

Evolution Insurance Company Limited

FINANCIAL STATEMENTS

for the year ended 30 June 2025

Company Registration No. 88737

**Evolution Insurance Company Limited
Financial Statements
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**Evolution Insurance Company Limited
Company Information**

Directors

W Bidwell
M Ashton
T Stephenson
C Gilchrist Estella
S Haynes
F Cassar

Secretary

SRS Management (Gibraltar) Limited
5/5 Crutchett's Ramp
Gibraltar

Auditor

Grant Thornton (Gibraltar) Limited
6A Queensway
Gibraltar

Registered office

5/5 Crutchett's Ramp
Gibraltar

Registered number

88737

**Evolution Insurance Company Limited
Directors' Report**

The directors present their report and financial statements for the year ended 30 June 2025.

Principal activities

Evolution Insurance Company Limited ("EICL", the "Company") is part of an independent privately-owned insurance group which offers traditional and innovative non-life insurance solutions to its business partners. The Company is licensed by the Gibraltar Financial Services Commission ("GFSC") to underwrite the following insurance classes:

- 1 Accident
- 2 Sickness
- 3 Land vehicles
- 7 Goods in transit
- 8 Fire and natural forces
- 9 Damage to property
- 10 Motor vehicle liability
- 13 General liability
- 14 Credit
- 15 Suretyship
- 16 Miscellaneous financial loss (MFL)
- 17 Legal expenses
- 18 Assistance

Review of the business

The results for the year are as shown in the statement of comprehensive income on pages 9 and 10. The shareholder's funds total £24.9m (2024: £22.7m).

During the last 12 months the Company reported Gross Written Premium (GWP) of £14.4m (2024: £12.2m). GWP from the Assistance class is growing steadily and performing in line with expectations but this has been offset by lower premium in the Surety and Miscellaneous Financial Loss (MFL) classes. The Surety market has experienced a challenging period and the Company has reduced its premium levels to ensure a focus on better quality exposures. The reduction in MFL premium is due to minimal new premium from the closed Latent Defects Insurance books which is driven by the time lapse since these books were closed to new quotes.

The Assistance class business is shorter in duration than Surety and MFL and therefore the growth in this class has driven the growth in Earned Premium to £14.5m (2024: £13.0m).

The result on the Technical Account is a profit of £1.6m (2024: £0.5m) which includes changes to the provision for claims recommended by the Company's independent reserving actuary. Over the last 12 months the Company paid claims of £10.5m (2024: £7.1m). The increase in net operating expenses relates to acquisition costs associated with the growth in GWP.

The Company's investment portfolio has generated a total return of £2.4m (2024: £2.8m). This underwriting and investment performance, combined with good control of administration costs, has enabled the Company to report a profit after tax for the current year of £2.2m (2024: £1.6m). The Company did not pay dividends in 2024 and 2025.

The Board regularly assesses the ongoing developments arising from macro events and their impact on the economic, political, and regulatory environment. The Board is also focused on cyber, inflation and climate change and believes it has made adequate allowance for developments in these areas. In addition, the Board continues to work closely with the Company's business partners to control costs while maintaining a constant focus on delivering good customer outcomes. The Company maintains a strong financial and liquidity position and therefore the Board believes it is well positioned for any future adverse economic developments.

Solvency II

The Board is focused on maintaining a strong balance sheet and looks to ensure there are sufficient own funds to (1) meet the regulatory solvency requirement, (2) provide additional resilience to adverse events, and (3) support new business opportunities. The Company's unaudited Solvency II SCR coverage ratio calculated at 30 June 2025 was 192% (2024: 192%).

Future developments

The Board is focused on maintaining the robust financial position of the Company while continuing to support and work closely with the current business partners.

In addition, the Board will seek new underwriting opportunities that are within their risk appetite and which support a long-term relationship that delivers good outcomes for all parties.

**Evolution Insurance Company Limited
Directors' Report**

Principal risks and uncertainties

The principal risks and uncertainties relate to the Company's general insurance business and arise from fluctuations in timing, frequency and severity of claims compared to its expectations.

