, management, monitoring and reporting of risks rests with business managers. Risks are identified, and regularly assessed; the Board Risk Committee reviews the risks on a regular basis and for those falling outside the Company's risk appetite monitors the remedial action to ensure compliance with the Company's risk appetite.

(g) Sustainability and Climate Change risk

Sustainability risks relate to uncertain environmental, social or governance ('ESG') events which, if they occur, could have a significant impact on Ageas. These risks include the opportunities that may be available to Ageas because of changing environmental or social factors. Environmental risk relates to the quality and functioning of the natural environment and natural systems and our positive contribution towards it, including, for example, biodiversity loss, greenhouse gas emissions, climate change and renewable energy. Social risk relates to the rights, well-being and interests of people and communities, including human rights, labour standards, workplace health and safety, diversity and other elements. Governance relates to the Company's Board structure, size, diversity, skills & independence, as well as executive pay, shareholder rights, disclosure of information, business ethics, bribery and corruption, an internal controls and risk management.

Climate change is a cross-cutting risk with the potential to impact on all areas of the business. There are two widely recognised channels through which climate change risk can manifest:

Notes to the financial statements

3 Risk management (continued)

(g) Sustainability and Climate Change risk (continued)

Physical risks

The risks that arise from the physical effects of climate change. Physical risks can be broken down into two categories:

- Acute physical risks: those which arise from certain events, especially weather-related events (e.g. floods and storms);
- Chronic physical risks: those which arise from longer-term shifts in climate patterns (e.g. temperature changes, rising sea levels and changing soil moisture).

Transition risks

Financial risks which could arise from the transition to a low-carbon economy (net-zero emissions), including changes in policy risk, legal risk, technology risk, market sentiment risks and reputational risks. These changes will prompt a reassessment of a wide range of asset values, a change in energy prices, and a fall in income and creditworthiness of some borrowers. In turn, this entails potential credit losses for lenders and market losses for investors.

There are also liability (litigation) risks that can arise from people or businesses seeking compensation for losses they may have suffered from the physical or transition risks from climate change outlined above or legal challenges taken to require a course of action. Whilst liability risks were previously identified as a separate channel, they are increasingly considered as a sub-category of physical and transition risks.

The Company's ESG strategy aims to appropriately integrate climate risk considerations into the business and decision-making. The strategy serves to meet regulatory obligations, including embedding the Company's approach to managing climate-related financial risks, whilst remaining sufficiently flexible to adapt to evolving regulatory guidance and scientific understanding. Execution of this strategy has continued during the year to fully embed the Company's approach to managing climate-related financial risks with a number of actions taken to date.

(h) Pension risk

The Company is exposed to a number of risks through the Ageas Insurance Staff Pension Scheme, a defined benefit pension plan. The scheme is closed to new members and existing members ceased to accrue further benefits from 31 December 2020.

Volatility in market conditions

The year end result under IAS 19 accounting can vary considerably depending on market conditions. The liabilities are measured by reference to bond yields whilst the assets of the scheme are invested in debt securities, equities and property. Changing investment markets together with the variable discount rate will lead to volatility in the net pension liability/asset in the balance sheet and in other comprehensive income.

Selection of accounting assumptions

The calculation of the defined benefit pension obligation is based on projecting future cash flows for many years into the future until all obligations have been settled. This means that the assumptions used can have a material impact on the liability and amount reported in the statement of financial position and in the statement of profit or loss and other comprehensive income. In practice the future experience may not be in line with the assumptions adopted in the valuation.

Ageas Insurance Limited

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Notes to the financial statements

3 Risk management (continued)

(i) Capital management

Aims of capital management policy

The Company has established standards for the efficient management of capital, to meet the needs of the business and return on capital requirements of shareholders. This includes the capital required to support the risk appetite identified in the Company's Risk Policies including an additional risk margin, in full compliance with the requirements of the Prudential Regulation Authority ('PRA').

Definitions of capital management (and supporting terms)

Capital Management is the collection of processes and activities undertaken to ensure that sufficient capital is maintained to ensure the organisation's ability to meet its liabilities and ultimately ensure its survival, particularly in the case of significant losses arising from adverse events.

Capital Management includes the assessment of capital required to support the Company's plans and objectives, the structure of its shareholders' funds, arrangements to secure capital, and the ongoing monitoring of capital against business requirements. The Company is authorised by the PRA and regulated by the FCA and PRA.

The Company is required to report to the PRA two measures of capital adequacy, a minimum capital requirement ('MCR') and a solvency capital requirement ('SCR').

The MCR seeks to ensure that the Company has at least the minimum amount of capital to meet future expected claims obligations. The minimum capital requirement ratio at 31 December 2024 was 344% (2023: 283%).

The SCR reflects a level of eligible own funds that enables the Company to absorb a 1 in 200 event and provides reasonable assurance to policyholders that payments will be made as they fall due. The Company uses a Partial Internal Model to calculate its SCR, approval for which was given by the PRA in December 2015. The (unaudited) solvency ratio at 31 December 2024 was 183% of the solvency capital requirement ('SCR') (2023: 159%).

All regulatory capital requirements have been complied with during the year.

Approach to capital management

The Company provides input into the Ageas UK Business Plan which is reviewed and revised each year and then formally approved by the Company's Board. A factor in the formulation of the Business Plan is the assessment of the capital required to support the business objectives (i.e. growth and profit targets) and the appropriateness of the supporting capital structure.

Overall capital requirements and structure are assessed taking account of the following:

- capital required to support the planned growth in new business and renewal premiums and profit targets;
- the required rate of return on capital employed;
- the required dividend;
- Solvency II capital requirements; and
- capital required to support the desired credit rating.

In the event of failure to meet the capital requirements, the Company would expect to revert to its shareholders for an injection of funds or look to alternative methods for ensuring compliance.

For pricing/underwriting purposes, capital is allocated to different classes of business using a risk-based methodology. Where product lines do not have the potential to achieve the required return on capital within the plan period the Company will consider discontinuing the products.

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Notes to the financial statements

3 Risk management (continued)

(j) Sensitivity to key business drivers

The impact of the changes in key business drivers is each assumed to be a discrete change. All other factors will be unchanged. Some of these changes cannot be guaranteed to have a linear effect and as a range of other factors will impact the results they cannot be guaranteed to predict the detailed result. In addition, the risk management process that the Company operates will ensure that corrective action is implemented to mitigate or reverse the changes.

The sensitivities below have been selected based on the significant effect they have on the profitability of the Company.

Interest yields change by 1.0%

The Company will be exposed to the impact of interest yield changes on its assets and liabilities. Forecasting the impact on the market values of fixed interest debt securities will not be linear due to other factors including credit rating movement, anticipation of future interest rate changes, trading performance or market sentiment of the issuers. The impacts shown below are based on the premise that there will be a parallel shift of all interest rates for short and long term.

For a decrease in yields there would be an increase in the market value of fixed interest debt securities. As the Company will normally hold its fixed interest debt securities to maturity, it will not suffer any reduction in its future cash flows. It will suffer a reduction in the yield on any future fixed interest debt securities that it purchases from surplus funds and the maturity of current investments. The financial assets designated as fair value through profit or loss have no maturity date and will not be directly impacted by changes in the interest rate. Further, the Company intends to hold the subordinated debt to maturity and the rate is a floating rate of interest. Hence, there will be some variability in interest payable over term of the debt.

	2024	2023
	£m	£m
Decrease of 1% would cause an increase in net assets before tax	<u>9.4</u>	<u>6.2</u>
Increase of 1% would cause a decrease in net assets before tax	<u>(9.4)</u>	<u>(7.4)</u>

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Notes to the financial statements

3 Risk management (continued)

(k) Sensitivity to key business drivers (continued)

Expenses increase/decrease by 5.0%

If all three expense areas (acquisition, administration and claims handling) were to increase/decrease by 5.0%, in addition to the impact on profit of the additional costs it would also increase/decrease the claims handling provision and result in the deferral of additional acquisition costs to the extent that these will be recovered by insurance revenues.

	2024		2023
	£m		£m
Total impact on profit before tax	+/- 20.1	+/-	16.7
Total impact on net assets before tax	+/- 20.1	+/-	16.7

Gross loss ratio increase/decrease by 1.0%

If the cost of claims were to increase/decrease the gross loss ratio (gross incurred claims as a proportion of insurance revenue) by 1.0% there would be a reduction/increase in profits. It is assumed that a similar portion of claims costs would be recoverable from reinsurers. There would also be an increase/decrease in claims handling reserve as a proportion of the claims would be unpaid at the statement of financial position date.

	2024		2023
	£m		£m
Total impact on profit before tax	+/- 9.5	+/-	7.3
Total impact on net assets before tax	+/- 9.5	+/-	7.3

Ageas Insurance Limited

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Notes to the financial statements

4 Insurance service expense

	Note	2024 £m	2023 £m
Contracts measured			
- Change in estimates related to current service	19	1,118.9	927.7
- Change in estimates related to past service	19	(104.9)	(184.3)
Insurance acquisition cash flows immediately expensed	8	206.9	183.1
Total insurance service expense		<u>1,220.9</u>	<u>926.5</u>

5 Net result from reinsurance contracts

	Note	2024 £m	2023 £m
Contracts measured under the PAA and GMM			
Allocation of reinsurance premiums		343.1	282.1
- Recoveries of incurred claims and other insurance service expenses		<u>(178.2)</u>	<u>(170.5)</u>
Net result from reinsurance contracts	19	<u>164.9</u>	<u>111.6</u>

Excluded from net result from reinsurance contracts are non-distinct investment components relating to profit commission on reinsurance contracts of £190.9m (2023: £124.0m) generated from contractual terms that do not meet the definition of insurance but are nevertheless within the scope of IFRS 17. See note 19.