The Company is also exposed to financial risks primarily through its investments, reinsurance assets and policyholder liabilities.

These risks are set out in more detail in Notes 24 and 25 to the financial statements.

Financial risk management

Information on the use of the financial instruments by the Company and its management of financial risk is disclosed in Note 25 to the financial statements. In particular, the Company's exposure to market risk, credit risk and liquidity risk are separately disclosed in that note.

Post balance sheet events

Events after the reporting period and up to the signing date of this report are disclosed in Note 30 to the financial statements.

Going concern

The Directors have reviewed the Company's projections for the next three years, from the date of signing these financial statements, including cash flow forecasts, stress-tested ultimate outcome scenarios, and regulatory capital requirements.

As a result of this review, the Directors have satisfied themselves that the Company has adequate resources to continue in operational existence throughout the current period and for the foreseeable future. The results of these tests also indicated that the Company will not breach the solvency capital requirement. Accordingly, the going concern basis has been adopted in preparing the financial statements.

Directors

The directors who served during the year and to the date of this report were as follows:

W Bidwell
M Ashton
T Stephenson
C Gilchrist Estella
S Haynes
F Cassar

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Gibraltar Companies Act 2014 and applicable financial services legislation. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

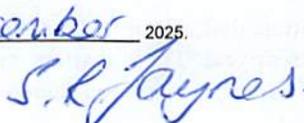
The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors

During the year, the Company appointed Grant Thornton (Gibraltar) Limited as its external auditors who are eligible for re-appointment.

This report was approved by the Board on 5 December 2025.


W Bidwell
Director


S Haynes
Director

Independent auditor's report to the members of Evolution Insurance Company Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Evolution Insurance Company Limited (the 'Company') for the year ended 30 June 2025 which comprise the Statement of Financial Position as at 30 June 2025, and the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, and the Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with Gibraltar Financial Reporting Standards ("GFRS") 102, as adopted from FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and GFRS 103, as adopted from FRS 103 "Insurance Contracts" (Gibraltar Generally Accepted Accounting Practice) and;
- have been prepared in accordance with the requirements of the Companies Act 2014, the Financial Services (Insurance Companies) Regulations 2020 and the Financial Services (Insurance Companies) (Accounts) Regulations 2021.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Gibraltar, including the International Ethics Standards Board's (IESBA's) Code of Ethics for Professional Accountants (the Code) as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company for the year ended 30 June 2024 were audited by BDO Limited who expressed an unmodified opinion on those statements on 12 December 2024.

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 year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and therefore we do not provide a separate opinion on these matters.

Significant matters identified

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are set out below as significant matters together with an explanation of how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole. This is not a complete list of all risks identified by our audit.

Valuation and accuracy of insurance provisions

The valuation and accuracy of insurance provisions for claims incurred by the Company is highly judgmental. The calculation of such provisions is inherently a complex exercise which requires management to make important key assumptions that carry estimation uncertainties. Insurance claims usually take time to develop to their full incurred amounts and information obtained by the Company may not always be readily available.

The Company estimates its claims liabilities through information notified to it by the insurance claims handlers and makes a provision for such claims on a case-by-case basis in its outstanding loss reserves (“OSLR”). This provision is updated on a continuous basis as information is received. The OSLR provision is further supplemented by an additional provision for Incurred but Not Reported (“IBNR”) claims based on different reserving methodologies applicable to each relevant policy portfolio. Information on the development of claims is disclosed in note 26 to the financial statements.

Due to the use of significant judgement in the selection of methodologies and assumptions and the high degree of estimation uncertainty associated with the outcomes, this area has been assessed as a significant risk area and an area where the risk of management override of controls is higher.

In addition to the above, as also disclosed in note 6 to the financial statements, the Company’s OSLR and IBNR amount to £14.81 million, representing 48% of its total liabilities and therefore are material to the financial statements.

How the key audit matter was addressed in our audit

Our audit work included, but was not restricted to:

- obtaining an understanding and evaluating the design and implementation of controls relevant to the Company’s reserving process by conducting walkthroughs;
- engaging our actuarial professionals to determine the reasonableness of the Company’s projected best estimate including but not limited to:
 - a. review of the actuarial valuation reports;
 - b. discussions with management, management experts and external experts involved in the actuarial valuations to obtain an understanding of the methodologies and key assumptions;
 - c. challenging and evaluating key assumptions and methodologies against market participants and our knowledge of the current trend information and expected future developments to determine reasonableness;
 - d. performing substantive procedures to validate the integrity of data used in the actuarial valuation, which includes agreeing amounts of claims already reported to the Company but are still outstanding and claims already paid as at the balance sheet date to source documentation;
- for classes of business not covered by an actuarial review, obtaining an understanding of management’s reserving process and reviewing the level of reserves by performing loss ratio analysis / trends and reviewing historical and current developments;
- performing substantive testing on a sample of claims to verify its accuracy by reviewing claim information;
- evaluating the reinsurance credits taken against the underlying contracts;
- obtaining an understanding of the management’s approach in respect of reinsurance recoveries, including verification of accuracy and recoverability of outstanding amounts;
- obtaining and assessing supporting documentation of how the Board gained comfort on the adequacy of the reserves; and
- assessing whether reserving is in accordance with the Company’s accounting policy and the applicable reporting framework including the required disclosures by the applicable standards.

We completed our planned audit procedures without exception.

The Company's accounting policy on claims incurred and the provision for outstanding claims is shown in notes 3 and 4 to the financial statements and related disclosures are included in notes 6 and 26 to the financial statements.

Other information

Management is responsible for the other information. The other information comprises the Directors' Report but does not include 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 this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If 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.

Responsibilities of the directors and those charged with governance for the financial statements

Management is responsible for the preparation and true and fair presentation of the financial statements in accordance with applicable law in Gibraltar and Gibraltar Financial Reporting Standards (Gibraltar Generally Accepted Accounting Practice), and for being satisfied that they give a true and fair view, and for such internal control as management determines 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, management is 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.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with the agreed scope of our engagement. 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.

Report on Other Legal and Regulatory Requirements

Opinion on other matter prescribed by the Companies Act 2014

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with the requirements of the Companies Act 2014.

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 any material misstatements in the Directors' Report.

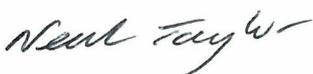
Matters on which we are required to report by exception

We have nothing to report in respect of the matter where the Companies Act 2014 requires us to report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

Other matters which we are required to address

Non-audit services prohibited by the IESBA Code were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.



Neal Taylor
Statutory Auditor
for and on behalf of Grant Thornton (Gibraltar) Limited
6 A Queensway
Gibraltar

Date: 5 December 2025

Evolution Insurance Company Limited
Statement of Comprehensive Income
for the year ended 30 June 2025

TECHNICAL ACCOUNT - GENERAL BUSINESS	Notes	2025	2024
		£	£
Earned premiums, net of reinsurance			
Gross written premiums	5	14,442,631	12,214,321
Outward reinsurance premiums	5	(9,132)	-
Net written premiums		<u>14,433,499</u>	<u>12,214,321</u>
Change in the gross provision for unearned premiums	5	<u>32,977</u>	<u>760,267</u>
		<u>32,977</u>	<u>760,267</u>
Earned premiums, net of reinsurance		<u>14,466,476</u>	<u>12,974,588</u>
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	6	(10,594,053)	(7,130,153)
Reinsurers' share	6	5,394,976	1,381,424
		<u>(5,199,077)</u>	<u>(5,748,729)</u>
Change in the provision for claims			
Gross amount	6	4,989,839	(498,533)
Reinsurers' share	6	(5,036,795)	(476,406)
		<u>(46,956)</u>	<u>(974,939)</u>
Claims incurred, net of reinsurance		<u>(5,246,033)</u>	<u>(6,723,668)</u>
Change in other technical provisions	7	(1,205,521)	-
Net operating expenses	10	(6,428,164)	(5,737,304)
Balance on the Technical Account for General Business		<u>1,586,758</u>	<u>513,616</u>

The notes on pages 15 to 42 form part of these financial statements.