6 Net investment Income

	Note	2024 £m	2023 £m
Interest income:			
- Debt securities interest income		36.4	25.1
- Fair value through profit or loss interest income		2.7	5.1
- Interest income on loans receivable from fellow group subsidiary	30	5.1	4.8
- Bank and other interest receivable		7.9	4.2
Investment property income		1.2	1.3
Foreign exchange movement on derivatives		0.6	(0.5)
Dividend income		-	0.2
Net realised gains on debt securities		0.1	0.1
Net unrealised gain/(loss) on financial assets designated as fair value through profit or loss		3.7	(0.8)
Other investment income/(expense)		0.2	(0.6)
Net investment income		<u>57.9</u>	<u>38.9</u>

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Notes to the financial statements

7 Net insurance finance result

	Note	2024 £m	2023 £m
Insurance finance income/(expense) from insurance contracts issued			
Interest accreted and changes in financial assumptions recognised in profit or loss		(47.8)	(38.0)
Effect of changes in interest rates and other financial assumptions recognised in OCI		30.7	(37.4)
Total insurance finance expense from insurance contracts issued	19	(17.1)	(75.4)
Reinsurance finance income/(expense) from reinsurance contracts held			
Interest accreted and changes in financial assumptions recognised in profit or loss		25.3	20.2
Effect of changes in interest rates and other financial assumptions recognised in OCI		(24.8)	19.6
Total reinsurance finance income from reinsurance contracts held	19	0.5	39.8
Net insurance finance result		(16.6)	(35.6)
Analysed as:			
Amounts recognised in profit or loss		(22.5)	(17.8)
Amounts recognised in other comprehensive income		5.9	(17.8)

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Notes to the financial statements

8 Total operating expenses

	Note	2024 £m	2023 £m
Depreciation and amortisation:			
- Investment property	12	0.7	0.3
- Right of use land and buildings	13	0.4	0.6
- Right of use cars	13	0.3	0.2
- Buildings	13	0.6	0.6
- Equipment and motor vehicles	13	0.7	0.6
- IT equipment	13	1.0	1.0
- Intangible assets	14	4.4	2.6
Impairment of investment properties	12	3.2	-
Impairment of property, plant and equipment	13	0.1	-
Impairment of intangible assets	14	4.0	3.6
Loss on disposal of property, plant and equipment	13	1.7	2.2
Personnel expenses:			
- Wages and salaries	26	104.5	90.0
- Social security costs	26	11.0	9.5
- Other pension costs	26	6.2	5.6
- Personnel expenses recharged to a fellow group subsidiary	26	(29.2)	(25.6)
Commission expenses		158.6	141.8
Other costs*		106.5	75.6
Total operating expenses		<u>374.7</u>	<u>308.6</u>
<i>Analysed as:</i>			
Allocated to incurred claims and other expenses		109.6	95.9
Allocated to insurance acquisition expenses	4	<u>206.9</u>	<u>183.1</u>
Allocated to insurance service expense		316.5	279.0
Allocated to other operating expenses		<u>58.2</u>	<u>29.6</u>
Total operating expenses		<u>374.7</u>	<u>308.6</u>

*Included within Other costs for the current year are investment management fees of £0.8m. In prior years, this was included within note 9 Other finance costs.

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Notes to the financial statements

8 Total operating expenses (continued)

	2024	2023
	£m	£m
Auditors' remuneration		
Auditors' remuneration is included within other costs above.		
Fees payable to the Company's auditor for the audit of the Company's Annual report:		
- in respect of the current year	0.5	0.5
- in respect of the prior year	-	0.1
Fees payable to the Company's auditors for other services:		
- Audit-related assurance services	0.1	0.1
- Other services pursuant to regulation	0.1	0.1
	<u>0.7</u>	<u>0.8</u>

9 Other finance costs

	Note	2024	2023
		£m	£m
Interest expense on financial liabilities measured at amortised cost	20	11.1	10.3
Interest expense relating to lease liabilities	21, 27	0.1	0.1
Investment management fees*		-	0.9
Total other finance costs		<u>11.2</u>	<u>11.3</u>

*For the current year, investment management fees are disclosed within note 8 Total operating expenses.

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Notes to the financial statements

10 Income taxes

(a) Amounts recognised in profit or loss

	Note	2024 £m	2023 £m
Current tax			
UK corporation tax on profits of the year		12.7	1.5
Prior year over provision in respect of current tax		(2.7)	-
		<u>10.0</u>	<u>1.5</u>
Deferred tax			
Origination and reversal of temporary differences		13.2	10.0
Effect of change in rate on deferred tax		(1.7)	0.4
Prior year (over)/under provision in respect of deferred tax		(2.4)	0.1
	15	<u>9.1</u>	<u>10.5</u>
Total income tax charge		<u>19.1</u>	<u>12.0</u>

(b) Reconciliation of effective tax rate

The tax assessed on the year is lower (2023: higher) than the standard rate of corporation tax in the United Kingdom of 25.0% (2023: 23.5%). The differences are explained below:

	2024 £m	2023 £m
Profit before tax	<u>93.7</u>	<u>48.1</u>
Standard rate of corporation tax in year	25.0%	23.5%
Expected tax charge based on the standard rate of corporation tax in the UK	23.4	11.3
Expenses not deductible for tax purposes	2.5	0.3
Effect of variable tax rates	(1.7)	0.4
Income receivable not taxable	-	(0.1)
	<u>24.2</u>	<u>11.9</u>
Prior year (under)/over provision in respect of current tax	(2.7)	-
Prior year (under)/over provision in respect of deferred tax	(2.4)	0.1
Total income tax charge	<u>19.1</u>	<u>12.0</u>

(c) Amounts recognised in other comprehensive income

	Note	2024 £m	2023 £m
Deferred tax on change in fair value of debt securities		(0.2)	(7.1)
Deferred tax on change in fair value of insurance and reinsurance contracts held		(1.5)	3.9
Deferred tax on remeasurement of defined benefit pension obligation		1.8	0.9
	15	<u>0.1</u>	<u>(2.3)</u>

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Notes to the financial statements

11 Investment in group undertakings

	2024 £m	2023 £m
Investments in group undertakings are stated at cost		
At 1 January and 31 December	-	-

The Company has the following investment in group undertakings:

Company	Activity	% Owned	Ownership
HCP (Estate Management) Limited	Estate management	51	Control

The registered address of HCP (Estate Management) Limited ("HCP") is Ageas House, Hampshire Corporate Park, Templars Way, Eastleigh, Hampshire, SO53 3YA.

The Company has a 51% share (2023: 51%) in HCP, a company limited by guarantee with no share capital and is incorporated in the United Kingdom. HCP is structured as a separate vehicle for the maintenance and upkeep of shared real estate and the Company has only a residual interest in the net assets of HCP.

12 Investment property

	Land £m	Buildings £m	Total £m
Cost			
Balance at 1 January 2023	5.3	15.9	21.2
Balance at 31 December 2023	5.3	15.9	21.2
Acquisitions	-	3.6	3.6
Transfers in	-	1.3	1.3
Balance at 31 December 2024	5.3	20.8	26.1
Accumulated depreciation and impairment			
Balance at 1 January 2023	-	2.4	2.4
Depreciation charge for the year	-	0.3	0.3
Balance at 31 December 2023	-	2.7	2.7
Depreciation charge for the year	-	0.7	0.7
Transfers in	-	1.1	1.1
Impairment	0.8	2.4	3.2
Balance at 31 December 2024	0.8	6.9	7.7
Carrying amounts			
Balance at 31 December 2023	5.3	13.2	18.5
Balance at 31 December 2024	4.5	13.9	18.4

The property relates to Deansleigh House, Bournemouth, and was let to a fellow group undertaking under an operating lease until November 2024. Details are included in note 30, Related party transactions and in note 27, Operating leases.

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Notes to the financial statements

13 Property, plant and equipment

	Right of use assets		Own use assets			Total
	Land and buildings	Motor vehicles	Land and buildings	Equipment and motor vehicles	IT equipment	
	£m	£m	£m	£m	£m	£m
Cost						
Balance at 1 January 2023	6.2	1.1	36.5	2.6	13.0	59.4
Acquisitions	0.1	0.1	-	0.9	1.1	2.2
Disposals	(3.9)	(0.1)	-	-	-	(4.0)
Balance at 31 December 2023	2.4	1.1	36.5	3.5	14.1	57.6
Acquisitions	1.6	0.3	-	0.8	1.0	3.7
Disposals	(1.1)	(0.3)	-	(0.3)	(1.2)	(2.9)
Balance at 31 December 2024	2.9	1.1	36.5	4.0	13.9	58.4
Accumulated depreciation and impairment						
Balance at 1 January 2023	2.1	0.6	5.6	1.2	10.0	19.5
Depreciation charge for the year	0.6	0.2	0.6	0.6	1.0	3.0
Disposals	(1.7)	(0.1)	-	-	-	(1.8)
Balance at 31 December 2023	1.0	0.7	6.2	1.8	11.0	20.7
Depreciation charge for the year	0.4	0.3	0.6	0.7	1.0	3.0
Impairment	0.1	-	-	-	-	0.1
Disposals	(0.3)	(0.3)	-	(0.3)	(0.3)	(1.2)
Balance at 31 December 2024	1.2	0.7	6.8	2.2	11.7	22.6
Carrying amounts						
Balance at 31 December 2023	1.4	0.4	30.3	1.7	3.1	36.9
Balance at 31 December 2024	1.7	0.4	29.7	1.8	2.2	35.8

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Notes to the financial statements

14 Intangible assets

	Software £m	Licences £m	Total £m
Cost			
Balance at 1 January 2023	36.9	0.9	37.8
Acquisitions	43.5	-	43.5
Balance at 31 December 2023	80.4	0.9	81.3
Acquisitions	51.3	-	51.3
Balance at 31 December 2024	131.7	0.9	132.6
Accumulated amortisation and impairment			
Balance at 1 January 2023	4.1	0.7	4.8
Amortisation charge for the year	2.6	-	2.6
Impairment	3.6	-	3.6
Balance at 31 December 2023	10.3	0.7	11.0
Amortisation charge for the year	4.4	-	4.4
Impairments	4.0	-	4.0
Balance at 31 December 2024	18.7	0.7	19.4
Carrying amounts			
Balance at 31 December 2023	70.1	0.2	70.3
Balance at 31 December 2024	113.0	0.2	113.2

The carrying amount of software at 31 December 2024 includes externally purchased software of £nil (2023: £0.2m) comprising cost of £1.9m (2023: £1.9m) less accumulated amortisation of £1.9m (2023: £1.7m).