**Evolution Insurance Company Limited
Statement of Comprehensive Income
for the year ended 30 June 2025**

NON - TECHNICAL ACCOUNT	Notes	2025 £	2024 £
Balance on the Technical Account for General Business		1,586,758	513,616
Investment Income			
Income from other financial investments	9	831,375	650,410
Income from land and buildings	9, 27	747,538	597,608
Loss on revaluation of land and buildings	9, 13	(100,000)	-
Realised gain on other financial investments	9	36,094	-
Unrealised gains on other financial investments	9	876,914	1,566,385
		<u>2,391,921</u>	<u>2,814,403</u>
Investment expenses and charges	9	-	(18,000)
Other charges	11	(1,520,962)	(1,528,594)
Profit on ordinary activities before tax		<u>2,457,717</u>	<u>1,781,425</u>
Tax on profit on ordinary activities	12	(303,081)	(149,402)
Profit for the financial year		<u>2,154,636</u>	<u>1,632,023</u>
Other comprehensive income	14	30,023	326,825
Total comprehensive income for the financial year		<u>2,184,659</u>	<u>1,958,848</u>

There are no recognised gains or losses other than disclosed above and there have been no discontinued activities or acquisitions in the year. The result is stated on a historical cost basis adjusted to include revaluation of certain investments.

The notes on pages 15 to 42 form part of these financial statements.

Evolution Insurance Company Limited
Statement of Financial Position
as at 30 June 2025

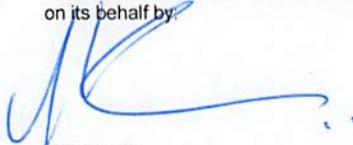
	Notes	2025 £	2024 £
ASSETS			
Investments			
Land and buildings	13	9,945,000	10,045,000
Other financial investments	14	<u>30,784,008</u>	<u>28,286,819</u>
		40,729,008	38,331,819
Reinsurers' share of technical provisions			
Claims outstanding	6	<u>4,025,496</u>	<u>9,062,291</u>
		4,025,496	9,062,291
Debtors			
Debtors arising out of direct insurance operations:			
- Policyholders	15	1,115,747	837,290
- Intermediaries	15	1,570,204	916,391
Other debtors	16	<u>8,628</u>	<u>303,200</u>
		2,694,579	2,056,881
Other assets			
Cash at bank and in hand		1,097,672	964,079
Prepayments and accrued income			
Deferred acquisition and other costs	18	6,782,893	6,081,774
Other prepayments and accrued income	17	<u>273,479</u>	<u>218,385</u>
		7,056,372	6,300,159
Total assets		<u>55,603,127</u>	<u>56,715,229</u>

The notes on pages 15 to 42 form part of these financial statements.

Evolution Insurance Company Limited
Statement of Financial Position
as at 30 June 2025

	Notes	2025 £	2024 £
SHAREHOLDER'S EQUITY AND LIABILITIES			
Capital and reserves			
Called up share capital	23	502,133	502,133
Share premium account	23	5,118,967	5,118,967
Profit and loss account		<u>19,267,349</u>	<u>17,082,690</u>
		24,888,449	22,703,790
Technical provisions			
Provision for unearned premiums	5	10,905,503	10,938,480
Claims outstanding	6	14,814,254	19,804,093
Provision for unexpired risks	7	<u>1,205,521</u>	-
		26,925,278	30,742,573
Current liabilities			
Creditors			
Creditors arising out of direct insurance operations	19	1,128,296	896,481
Creditors arising out of reinsurance operations	20	338,084	225,471
Other creditors including taxation and social security	21	<u>2,051,060</u>	<u>1,764,347</u>
		3,517,440	2,886,299
Accruals and deferred income	22	271,960	382,567
Total shareholder's equity and liabilities		<u>55,603,127</u>	<u>56,715,229</u>

Approved and authorised for issue by the Board of Directors on 5 December 2025 and were signed on its behalf by:


W Bidwell
Director


S Haynes
Director

The notes on pages 15 to 42 form part of these financial statements.

Evolution Insurance Company Limited
Statement of Changes in Equity
for the year ended 30 June 2025

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 30 June 2023	502,133	5,118,967	15,123,842	20,744,942
Profit for the financial year	-	-	1,632,023	1,632,023
Other comprehensive income	-	-	326,825	326,825
At 30 June 2024	502,133	5,118,967	17,082,690	22,703,790
Profit for the financial year	-	-	2,154,636	2,154,636
Other comprehensive income	-	-	30,023	30,023
At 30 June 2025	502,133	5,118,967	19,267,349	24,888,449

The notes on pages 15 to 42 form part of these financial statements.

Evolution Insurance Company Limited
Statement of Cash Flows
for the year ended 30 June 2025

	Notes	2025 £	2024 £
Profit before tax		2,457,717	1,781,425
Adjustments for:			
Realised gain on sale of other financial investments	9	(36,094)	-
Unrealised income on other financial investments	9	(876,914)	(1,566,385)
Unrealised loss on land and buildings	9, 13	100,000	-
Unrealised foreign exchange (income)/loss	11	(103)	412
		<u>1,644,606</u>	<u>215,452</u>
Changes in working capital:			
Decrease in reinsurers' share of technical provisions		5,036,795	476,406
(Increase)/decrease in debtors and prepayments and accrued income		(1,478,301)	209,620
Decrease in insurance technical provisions		(3,817,295)	(261,734)
Increase/(decrease) in creditors		631,141	(120,736)
(Decrease)/increase in accruals and deferred income		(110,607)	10,225
Cash flows generated from operating activities		<u>1,906,339</u>	<u>529,233</u>
Tax paid		(230,908)	(129,878)
Interest received		12,217	18,166
Net cash generated from operating activities		<u>1,687,648</u>	<u>417,521</u>
Investing activities			
Purchase of other financial investments		(1,971,092)	(2,000,000)
Redemption of other financial investments		1,236,094	-
Reinvestment of income from other financial investments		(819,160)	(632,245)
Net cash used in investing activities		<u>(1,554,158)</u>	<u>(2,632,245)</u>
Net increase/(decrease) in cash and cash equivalents		<u>133,490</u>	<u>(2,214,724)</u>
Effects of foreign exchange differences		103	(412)
Cash and cash equivalents as at 1 July		964,079	3,179,215
Cash and cash equivalents at 30 June		<u>1,097,672</u>	<u>964,079</u>

The notes on pages 15 to 42 form part of these financial statements.

Evolution Insurance Company Limited
Notes to the Financial Statements
for the year ended 30 June 2025

1 Company information

Evolution Insurance Company Limited (the "Company") is a private company limited by shares incorporated in Gibraltar. Its registered office is 5/5 Crutchett's Ramp, Gibraltar.

2 Basis of preparation

Statement of compliance

The financial statements have been prepared in compliance with Gibraltar Financial Reporting Standards ("GFRS") 102 and 103, being applicable Gibraltar Accounting Standards (Gibraltar Generally Accepted Accounting Practice or Gibraltar GAAP).

Gibraltar legislation applied in the preparation of these financial statements is in accordance with the requirements of the Companies Act 2014, the Financial Services (Insurance Companies) Regulations 2020 and the Financial Services (Insurance Companies) (Accounts) Regulations 2021.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value ("FV").

The financial statements are presented in Sterling (£) which is the presentation and functional currency of the Company and rounded to the nearest £1.

Going Concern

The Directors have reviewed the Company's projections for the next three years, from the date of signing these financial statements, including cash flow forecasts, stress-tested ultimate outcome scenarios, and regulatory capital requirements.

As a result of this review, the Directors have satisfied themselves that the Company has adequate resources to continue in operational existence throughout the current period and for the foreseeable future. The results of these tests also indicated that the Company will not breach the solvency capital requirement. Accordingly, the going concern basis has been adopted in preparing the financial statements.