Ageas Insurance Limited

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Notes to the financial statements

15 Deferred tax

The deferred tax asset recognised as at 31 December 2024 has been calculated using all substantively enacted rates. Deferred tax recognised in relation to trading losses is supported by future expected profits.

Recognised deferred tax

Deferred tax assets and liabilities are attributable to the following:

	2024 £m	2023 £m
Property, plant and equipment	-	0.3
Provisions and other timing differences	1.0	0.5
Recognised losses	22.7	33.4
Debt securities	8.9	9.1
Insurance liabilities	(5.1)	(3.6)
Deferred tax asset	<u>27.5</u>	<u>39.7</u>
Defined benefit pension plan	<u>6.5</u>	<u>9.7</u>
Deferred tax liability	<u>6.5</u>	<u>9.7</u>

The balance is all non-current (2023: all non-current). The unrecognised deferred tax in respect of any unrecognised losses as at the year-end is £0.4m (2023: £nil).

Movement in temporary differences during the year

	1 Jan 2024 £m	Recognised in profit £m	Recognised in OCI £m	31 Dec 2024 £m
Property, plant and equipment	0.3	(0.3)		-
Provisions and other timing differences	0.5	0.5		1.0
Recognised losses	33.4	(10.7)		22.7
Debt securities	9.1		(0.2)	8.9
Insurance liabilities	(3.6)		(1.5)	(5.1)
Defined benefit pension scheme	(9.7)	1.4	1.8	(6.5)
Deferred tax assets/(liabilities)	<u>30.0</u>	<u>(9.1)</u>	<u>0.1</u>	<u>21.0</u>
	1 Jan 2023 £m	Recognised in profit £m	Recognised in OCI £m	31 Dec 2023 £m
Property, plant and equipment	0.5	(0.2)	-	0.3
Provisions and other timing differences	0.8	(0.3)	-	0.5
Recognised losses	43.0	(9.6)	-	33.4
Debt securities	16.2	-	(7.1)	9.1
Insurance liabilities	(7.5)	-	3.9	(3.6)
Defined benefit pension scheme	(10.3)	(0.3)	0.9	(9.7)
Deferred tax assets/(liabilities)	<u>42.7</u>	<u>(10.4)</u>	<u>(2.3)</u>	<u>30.0</u>

Ageas Insurance Limited

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Notes to the financial statements

16 Financial assets

	2024	2024	2024
	Fair value through profit or loss	Fair value through OCI	Total
	£m	£m	£m
Debt securities	-	1,042.2	1,042.2
Derivative financial assets	-	-	-
Other financial assets	154.9	-	154.9
Total financial assets	<u>154.9</u>	<u>1,042.2</u>	<u>1,197.1</u>
	2023	2023	2023
	Fair value through profit or loss	Fair value through OCI	Total
	£m	£m	£m
Debt securities	-	1,002.8	1,002.8
Derivative financial assets	0.2	-	0.2
Other financial assets	144.6	-	144.6
Total financial assets	<u>144.8</u>	<u>1,002.8</u>	<u>1,147.6</u>

(a) Debt securities

	Note	2024 £m	2023 £m
<i>Debt securities - fixed rate</i>			
UK Government bonds		72.4	72.6
Quasi Government bonds		207.0	196.0
Corporate bonds		<u>762.8</u>	<u>734.2</u>
	3	<u>1,042.2</u>	<u>1,002.8</u>

The movements in fair value through OCI financial assets are as follows:

	2024 £m	2023 £m
Balance at 1 January	1,002.8	916.7
Additions	251.7	280.8
Sales and redemptions	(233.6)	(230.7)
Fair value unrealised gains and losses	1.0	32.5
Amortisation of premiums and discounts	20.3	3.5
Balance at 31 December	<u>1,042.2</u>	<u>1,002.8</u>

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Notes to the financial statements

16 Financial assets (continued)

(a) Debt securities (continued)

The Company has a reinsurance agreement with ageas SA/NV, the ultimate parent holding company, to cede 40% of both prior and future claim liabilities under a loss portfolio transfer agreement and quota share treaties. The arrangement includes collateral from Ageas SA/NV in the form of investments that the Company retains legal ownership of the financial assets supporting the claims liabilities but transfers the risks and rewards of ownership to ageas SA/NV. Consequently, these financial assets are not recognised in the Company's statement of financial position. The carrying amounts of the collateral are £723.9m (2023: £635.5m).

As at 31 December 2024 the current portion of debt securities is £284.8m (2023: £211.6m) and the non-current portion is £757.4m (2023: £791.2m).

The effective interest rate at the statement of financial position date on sterling debt securities is 3.71% (2023: 3.11%).

The Company does not have direct exposure to sovereign debt other than to the UK government, and indirect exposure is carefully managed through conservative investment guidelines.

(b) Derivative financial assets

	2024 £m	2023 £m
Gross inflow	-	49.5
Gross outflow	-	(49.3)
Currency forward contracts	-	0.2
Notional amount	-	49.5
	£m	£m
Current derivative assets	-	0.2

The Company holds derivative financial instruments in order to mitigate the exchange risk arising from its USD, AUD and Euro denominated infrastructure equity investments. Currency forward contracts are contractual agreements to sell currency and buy sterling at a specific price and date in the future. The contracts are rebased monthly. See note 21(b) for details of derivative financial liabilities for the current year.

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Notes to the financial statements

16 Financial assets (continued)

(c) Other financial assets

	2024 £m	2023 £m
Infrastructure equity	61.4	55.6
Property funds	71.4	62.6
Real estate debt	22.1	26.4
Other financial assets	<u>154.9</u>	<u>144.6</u>

Other financial assets are designated as fair value through profit or loss as it is the Company's intention to manage the investments and evaluate performance on a fair value basis. The returns on these financial assets are the key performance measures against which they will be measured.

The real estate debt consists of 14 underlying loans (2023: 18 underlying loans) with an average unexpired term of 1.7 years (2023: 3.3 years) and average internal rate of return of 3.86% (2023: 3.9%).

Other financial assets are non-current.

(d) Valuation of financial instruments

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- **Level 1:** Quoted market price (unadjusted) in an active market for an identical instrument.
- **Level 2:** Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

The fair value for level 2 financial instruments is based upon quotes from pricing services where available. These pricing services derive prices based on an average of quotes provided by brokers. Where multiple quotes are not available, the fair value is based upon evaluated pricing services, which typically use proprietary cash flow models and incorporate observable market inputs, such as credit spreads, benchmark quotes and other trade data. If such services do not provide coverage of the asset, then fair value is determined manually using indicative broker quotes, which are corroborated by recent market transactions in similar or identical assets.

- **Level 3:** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. The category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

All financial assets designated as level 3 use unobservable inputs to measure fair value as relevant observable inputs are unavailable. The valuation is performed by the fund, either using its own internal valuation process, or is outsourced to an independent expert. The Company has adequate controls and processes in place to be satisfied that the valuations of these financial assets are materially correct at the reporting date as fund valuation policies are reviewed for reasonableness. Significant increases/(decreases) in any of the unobservable inputs used in the fair value measurement of the entity's property funds would result in a significantly lower/(higher) fair value measurement.

Ageas Insurance Limited

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Notes to the financial statements

16 Financial assets (continued)

(d) Valuation of financial instruments (continued)

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

2024	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Debt securities	72.3	969.9	-	1,042.2
Derivative financial instruments	-	-	-	-
Other financial assets	-	59.6	95.3	154.9
	<u>72.3</u>	<u>1,029.5</u>	<u>95.3</u>	<u>1,197.1</u>
2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Debt securities	72.5	930.3	-	1,002.8
Derivative financial instruments	-	0.2	-	0.2
Other financial assets	-	68.3	76.3	144.6
	<u>72.5</u>	<u>998.8</u>	<u>76.3</u>	<u>1,147.6</u>

The classification and measurement of all assets and liabilities is detailed in note 29.

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Notes to the financial statements

16 Financial assets (continued)

(e) Solely payments of principle and interest credit risk exposure

The following table highlights the credit risk exposure, including significant credit risk concentrations, inherent in financial assets which meet the SPPI test:

	Loss allowance is measured					Purchased or originated credit-impaired financial assets
	At an amount equal to 12-month expected credit losses ('ECL')	At an amount equal to lifetime ECL			Trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with IFRS 9 (paragraph 5.5.15)	
		Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired)			
£m	£m	£m	£m	£m	£m	
As at 31 December 2024:						
AAA	222.9	222.9	-	-	-	-
AA	173.2	173.2	-	-	-	-
A	460.9	460.9	-	-	-	-
BBB	185.2	185.2	-	-	-	-
Total investment grade	1,042.2	1,042.2	-	-	-	-
Below investment grade	-	-	-	-	-	-
Unrated	459.2	459.2	-	-	-	-
Total	1,501.4	1,501.4	-	-	-	-
As at 31 December 2023:						
AAA	214.1	214.1	-	-	-	-
AA	149.4	149.4	-	-	-	-
A	454.3	454.3	-	-	-	-
BBB	185.0	185.0	-	-	-	-
Total investment grade	1,002.8	1,002.8	-	-	-	-
Below investment grade	-	-	-	-	-	-
Unrated	428.9	428.9	-	-	-	-
Total	1,431.7	1,431.7	-	-	-	-

Ageas Insurance Limited

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Notes to the financial statements

16 Financial assets (continued)

(f) Unrealised gains and losses in fair value on debt securities through other comprehensive income

	2024		2023	
	Fair value £m	Unrealised (loss) or gain £m	Fair value £m	Unrealised (loss) or gain £m
Debt securities				
Assets fair valued at below amortised cost	740.3	(38.3)	735.9	(43.1)
Assets fair valued at or above amortised cost	301.9	2.8	266.9	6.6
Total	<u>1,042.2</u>	<u>(35.5)</u>	<u>1,002.8</u>	<u>(36.5)</u>
Gross unrealised gain or loss position for various percentages of amortised cost				
Between 90% and 100%	990.2	(13.3)	940.7	(17.5)
Below 80% and 90%	2.1	(0.3)	14.8	(2.1)
Below 80%	49.9	(21.9)	47.3	(16.9)
Total	<u>1,042.2</u>	<u>(35.5)</u>	<u>1,002.8</u>	<u>(36.5)</u>

(g) Unrealised gains and losses in fair value on assets designated as fair value through profit or loss

	2024		2023	
	Fair value £m	Unrealised gain £m	Fair value £m	Unrealised (loss) £m
Assets designated as fair value through profit or loss	154.4	3.7	144.8	(0.8)
Total	<u>154.4</u>	<u>3.7</u>	<u>144.8</u>	<u>(0.8)</u>

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Notes to the financial statements

17 Other receivables

		2024 £m	2023 £m
	Note		
Receivables from intermediaries	3	339.0	316.8
Amounts due from group undertakings		94.6	89.7
Accrued interest income		16.3	14.1
Deferred other charges		8.2	7.5
Other receivables		1.1	0.8
Total other receivables		<u>459.2</u>	<u>428.9</u>

Other receivables include amounts owed from intermediaries in line with the accounting policy choice outlined in note 1 (r). Insurance receivables (such as broker debt and salvage) are reported within the relevant insurance contract line within note 19.

Amounts due from group undertakings include an outstanding loan due from Ageas Retail Limited of £70.0m (2023: £70.0m). There are currently no amounts outstanding on the loan facility to Ageas (UK) Limited (2023: £nil).

The Company has issued loans to Ageas (UK) Limited and Ageas Retail Limited, with maximum capacities of £15.0m and £100.0m respectively. The maturity date for both loans is 7 September 2025 and both loans bear interest at 1.75% above the Bank of England base rate. There is also a non-utilisation charge at 0.56% of the undrawn portion of each loan facility.

Except for the loans issued to Ageas (UK) Limited and Ageas Retail Limited mentioned above, amounts due from group undertakings are unsecured, interest free and repayable on demand in cash.

All remaining balances are receivable within one year (2023: within one year).

18 Cash and cash equivalents

	2024 £m	2023 £m
Cash at bank	<u>166.0</u>	<u>129.8</u>

The effective interest rate for the year 2024 on short term bank deposits was 3.05% per annum (2023: 3.25% per annum), with an average maturity of one day.

Included in cash and cash equivalents held by the Company as at 31 December 2024 were balances totalling £0.8m not available for use by the Company because they were held in trust to guarantee claims liabilities (2023: £1.3m).

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Notes to the financial statements

19 Insurance contract liabilities and reinsurance contract assets

	Note	2024			2023		
		Assets £m	Liabilities £m	Net £m	Assets £m	Liabilities £m	Net £m
- Liability for incurred claims	3	-	1,357.9	1,357.9	-	1,437.2	1,437.2
- Liability for remaining coverage		-	743.0	743.0	-	690.1	690.1
Insurance contracts issued		<u>-</u>	<u>2,100.9</u>	<u>2,100.9</u>	<u>-</u>	<u>2,127.3</u>	<u>2,127.3</u>
- Asset for incurred claims	3	714.0	-	714.0	753.6	-	753.6
- Asset for remaining coverage		166.5	-	166.5	135.1	0.1	135.0
Reinsurance contracts held		<u>880.5</u>	<u>-</u>	<u>880.5</u>	<u>888.7</u>	<u>0.1</u>	<u>888.6</u>

The Company has a reinsurance agreement with ageas SA/NV, the ultimate parent holding company, to cede 40% of both prior and future claim liabilities under a loss portfolio transfer agreement and quota share treaty. See note 30 for more information.

The amounts disclosed within this note include LPT reinsurance contracts held measured under the GMM, and does not result in different results under GMM and PAA, as explained in the accounting policy in note 1 (s) (vii). For this reason, the LPT contracts have been disclosed in aggregate with the contracts eligible for the PAA within this note. The reinsurance contract asset relating to these Loss Portfolio Transfer reinsurance contracts amounts to £43.3m as at 31 December 2024 (2023: £59.9m).

Excluded from reinsurance premiums and amounts recoverable from reinsurers for incurred claims are non-distinct investment components relating to profit commission on reinsurance contracts of £190.9m (2023: £124.0m) generated from contractual terms that do not meet the definition of insurance but are nevertheless within the scope of IFRS 17. See note 19 (iii) and (iv).

The liability for incurred claims is split £454.9m current and £903.0m non-current (2023: £478.6m current, £958.6m non-current). The asset for incurred claims is split £239.2m current and £474.8m non-current (2023: £250.9m current, £502.7m non-current).

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Notes to the financial statements

19 Insurance contract liabilities and reinsurance contract assets (continued)

(i) Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims as at 31 December 2024

	Note	2024				Total £m
		Liabilities for remaining coverage		Liabilities for incurred claims		
		Excluding loss component £m	Loss component £m	Estimates of the present value of future cash flows £m	Risk adjustment £m	
Portfolios of insurance contracts which are liabilities		690.1	-	1,358.8	78.4	2,127.3
Net insurance contract liabilities as at 1 January 2024		690.1	-	1,358.8	78.4	2,127.3
Insurance revenue		(1,512.2)	-	-	-	(1,512.2)
Incurred claims and other insurance service expense	4	-	-	1,093.1	25.8	1,118.9
Changes to liabilities for incurred claims	4	-	-	(69.6)	(35.3)	(104.9)
Insurance service expenses		-	-	1,023.5	(9.5)	1,014.0
Insurance service result		(1,512.2)	-	1,023.5	(9.5)	(498.2)
Insurance finance expense	7	-	-	15.9	1.2	17.1
Total changes in the statement of profit or loss and OCI		(1,512.2)	-	1,039.4	(8.3)	(481.1)
Premiums received		1,565.1	-	-	-	1,565.1
Claims and other insurance service expense paid		-	-	(1,110.5)	0.1	(1,110.4)
Total cash flows		1,565.1	-	(1,110.5)	0.1	454.7
Net insurance contract liabilities as at 31 December 2024		743.0	-	1,287.7	70.2	2,100.9
Portfolios of insurance contracts which are liabilities		743.0	-	1,287.7	70.2	2,100.9
Net insurance contract liabilities as at 31 December 2024		743.0	-	1,287.7	70.2	2,100.9

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Notes to the financial statements

19 Insurance contract liabilities and reinsurance contract assets (continued)

(ii) Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims as at 31 December 2023

	Note	2023				Total £m
		Liabilities for remaining coverage		Liabilities for incurred claims		
		Excluding loss component £m	Loss component £m	Estimates of the present value of future cash flows £m	Risk adjustment £m	
Portfolios of insurance contracts which are liabilities		497.8	-	1,484.6	94.9	2,077.3
Net insurance contract liabilities as at 1 January 2023		497.8	-	1,484.6	94.9	2,077.3
Insurance revenue		(1,109.3)	-	-	-	(1,109.3)
Incurred claims and other insurance service expense	4	-	-	905.3	22.4	927.7
Changes to liabilities for incurred claims	4	-	-	(139.8)	(44.5)	(184.3)
Insurance service expenses		-	-	765.5	(22.1)	743.4
Insurance service result		(1,109.3)	-	765.5	(22.1)	(365.9)
Insurance finance expense	7	-	-	69.8	5.6	75.4
Total changes in the statement of profit or loss and OCI		(1,109.3)	-	835.3	(16.5)	(290.5)
Premiums received		1,301.6	-	-	-	1,301.6
Claims and other insurance service expense paid		-	-	(961.1)	-	(961.1)
Total cash flows		1,301.6	-	(961.1)	-	340.5
Net insurance contract liabilities as at 31 December 2023		690.1	-	1,358.8	78.4	2,127.3
Portfolios of insurance contracts which are liabilities		690.1	-	1,358.8	78.4	2,127.3
Net insurance contract liabilities as at 31 December 2023		690.1	-	1,358.8	78.4	2,127.3

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Notes to the financial statements

19 Insurance contract liabilities and reinsurance contract assets (continued)

(iii) Roll-forward of net asset or liability for reinsurance contracts held showing the asset for remaining coverage and the asset for incurred claims as at 31 December 2024

	Note	2024				Total £m
		Assets for remaining coverage		Assets for incurred claims		
		Excluding loss component £m	Loss component £m	Estimates of the present value of future cash flows £m	Risk adjustment £m	
Portfolios of reinsurance contracts which are assets		135.1	-	710.8	42.8	888.7
Portfolios of reinsurance contracts which are liabilities		(0.1)	-	-	-	(0.1)
Net reinsurance contract assets as at 1 January 2024		135.0	-	710.8	42.8	888.6
Reinsurance premiums	5	(343.1)	-	-	-	(343.1)
Amounts recoverable for incurred claims and other expenses		-	-	211.8	11.0	222.8
Changes to amounts recoverable for incurred claims		-	-	(26.1)	(18.7)	(44.8)
Amounts recoverable from reinsurers for incurred claims	5	-	-	185.7	(7.7)	178.0
Effect of changes in non-performance risk of reinsurers	5	-	-	0.2	-	0.2
Net result from reinsurance contracts held	5	(343.1)	-	185.9	(7.7)	(164.9)
Reinsurance finance income	7	(1.6)	-	1.5	0.4	0.3
Investment components		(190.9)	-	190.9	-	-
Total changes in the statement of profit or loss and OCI		(535.6)	-	378.3	(7.3)	(164.6)
Premiums paid		567.1	-	-	-	567.1
Amounts received from reinsurance		-	-	(410.6)	-	(410.6)
Total cash flows		567.1	-	(410.6)	-	156.5
Net reinsurance contract assets as at 31 December 2024		166.5	-	678.5	35.5	880.5
Portfolios of reinsurance contracts which are assets		166.5	-	678.5	35.5	880.5
Portfolios of reinsurance contracts which are liabilities		-	-	-	-	-
Net reinsurance contract assets as at 31 December 2024		166.5	-	678.5	35.5	880.5