3 Summary of significant accounting policies

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

Revenue recognition

Gross written premiums

Gross written premiums comprise the total premiums payable for the whole period of cover provided by the insurance contracts entered during the reporting period, regardless of whether or not these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. They are accounted for from the inception date of the policy to which they relate. Additional or return premiums are treated as a remeasurement of the initial premium. Gross written premiums are disclosed gross of commission payable to intermediaries and exclude taxes based on premiums.

Unearned premiums are those proportions of the premium which relate to periods of risk after the reporting date. Unearned premiums are calculated on the basis of the estimated risk profile of the business written.

Outward reinsurance premiums are accounted for in the same accounting period as the related insurance policies.

Evolution Insurance Company Limited
Notes to the Financial Statements
for the year ended 30 June 2025

3 Summary of significant accounting policies (continued)

Investment return

Investment return consists of dividends, interest, rent, movements in amortised cost on loans and receivables, realised gains and losses, and unrealised gains and losses on fair value assets.

Income from land and buildings

Income from land and buildings is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

The Company has entered into commercial property leases as a lessor on its investments in land and buildings. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet. Based on current terms and provisions of the lease contracts, the leases were determined to be operating. Further details are contained in note 27.

Interest income

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established.

Realised gains and losses

The realised gain or loss on disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate.

Unrealised gains and losses

Unrealised gains or losses represent the difference between the carrying value at the financial year end and the carrying value at the previous financial year end or purchase value during the financial year, less the reversal of previously recognised unrealised gains and losses in respect of disposals during the financial year.

Insurance classification

The Company's contracts are classified at inception, for accounting purposes, as insurance contracts. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Insurance contracts are those contracts that transfer significant insurance risk, if and only if, an insured event could cause an insurer to make significant additional benefits in any scenario. Such contracts may also transfer financial risk.

Insurance contracts

Claims

Claims consists of claims paid to policyholders, changes in the valuation of the liabilities arising on policyholder contracts and internal and external claims handling expenses, net of salvage and subrogation recoveries.

Evolution Insurance Company Limited
Notes to the Financial Statements
for the year ended 30 June 2025

3 Summary of significant accounting policies (continued)

Insurance contracts (continued)

Acquisition costs

Acquisition costs comprise of direct costs arising from the conclusion of insurance contracts and are deferred over the period in which the related premiums are earned.

Reinsurance commissions are deferred in the same way as acquisition costs. All other fee and commission income is recognised as the services are provided.

Provision for outstanding claims

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not (i.e. claims incurred but not reported or "IBNR"), together with related claims handling costs and reduction for the expected value of salvage and other recoveries.

Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money.

Provision for unearned premiums

The provision for unearned premiums represents that part of written premiums, gross of commission payable to intermediaries, that is estimated to be earned in subsequent periods. The change in the provision is recorded in the statement of comprehensive income to recognise revenue over the period of the risk.

Provision for unexpired risks

A liability adequacy provision (the unexpired risks provision) is made where the cost of claims and expenses arising after the end of the financial year from contracts concluded before that date, is expected to exceed the provision for unearned premiums, net of deferred acquisition costs, and premiums receivable. The assessment of whether a provision is necessary is made by considering separately each category of business on the basis of information available at the reporting date, after offsetting surpluses and deficits arising on products which are managed together.

In 2025, the Company has recognised £1.2m (2024: £nil) as provision for unexpired risks.

Deferred acquisition costs

Acquisition costs including both incremental acquisition costs and other indirect costs of acquiring and processing new business are deferred (deferred acquisition costs).

Deferred acquisition costs are amortised systematically over the life of the contracts and tested for impairment at the end of each reporting year. Any amount not recoverable is expensed. They are derecognised when the related contracts are settled or disposed of.

Reinsurance

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outwards reinsurance premiums are accounted for in the same period as the related premiums for the direct or inwards reinsurance business being reinsured.

Reinsurance liabilities comprise premiums payable for outwards reinsurance contracts and are recognised as an expense when due.

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses. Reinsurance assets are measured consistently with the amounts associated with the underlying insurance contract and in accordance with the terms of the reinsurance contract. Reinsurance is recorded as an asset unless a right of offset exists, in which case the associated liabilities are reduced to take account of reinsurance.