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Notes to the financial statements

19 Insurance contract liabilities and reinsurance contract assets (continued)

(iv) Roll-forward of net asset or liability for reinsurance contracts held showing the asset for remaining coverage and the asset for incurred claims as at 31 December 2023

	Note	2023				Total £m
		Assets for remaining coverage		Assets for incurred claims		
		Excluding loss component £m	Loss component £m	Estimates of the present value of future cash flows £m	Risk adjustment £m	
Portfolios of reinsurance contracts which are assets		180.9	-	746.4	48.3	975.6
Portfolios of reinsurance contracts which are liabilities		(0.1)	-	(1.8)	(0.1)	(2.0)
Net reinsurance contract assets as at 1 January 2023		180.8	-	744.6	48.2	973.6
Reinsurance premiums	5	(282.1)	-	-	-	(282.1)
Amounts recoverable for incurred claims and other expenses		-	-	220.6	9.9	230.5
Changes to amounts recoverable for incurred claims		-	-	(40.8)	(19.1)	(59.9)
Amounts recoverable from reinsurers for incurred claims	5	-	-	179.8	(9.2)	170.6
Effect of changes in non-performance risk of reinsurers	5	-	-	(0.1)	-	(0.1)
Net result from reinsurance contracts held	5	(282.1)	-	179.7	(9.2)	(111.6)
Reinsurance finance income	7	4.1	-	31.9	3.8	39.8
Investment components		(124.0)	-	124.0	-	-
Total changes in the statement of profit or loss and OCI		(402.0)	-	335.6	(5.4)	(71.8)
Premiums paid		356.2	-	-	-	356.2
Amounts received from reinsurance		-	-	(369.4)	-	(369.4)
Total cash flows		356.2	-	(369.4)	-	(13.2)
Net reinsurance contract assets as at 31 December 2023		135.0	-	710.8	42.8	888.6
Portfolios of reinsurance contracts which are assets		135.1	-	710.8	42.8	888.7
Portfolios of reinsurance contracts which are liabilities		(0.1)	-	-	-	(0.1)
Net reinsurance contract assets as at 31 December 2023		135.0	-	710.8	42.8	888.6

Ageas Insurance Limited

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Notes to the financial statements

19 Insurance contract liabilities and reinsurance contract assets (continued)

(v) Analysis of claims development – gross of reinsurance - as at 31 December 2024

	Accident Year										Total £m
	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	2024 £m	
Estimates of undiscounted gross cumulative claims											
At end of accident year	913.8	1,095.0	980.5	855.6	877.0	793.2	808.5	970.7	903.5	1,049.3	1,049.3
- one year later	1,172.0	1,179.0	945.7	946.5	864.3	751.7	802.3	949.7	847.9		847.9
- two years later	968.4	1,101.8	952.5	876.3	891.7	734.3	769.5	926.9			926.9
- three years later	928.8	1,024.0	922.3	848.3	846.1	690.3	731.5				731.5
- four years later	891.0	1,016.2	911.1	809.2	760.6	667.5					667.5
- five years later	899.6	1,002.8	875.4	815.0	746.8						746.8
- six years later	892.4	995.9	877.5	812.8							812.8
- seven years later	890.1	998.2	867.2								867.2
- eight years later	889.7	995.8									995.8
- nine years later	887.8										887.8
Total undiscounted incurred claims	887.8	995.8	867.2	812.8	746.8	667.5	731.5	926.9	847.9	1,049.3	8,533.5
Cumulative payments to date	(856.5)	(949.1)	(864.2)	(792.5)	(727.8)	(624.1)	(637.2)	(731.8)	(619.4)	(514.3)	(7,316.9)
Gross undiscounted best estimate liabilities	31.3	46.7	3.0	20.3	19.0	43.4	94.3	195.1	228.5	535.0	1,216.6
Effect of the risk adjustment for non-financial risk											70.2
Gross undiscounted liabilities for incurred claims for prior accident years											456.9
Effect of discounting											(385.8)
Gross liabilities for incurred claims in the statement of financial position											1,357.9

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Notes to the financial statements

19 Insurance contract liabilities and reinsurance contract assets (continued)

(vi) Analysis of claims development – net of reinsurance - as at 31 December 2024

	Accident Year										Total £m
	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	2024 £m	
Estimates of undiscounted net cumulative claims											
At end of accident year	878.2	1,002.1	921.2	818.3	588.6	453.3	473.5	591.5	543.8	627.4	627.4
- one year later	1,006.1	1,062.8	920.8	829.4	568.4	434.2	466.1	555.9	494.6		494.6
- two years later	899.6	998.7	883.9	769.6	563.8	420.9	448.3	542.5			542.5
- three years later	880.3	931.1	826.5	715.2	521.8	395.1	426.5				426.5
- four years later	835.2	887.3	791.6	647.0	481.0	381.3					381.3
- five years later	834.2	867.9	751.8	636.4	470.7						470.7
- six years later	825.8	859.5	750.0	635.1							635.1
- seven years later	823.3	849.5	743.9								743.9
- eight years later	822.5	848.5									848.5
- nine years later	819.7										819.7
Total undiscounted incurred claims	819.7	848.5	743.9	635.1	470.7	381.3	426.5	542.5	494.6	627.4	5,990.2
Cumulative payments to date	(793.2)	(860.6)	(764.6)	(633.4)	(463.5)	(360.9)	(378.3)	(430.8)	(369.1)	(309.4)	(5,363.8)
Net undiscounted best estimate liabilities	26.5	(12.1)	(20.7)	1.7	7.2	20.4	48.2	111.7	125.5	318.0	626.4
Effect of the risk adjustment for non-financial risk											34.7
Net undiscounted liabilities for incurred claims for prior accident years											92.8
Effect of discounting											(110.0)
Net liabilities for incurred claims in the statement of financial position											643.9

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Notes to the financial statements

20 Loans and borrowings from group companies

	2024 £m	2023 £m
Non-current liabilities		
Subordinated debt	<u>119.8</u>	<u>119.6</u>

The subordinated debt incurs interest at 3.94% above SONIA per annum, with the SONIA rate being reviewed quarterly. From 2026 the interest rate will increase to 4.94% above SONIA per annum and will remain at this rate until maturity. Accrued interest is payable quarterly. During the year, the Company paid £12.2m (2023: £9.9m) in accrued interest. The subordinated debt has a maturity date of 5 November 2046.

Interest charged to the statement of profit or loss during the year was £ 11.10m (2023: £10.3m). See note 9.

Related party transactions are disclosed in note 30.

21 Other financial liabilities

	Note	2024 £m	2023 £m
Lease liabilities	27	1.7	1.8
Derivative financial liabilities		<u>0.6</u>	-
Total other financial liabilities		<u>2.3</u>	<u>1.8</u>

(a) Lease liabilities

Future lease payments are due as follows:

	Minimum lease payments 2024 £m	Interest 2024 £m	Present value 2024 £m	Present value 2023 £m
Current liabilities				
No later than one year	0.6	-	0.6	0.5
Non-current liabilities				
Between one and five years	1.2	(0.1)	1.1	1.0
Later than five years	-	-	-	0.3
	<u>1.8</u>	<u>(0.1)</u>	<u>1.7</u>	<u>1.8</u>

During the year, the Company made £0.7m (2023: £1.0m) of minimum lease payments and £0.1m (2023: £0.1m) was recognised as interest expense in the statement of profit or loss and other comprehensive income in respect of leases.

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Notes to the financial statements

21 Other financial liabilities (continued)

(b) Derivative financial liabilities

	2024 £m	2023 £m
Gross inflow	53.5	-
Gross outflow	<u>(54.1)</u>	<u>-</u>
Currency forward contracts	<u>(0.6)</u>	<u>-</u>
Notional amount	<u>53.5</u>	<u>-</u>
	£m	£m
Current derivative liabilities	<u>0.6</u>	<u>-</u>

The Company holds derivative financial instruments in order to mitigate the exchange risk arising from its USD, AUD and Euro denominated infrastructure equity investments. Currency forward contracts are contractual agreements to sell currency and buy sterling at a specific price and date in the future. The contracts are rebased monthly. See note 16 for details of derivative financial assets.

Ageas Insurance Limited

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Notes to the financial statements

22 Other provisions

	2024 £m	2023 £m
Balance at 1 January	19.0	19.9
Released during the year	-	(0.8)
Provisions used during the year	(0.7)	(1.0)
Increase in provisions during the year	13.7	0.9
Balance at 31 December	<u>32.0</u>	<u>19.0</u>

Included in the amounts above are provisions for expected future levy expenses in respect of the Motor Insurers' Bureau of £27.3m (2023: £17.2m) and a liability in respect of expected dilapidation costs of £0.8 m (2023: £0.6m).

The balance is split £30.8m current and £1.2m non-current (2023: £17.5m current and £1.5m non-current).

There is some uncertainty around the timing of outflows in relation to the future levy expenses provision as it is dependent on future events. The dilapidation cost provision will be utilised upon expiry of the specific lease to which it relates.

23 Current tax

	2024 £m	2023 £m
Current tax (liability)/asset	<u>(0.4)</u>	<u>1.6</u>

The current tax balance represents the amount of income taxes payable in respect of the current year as well as a residual balance in respect of prior years.

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Notes to the financial statements

24 Other payables and deferred income

	2024 £m	2023 £m
Other payables and accrued expenses	62.8	35.7
Amounts due to group undertakings	2.1	2.5
IPT, VAT and other taxes payable	42.1	41.6
Total Other payables and deferred income	<u>107.0</u>	<u>79.8</u>

Amounts due to group undertakings are unsecured, interest free and repayable on demand in cash. All amounts are payable within one year (2023: within one year).

25 Shareholders' equity

(a) Share capital

	Ordinary shares		Deferred shares		Total	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
In issue at 1 January and 31 December	<u>274.8</u>	<u>274.8</u>	<u>3.0</u>	<u>3.0</u>	<u>277.8</u>	<u>277.8</u>

At 31 December 2024, the issued share capital comprised 274,823,432 ordinary shares (2023: 274,823,432) and 3,000,000 deferred shares (2023: 3,000,000). The ordinary and deferred shares have a par value of £1 each and are fully paid up. In May 2024, the authorised share capital of the Company was increased to 319,823,432 ordinary shares (2023: 274,823,432) by the creation of 45 million ordinary shares of £1 each in the capital of the Company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. Deferred shares do not carry the right to vote and holders are not entitled to participate in profits of the Company. All shares rank equally with regard to the Company's residual assets, except that deferred shareholders participate only to the extent of the face value of the shares. On winding up, the deferred shares would rank second, repaying the holders the amount of capital paid up.

(b) Dividends

The Company did not declare or pay dividends during the year (2023: £nil).

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Notes to the financial statements

25 Shareholders' equity (continued)

(c) Restricted Tier 1 notes

	2024 £m	2023 £m
Restricted Tier 1 notes	<u>43.6</u>	<u>-</u>

On 11 July 2024, the Company issued £45.0m of perpetual Restricted Tier 1 contingent convertible notes ('RT1 notes') to the ultimate holding company, ageas SA/NV. The RT1 notes bear interest at a floating rate of interest of 6.23% per annum plus compounded daily SONIA (Sterling Over Night Indexed Average) for the relevant interest period. Interest is payable on the notes quarterly in arrears.

The RT1 notes have no fixed maturity date. Optional cancellation of interest payments is at the discretion of the Company and mandatory cancellation occurs when certain conditions are met. The RT1 notes are therefore treated as equity and the interest payment is recognised directly in equity. During the year interest payments of £1.3m were made and recognised as equity on payment. Fees incurred on the issuance of the notes of £0.1m were recognized as equity. On the occurrence of certain conversion trigger events the notes are convertible into ordinary shares of the Company at par.

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Notes to the financial statements

26 Staff numbers and costs

The following disclosure represents the total number of persons employed by the Company, excluding any employees seconded to any fellow group companies.

The total number of employees at the year end, analysed by category, was as follows:

	2024 No.	2023 No.
Business acquisition	650	663
Claims handling	824	692
Administration	568	503
	<u>2,042</u>	<u>1,858</u>

The full time equivalent number of employees was as follows:

	2024 No.	2023 No.
Business acquisition	619	634
Claims handling	760	633
Administration	546	480
	<u>1,925</u>	<u>1,747</u>

The average number of employees during the year was as follows:

	2024 No.	2023 No.
Total number of employees	<u>1,950</u>	<u>1,830</u>
Full time equivalent number of employees	<u>1,836</u>	<u>1,719</u>

The aggregate payroll costs in respect of these persons were as follows:

	Note	2024 £m	2023 £m
Wages and salaries	8	104.5	90.0
Social security costs	8	11.0	9.5
Other pension costs	8	6.2	5.6
Personnel expenses recharged to a fellow group subsidiary	8	<u>(29.2)</u>	<u>(25.6)</u>
		<u>92.5</u>	<u>79.5</u>

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Notes to the financial statements

27 Operating leases

Leases as lessor

Part of Deansleigh House, a property in Bournemouth, was leased to a fellow group undertaking at arm's length until November 2024, when the lease was surrendered. From July 2024, part of Deansleigh House was leased to a third party, with the remaining part of the property being leased to a different third party from December 2024.

At 31 December, the future minimum lease payments receivable under non-cancellable leases are as follows:

	2024	2023
	£m	£m
Less than one year	1.8	1.7
Between one and five years	7.2	6.4
More than five years	7.3	1.3
Total	<u>16.3</u>	<u>9.4</u>

Leases as lessee

The Company leases motor vehicles and land and buildings with the lease term depending on the underlying lease agreement. The amounts disclosed within the statement of profit or loss and statement of financial position is as follows:

	Note	2024	2023
		£m	£m
Right-of-use assets	13	<u>2.1</u>	<u>1.8</u>
Lease liabilities	21	<u>1.7</u>	<u>1.8</u>
Amounts recognised in profit or loss	9, 21	<u>0.1</u>	<u>0.1</u>

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Notes to the financial statements

28 Employee benefits

Defined contribution pension plans

The Company operates two defined contribution schemes. The Ageas Group Personal Pension scheme is for the majority of its employees and the Groupama Personal Pension Plan is in respect of a small number of employees. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension costs in respect of members of these funds represents contribution payable by the Company to the funds and amounted to £6.2m (2023: £5.6m) in the year. The Company has no further payment obligations once the contributions have been paid.

Defined benefit pension plan

The Company operates a funded defined benefit pension scheme, the Ageas Insurance Staff Pension Scheme, in respect of staff who were members of the scheme on 31 December 1997 and staff of group companies who had contractual rights to join the scheme after this date. In 2001 active members of the Northern Star Insurance Company Limited Superannuation Fund, whose employment transferred to the Company, joined the scheme for future service on a benefit structure mirroring that in their previous scheme and were granted past service benefits in respect of a bulk transfer payment received from that scheme. The scheme closed for future accrual with effective from 1 January 2021.

The assets of the scheme are held in a separate trust fund. Assets are invested under trustee guidelines. Contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. A full actuarial valuation was carried out at 31 December 2023. As at that date, the market value of the assets of the scheme amounted to £143.2m and was sufficient to cover 124.0% of the present value of the benefits that had accrued to members. As at 31 December 2024, the market value of the assets of the scheme amounted to £128.5m and was sufficient to cover 125.1% of the present value of the defined benefit obligation.

The expense recognised in the statement of profit or loss in respect of the defined benefit pension scheme in 2024 was £0.7m (2023 expense: £0.9m).

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Notes to the financial statements

28 Employee benefits (continued)

Defined benefit pension asset recognised in the statement of financial position

	2024	2023
	£m	£m
Opening net asset	27.7	29.4
Income recognised in the statement of profit or loss	0.7	0.9
Remeasurements recognised through other comprehensive income	(2.7)	(2.7)
Net defined benefit pension asset recognised in the statement of financial position	<u>25.7</u>	<u>27.7</u>

Assumptions

The formal valuation of the Ageas Insurance Staff Pension Scheme was updated by a qualified independent actuary on an IAS 19 (Revised) basis as at 31 December 2024. The major assumptions used by the actuary were:

Valuation method	2024	2023
	Projected	Projected
	unit	unit
	%	%
Pensions accrued before 1 October 2012 rate of increase:		
- Post 1988 Non GMP (ex Bishopsgate members)	5.00	5.00
- Post 1988 Non GMP (ex Northern Star members)	5.00	5.00
Pensions accrued from 1 October 2012 rate of increase	2.50	2.50
Discount rate	5.45	4.45
RPI inflation assumption	3.40	3.30

The future life expectancy assumption for a current male pensioner aged 65 is 22.7 years (2023: 22.1 years), for a current female pensioner aged 65 it is 24.4 years (2023: 24.5 years), for a future male pensioner aged 65 in 20 years from the accounting date it is 24.0 years (2023: 23.4 years), and for a future female pensioner aged 65 in 20 years from the accounting date it is 25.8 years (2023: 25.9 years).

The assumptions used by the actuary are considered to be the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice.

The defined benefit scheme is closed to new members. Under the projected unit method of valuing the liabilities of the scheme, the current service cost will increase as the members of the scheme approach retirement.

At 31 December 2024 the estimated duration of the defined benefit obligation was 13 years (2023: 13 years).

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Notes to the financial statements

28 Employee benefits (continued)

Changes in the present value of the obligations

	2024 £m	2023 £m
Present value of defined benefit obligation at 1 January	115.5	115.3
Interest expense	5.0	5.4
Current service cost	0.6	0.5
Benefits and other payments	(5.5)	(5.5)
Remeasurement on obligation	(12.8)	(0.1)
Present value of defined benefit obligation at 31 December	<u>102.8</u>	<u>115.5</u>

Changes in the fair value of scheme assets

	2024 £m	2023 £m
Fair value of scheme assets at 1 January	143.2	144.7
Interest on assets	6.3	6.8
Benefits and other payments	(5.5)	(5.5)
Remeasurement on scheme assets	(15.5)	(2.7)
Fair value of scheme assets at 31 December	<u>128.5</u>	<u>143.2</u>

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Notes to the financial statements

28 Employee benefits (continued)

Amounts recognised in the statement of financial position and statement of profit or other comprehensive income

	2024 £m	2023 £m
Fair value of scheme assets at 31 December	128.5	143.2
Present value of the defined benefit obligation at 31 December	<u>(102.8)</u>	<u>(115.5)</u>
Net defined benefit asset recognised in statement of financial position	<u>25.7</u>	<u>27.7</u>
Current service cost	(0.6)	(0.5)
Interest expense	(5.0)	(5.4)
Interest on assets	6.3	6.8
(Income)/expense recognised in statement of profit or loss and other comprehensive income	<u>0.7</u>	<u>0.9</u>
Remeasurement on scheme assets during the year	(15.5)	(2.7)
Remeasurement on defined benefit obligations during the year	<u>12.8</u>	<u>0.1</u>
Total remeasurement during the year	<u>(2.7)</u>	<u>(2.6)</u>
Opening remeasurements through OCI	32.1	34.7
Total remeasurement during the year	<u>(2.7)</u>	<u>(2.6)</u>
Closing remeasurements through OCI	<u>29.4</u>	<u>32.1</u>
Interest on scheme assets	(6.3)	(6.8)
Remeasurement on scheme assets	<u>15.5</u>	<u>2.7</u>
Actual return on scheme assets	<u>9.2</u>	<u>(4.1)</u>
Remeasurement on defined benefit obligations due to change in assumptions		
- Remeasurement on defined benefit obligations due to change in demographic assumptions	1.2	(3.5)
- Remeasurement on defined benefit obligations due to change in financial assumptions	(13.1)	4.2
Experience remeasurement on defined benefit obligation	<u>(0.9)</u>	<u>(0.8)</u>
Total remeasurement on defined benefit obligation	<u>(12.8)</u>	<u>(0.1)</u>
Asset mix of scheme assets		
Debt securities	126.1	109.1
Real estate	-	18.4
Other	<u>2.4</u>	<u>15.7</u>
Fair value of scheme assets at 31 December	<u>128.5</u>	<u>143.2</u>

All assets are designated as level 2 financial instruments and are valued using inputs which are observable (i.e. developed using market data) for the asset, either directly or indirectly.

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Notes to the financial statements

28 Employee benefits (continued)

Sensitivity analysis

The following potential changes to two of the key actuarial assumptions at the reporting date, holding other assumptions constant, would have affected the defined benefit pension scheme obligation by the amounts shown below:

	2024		2023	
	Increase £m	Decrease £m	Increase £m	Decrease £m
Discount rate (1% movement)	11.6	(14.2)	14.1	(17.6)
Future pension growth (1% movement)	(4.3)	4.7	(5.8)	5.7

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Notes to the financial statements

29 Assets and liabilities – classification and measurement

Assets and liabilities have been classified and valued in accordance with the requirements of international accounting standards. For financial assets the basis of valuation is set out in note 1 and classification into Levels is detailed in note 16.

Other assets and liabilities valued at fair value are in accordance with the principles set out in IFRS 13: Fair Value Measurement. Where the carrying amount of financial assets and financial liabilities not measured at fair value is a reasonable approximation of fair value, then the fair value information is not disclosed. The basis applied is summarised below:

	2024 £m	2024 £m	2024 £m
	Fair value through profit or loss/OCI	Cost/ amortised cost	Total carrying value
Assets			
Investment in group undertakings	-	-	-
Investment property	-	18.4	18.4
Property, plant and equipment	-	35.8	35.8
Intangible assets	-	113.2	113.2
Employee benefits	25.7	-	25.7
Deferred tax assets	-	27.5	27.5
Financial assets	1,197.1	-	1,197.1
Reinsurance contract assets	(264.9)	1,145.4	880.5
Other receivables	-	459.2	459.2
Cash and cash equivalents	-	166.0	166.0
Total assets	957.9	1,965.5	2,923.4
Liabilities			
Insurance contract liabilities	(315.7)	2,416.6	2,100.9
Financial liabilities:			
- Loans and borrowings from group companies	-	119.8	119.8
- Other	-	2.3	2.3
Other provisions	-	32.0	32.0
Deferred tax liability	-	6.5	6.5
Current tax liability	-	0.4	0.4
Other payables and deferred income	-	107.0	107.0
Total liabilities	(315.7)	2,684.6	2,368.9

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Notes to the financial statements

29 Assets and liabilities – classification and measurement (continued)

	2023 £m	2023 £m	2023 £m
	Fair value through profit or loss/OCI	Cost/ amortised cost	Total carrying value
Assets			
Investment in group undertakings	-	-	-
Investment property	-	18.5	18.5
Property, plant and equipment	-	36.9	36.9
Intangible assets	-	70.3	70.3
Employee benefits	27.7	-	27.7
Deferred tax assets	-	39.7	39.7
Financial assets	1,147.6	-	1,147.6
Reinsurance contract assets	(239.2)	1,127.9	888.7
Current tax asset	-	1.6	1.6
Other receivables	-	428.9	428.9
Cash and cash equivalents	-	129.8	129.8
Total assets	936.1	1,853.6	2,789.7
Liabilities			
Insurance contract liabilities	(280.0)	2,407.3	2,127.3
Reinsurance contract liabilities	-	0.1	0.1
Financial liabilities:			
- Loans and borrowings from group companies	-	119.6	119.6
- Other	-	1.8	1.8
Other provisions	-	19.0	19.0
Deferred tax liability	-	9.7	9.7
Other payables and deferred income	-	79.8	79.8
Total liabilities	(280.0)	2,637.3	2,357.3

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Notes to the financial statements

30 Related party transactions

The Company has a related party relationship with the directors and other key management personnel of the Company.

Transactions with directors and other key management personnel

In addition to their salaries, the Company also provides non-cash benefits to directors and other key management personnel, and contributes to a post-employment defined benefit plan or a defined contribution scheme on their behalf.

The remuneration of the directors in respect of services to the Company consists of:	2024 £m	2023 £m
Short-term employee benefits	<u>0.7</u>	<u>0.6</u>
	<u>0.7</u>	<u>0.6</u>
The remuneration of the key management personnel in respect of services to the Company consists of:	2024 £m	2023 £m
Short-term employee benefits	<u>1.4</u>	<u>1.1</u>
	<u>1.4</u>	<u>1.1</u>
In respect of the highest paid director:	2024 £m	2023 £m
Short-term employee benefits	<u>0.3</u>	<u>0.3</u>
	<u>0.3</u>	<u>0.3</u>

One of the Company's directors is not included in the disclosure above as no recharge is received for their services.

Under the defined benefit scheme, the highest paid director's accrued pension at the year end was £nil (2023: £nil).

There are no benefits accruing for key management personnel under the defined benefit pension scheme (2023: one).

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Notes to the financial statements

30 Related party transactions (continued)

Group reinsurance

The Company has a reinsurance agreement with ageas SA/NV, the ultimate parent holding company, to cede 40% of both prior and future claim liabilities under a loss portfolio transfer agreement and quota share treaty.

The transactions have been undertaken on a funds withheld basis and the premiums, claims and expenses which have been reinsured out of the Company under the arrangements during the year are:

	2024 £m	2023 £m
Net loss from reinsurance contracts	<u>(36.0)</u>	<u>(1.4)</u>
Net investment expense	<u>(25.5)</u>	<u>(16.2)</u>
Reinsurance finance income from reinsurance contracts held	<u>16.8</u>	<u>12.6</u>
Other finance income	<u>0.5</u>	<u>0.4</u>
<p>The balances in the statement of financial position relating to this arrangement are:</p>		
Reinsurance contract assets	<u>664.3</u>	<u>626.2</u>

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Notes to the financial statements

30 Related party transactions (continued)

Other related party transactions

In the ordinary course of business, the Company carries out transactions with related parties as defined in IAS 24, Related Party Disclosures. Material transactions are set out below.

The Company's immediate parent undertaking is Ageas (UK) Limited. The Company has subordinated debt with Ageas Insurance International N.V., the Company's intermediate parent undertaking (see note 20). Ageas Insurance International N.V. also provides the Company with services in relation to Solvency II. The Company issued perpetual Restricted Tier 1 contingent convertible notes (the RT1 notes) during the year to ageas SA/NV, the Company's ultimate holding company (see note 25(c)).

The Company has issued loans to Ageas (UK) Limited and Ageas Retail Limited, with maximum capacities of £15.0m and £100.0m respectively. The maturity date for both loans is 7 September 2025 and both loans bear interest at 1.75% above the Bank of England base rate. There is also a non-utilisation charge at 0.56% of the undrawn portion of each loan facility. As at 31 December 2024 the outstanding loan due from Ageas Retail Limited was £70.0m (2023: £70.0m). There are currently no amounts outstanding on the loan issued to Ageas (UK) Limited (2023: £nil). See note 17. See note 6 for interest income on the loans receivable.

Ageas Retail Limited is an insurance broker which is wholly owned by Ageas (UK) Limited. The Company pays Ageas Retail Limited commission in relation to premiums brokered by Ageas Retail Limited. The Company received rental income from Ageas Retail Limited as the sitting tenant within part of Deansleigh House in Bournemouth until November 2024, when all deeds of surrender were signed. In addition, the Company seconded employees to Ageas Retail Limited with the aggregate payroll costs in respect of these persons being £29.2m for 2024 (2023: £25.6m).

The Company provided administration and claims settlement services to its fellow subsidiary, Ageas Services (UK) Limited until 30 June 2024 when all activities of Ageas Services (UK) Limited ceased. After that date, the Company provided those services to Ageas Retail Limited.

The Company holds a 51% controlling interest in HCP (Estate Management) Limited, which is limited by guarantee (the amount of the guarantee is £1) and has been formed without share capital.

	2024 Comp. income £m	2024 Financial Position £m	2023 Comp. income £m	2023 Financial Position £m
	(Expense)/ income	(Liability) / asset	(Expense)/ income	(Liability) / asset
Immediate parent and intermediate holding company	58.9	(107.9)	45.7	(117.2)
Fellow subsidiary company transactions and balances	29.3	94.4	24.7	89.5
Defined benefit pension scheme transactions and balances	1.2	25.7	1.4	27.7
Total	<u>89.4</u>	<u>12.2</u>	<u>71.8</u>	<u>-</u>

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Notes to the financial statements

31 Capital commitments

	2024 £m	2023 £m
Authorised and contracted for	4.4	9.2
	<u>4.4</u>	<u>9.2</u>

Authorised and contracted items relate to committed investments in infrastructure equity funds.

32 Post balance sheet event

The Company has entered into a loss portfolio transfer reinsurance agreement that transfers the economic risks remaining on its commercial lines of business effective from 1 January 2025. This strategic decision follows the sale of the Company's Commercial lines business to AXA Insurance UK in 2022 and allows the Company to concentrate exclusively on its role as a leading Personal lines insurer in the UK. Due to the nature and length of the agreement, it is not possible to provide an estimate of financial effect of this transaction.

33 Parent company

The Company's immediate parent company is Ageas (UK) Limited, a company incorporated in England and Wales whose registered address is Ageas House, Hampshire Corporate Park, Templars Way, Eastleigh, Hampshire, SO53 3YA.

The Company's results are consolidated into the financial statements of the ultimate holding company ageas SA/NV, a company incorporated in Belgium whose registered address is Avenue du Boulevard 21, 1210 Brussels.

Copies of the above financial statements can be obtained from the Company Secretary, Ageas Insurance Limited, Ageas House, Hampshire Corporate Park, Templars Way, Eastleigh, Hampshire, SO53 3YA.

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Independent Auditor's Report to the Members of Ageas Insurance Limited

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2024 and of its profit for the year then ended;
- the Company's financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Ageas Insurance Limited (the 'Company') for the year ended 31 December 2024 which comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, other than that part of Note 3(i) marked 'Unaudited', including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

Basis for opinion

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

Independence

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 21 June 2021 to audit the financial statements for the year ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is four years, covering the years ended 31 December 2021 to 31 December 2024. We remain independent of Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company. The audit-related assurance services provided to the company that are disclosed in the financial statements are:

- Audit of the Solvency & Financial Condition Report for the year ended 31 December 2024.

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Independent Auditor's Report to the Members of Ageas Insurance Limited

Conclusions relating to going concern

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

- Obtaining the directors' going concern assessment and challenging the rationale for the material assumptions made. Our challenge was based on our knowledge of the Company's business performance, review of regulatory correspondence and obtaining further corroborating evidence from external sources.
- A consideration of the accuracy of the Managements forecasting ability by comparing previous reporting periods budgets to current year actuals.
- Considering the Directors' assessment of the regulatory solvency coverage and liquidity position in the forward-looking scenarios considered, which have been derived from the Company's Own Risk and Solvency Assessment ("ORSA").
- Considering information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict the Directors' assessment of going concern.

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

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

Overview

		2024	2023
Key audit matters	1. Valuation of large third-party injury claims ('TPI Large') Incurred but not reported ('IBNR') reserves within the liability for incurred claims.	Y	Y
	2. Valuation of the discounting of liability for incurred claims ('LIC') and the asset for incurred claims ('AIC').	Y	Y
	3. Valuation of the risk adjustment of LIC and the AIC.	Y	Y
	4. Adoption of IFRS 17 and restatement of comparatives	N	Y
	The adoption of IFRS 17 and restatement of comparative is no longer considered a key audit matter as the restatement is not reported in these financial statements.		
Materiality	<i>Company financial statements as a whole</i> £15.1m (2023: £16.6m) based on 1% of Insurance Revenue (2023: 1.5% of Insurance Revenue).		

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Independent Auditor's Report to the Members of Ageas Insurance Limited

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Climate change

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

- Enquiries of management to understand the actions and plans they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report.
- Carried out our own qualitative risk assessment on the impact of climate change on material balances in the financial statements.
- Reviewed the disclosures relating to Climate Change risks in the strategic report.

We assessed the consistency of managements disclosures included as 'Other Information' on pages 2-19 with the financial statements and with our knowledge obtained from the audit.

Key audit matters

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

Key audit matter		How the scope of our audit addressed the key audit matter
<p>1. Valuation of the TPI Large IBNR reserves within the LIC.</p> <p>The valuation of the LIC (which includes the TPI Large IBNR) at 31 December 2024 amounted to £1,357.9m (2023: £1,437.2m) - Note 19.</p> <p>Refer to Note 1(r) for the accounting policy and Note 2 Critical accounting judgements and key sources of estimation uncertainty.</p>	<p>The valuation of TPI Large IBNR is a key area of estimation within the financial statements.</p> <p>The TPI large IBNR included in the LIC is very sensitive to assumptions about the frequency and severity of reported claims. Setting these assumptions is dependent on the historical claims data, inflation and future health care costs. The level of judgement and financial impact in this type of claim is higher than the remainder of the LIC.</p>	<p>In assessing the valuation of TPI Large IBNR, together with our actuarial specialists, we performed the following procedures:</p> <ul style="list-style-type: none">• Obtained an understanding of the reserving process for TPI Large IBNR.• Performed an independent reprojection, incorporating our own view of claim frequency and severity, and established a range of reasonable best estimates. The completeness and accuracy of data used in the reprojection was checked by reconciling key data elements to claims, underwriting and financial records. <p>Key observations: We consider the valuation of TPI Large IBNR to be reasonable.</p>

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Independent Auditor's Report to the Members of Ageas Insurance Limited

Key audit matter		How the scope of our audit addressed the key audit matter
<p>2. Valuation of the discounting of LIC and AIC.</p> <p>The net discounting on insurance contract liabilities as at 31 December 2024 amounted to £110m (2023: £101m) – Note 19.</p> <p>Refer to Note 1(r) for the accounting policy and Note 2 Critical accounting judgements and key sources of estimation uncertainty</p>	<p>The discounting of the LIC and AIC is material. The calculation is inherently complex.</p> <p>The complexity relates to the calculation being performed to cashflows at a group of insurance contracts and reinsurance contracts held ('groups') level and the determination of the rate these groups are discounted.</p>	<p>In assessing the impact of discounting, together with our actuarial specialist we:</p> <ul style="list-style-type: none"> • Evaluated the actuarial assumptions applied in determining the cashflows payment patterns for discounting. • Reviewed the appropriateness of the discount rate used to discount the groups. • Tested the accuracy of the discounting of reserves by independently reperforming 100% of the discounting calculation. • Performed completeness and accuracy testing over key data elements used in the models used for the calculation of the discounting. <p>Key observations: We consider the calculation of the discounting of the LIC and AIC and the determined discount rates to be reasonable.</p>
<p>3. Valuation of the risk adjustment of LIC and the AIC.</p> <p>The net risk adjustment on insurance contract liabilities as at 31 December 2024 amounted to £34.7m (2023: £35.6m) - Note 19.</p> <p>Refer to Note 1(r) for the accounting policy and Note 2 Critical accounting judgements and key sources of estimation uncertainty.</p>	<p>The risk adjustment is material and inherently complex requiring judgements and assumptions on future claim payment patterns, and the payment amount.</p> <p>The financial statements disclosure includes a confidence level that is required in IFRS 17 that is linked to management's risk appetite. There is a risk of management bias in the assumptions used to determine this confidence level.</p>	<p>In assessing the risk adjustment, together with our actuarial specialist we performed the following procedures:</p> <ul style="list-style-type: none"> • Carried out a review of the methodology to calculating the risk adjustment including the assumptions relating to future claim payment patterns. • Our actuarial specialist tested that IFRS 17 fulfilment cashflows are included within the risk distribution used to determine the 75th percentile confidence level. • Tested the key inputs into the models used for the calculation of the risk adjustment to assess whether they are accurate and complete. <p>Key observations: We consider that the assumptions and judgements in the valuation of the risk adjustment to be reasonable.</p>

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Our application of materiality

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

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

In the current year we have reassessed the materiality basis previously used in the context of a growing business and benchmarking to similar insurers, we concluded that specific materiality is not considered necessary in the current year.

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

	Company financial statements	
	2024 £m	2023 £m
Materiality	£15.1m	16.6m
Basis for determining materiality	1% of Insurance Revenue	1.5% of Insurance Revenue
Rationale for the benchmark applied	A benchmark of Insurance Revenue was used as the Company's principal activity is the provision of general insurance and thus the collection of premiums (insurance revenue) with an obligation to pay claims. We have determined insurance revenue as an appropriate benchmark as it is stable and a key performance indicator for the users of the financial statements.	A benchmark of Insurance Revenue was used as the Company's principal activity is the provision of general insurance and thus the collection of premiums (insurance revenue) with an obligation to pay claims. We have determined insurance revenue as an appropriate benchmark as it is stable and a key performance indicator for the users of the financial statements.
Performance materiality	£11.3m	£12.5m
Basis for determining performance materiality	75% of Materiality	75% of Materiality
Rationale for the percentage applied for performance materiality	This was reflective of our perceived risk of the financial statements containing misstatements.	This was reflective of our perceived risk of the financial statements containing misstatements.

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Independent Auditor's Report to the Members of Ageas Insurance Limited

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £755,000 (2023: £830,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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Other Companies Act 2006 reporting

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

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

Responsibilities of Directors

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

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

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Independent Auditor's Report to the Members of Ageas Insurance Limited

Auditor's responsibilities for the audit of the financial statements

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

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

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

Non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and other management, and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements are:

- Companies Act of 2006.
- The permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA').
- UK adopted international accounting standards.

Non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. Our procedures in respect of the above included:

- Reviewed minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations.
- Obtained an understanding of the legal and regulatory framework applicable to the Company's operations.
- Obtained an understanding of the control environment in monitoring compliance with laws and regulations.
- Inspected correspondence with the PRA and FCA.
- Enquired with the Directors and other management of instances of non-compliance.
- Tested year end compliance with solvency requirements.
- Assessed the adequacy of disclosures within the financial statements.

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Independent Auditor's Report to the Members of Ageas Insurance Limited

Fraud

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

- Enquired of those charged with governance, internal audit, and management as to whether they have knowledge of any actual, suspected, or alleged fraud.
- Considered remuneration incentive schemes and performance targets for management.
- Reviewed Board, and Audit Committee meeting minutes, as well as correspondence with regulatory authorities throughout the year.
- Identified any unusual journal entries based on criteria that are indicative of a high risk of fraud.
- Consulted with our own forensic professionals regarding the identified fraud risks and the design of the audit procedures planned in response to these. This involved the forensic professionals attending the Risk Assessment and Planning Discussion and discussion between the engagement partner, and the forensic professional.
- Considered the Company's processes to consider external policyholder fraud.
- Obtained an understanding of the control environment in monitoring compliance with laws and regulations.

Based on our risk assessment, we considered the area's most susceptible to fraud to be valuation of insurance contract liabilities, valuation of reinsurance contract assets, management override of controls and manual journal entries related to revenue recognition.

Our procedures in respect of the above included:

- Evaluated a sample of journal entries throughout the year, which met a defined high risk of fraud criterion, by agreeing to supporting documentation.
- Engaged tax specialists over the valuation, existence, and accuracy of deferred tax assets.
- We re-calculated the earnings of premium that is on the linear earnings patterns.

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Independent Auditor's Report to the Members of Ageas Insurance Limited

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

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

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

Use of our report

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

Alexander Barnes (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

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