Evolution Insurance Company Limited
Notes to the Financial Statements
for the year ended 30 June 2025

3 Summary of significant accounting policies (continued)

Reinsurance (continued)

Reinsurance assets are subject to impairment testing and the carrying amount is reduced to its recoverable amount. The impairment loss is recognised as an expense in the statement of comprehensive income. The assessment of whether a reinsurance asset is impaired is made by having regard to market data on the financial strength of each of the reinsurance companies and /or the level of collateral held in respect of each reinsurer.

Gains or losses on buying reinsurance are recognised in the statement of comprehensive income at the date of purchase and are not amortised.

Land and buildings

Land and buildings are recognised at fair value. Full valuations are made at least every 3 years by an external valuer. Full details are disclosed in note 13.

Judgement is exercised by the Directors in choosing the appropriate specialist for each type of investment and in assessing the opinions and valuation provided. No depreciation or amortisation is provided in respect of investments in land and buildings.

The Directors perform an annual assessment to determine if the carrying amount of land and buildings approximate their fair values as at the reporting date.

Financial assets and liabilities

The Company has elected to use the recognition and measurement provisions of Sections 11 and 12 of FRS 102.

Recognition

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Initial measurement

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Subsequent measurement

Investments in preference shares that are classified as financial liabilities by the issuer qualify as an investment in a debt instrument at amortised cost, if the criteria for a 'basic financial instrument' are met. Debt instruments that are classified as payable or receivable within one financial year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, i.e. net of impairment. Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment. Investments in non-derivative financial instruments that are equity of the issuer (e.g. most ordinary shares and certain preference shares) and that are publicly traded or otherwise may be reliably measured, are carried at fair value through profit or loss (unless they are investments in a group entity). Otherwise, investments and contracts linked to such instruments that, if exercised, will result in delivery of such investments, are carried at cost less impairment.

Realised and unrealised gains and losses arising from changes in the fair value of investments are presented in the statement of comprehensive income in the year in which they arise. Dividend and interest income are recognised when earned. Investment management and other related expenses are recognised when incurred.

**Evolution Insurance Company Limited
Notes to the Financial Statements
for the year ended 30 June 2025**

3 Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Derecognition of financial assets and liabilities

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, is cancelled or expires.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the Company estimates the fair value by using a valuation technique. See note 4 for further information on the Company's valuation techniques.

Cash at bank and in hand

Cash at bank and in hand comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Debtors

Short term debtors are measured at transaction price (which is usually the invoice price), less any impairment losses for bad and doubtful debts.

Loans and other financial assets are initially recognised at transaction price including any transaction costs and subsequently measured at amortised cost determined using the effective interest method, less any impairment losses for bad and doubtful debts.

Non-interest bearing loans are initially recognised at present value of future payments discounted at the market rate of interest for a similar debt instrument and subsequently measured at amortised cost determined using the effective interest method. Gains and losses on initial recognition and subsequent measurement are recognised under 'Other comprehensive income/loss'.

Creditors

Short term creditors are measured at transaction price (which is usually the invoice price).

Loans and other financial liabilities are initially recognised at transaction price net of any transaction costs and subsequently measured at amortised cost determined using the effective interest method.

Insurance receivables and payables

Receivables and payables arising under insurance contracts are recognised when due and measured at amortised cost, using the effective interest rate method. A provision for impairment is established when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been impacted.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the statement of comprehensive income as described below.

**Evolution Insurance Company Limited
Notes to the Financial Statements
for the year ended 30 June 2025**

3 Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Impairment of assets (continued)

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Equity

Ordinary shares are classified as equity. Amounts received over and above the par value of shares are recognised as share premium.

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distribution within equity upon approval by the Company's shareholders.

Preference shares are classified as a financial liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Non-discretionary dividends thereon are recognised as interest expense in the statement of comprehensive income as accrued.

Profit and loss account represents accumulated earnings/(losses) of the Company less declared dividends.

Dividends paid

Dividends on ordinary shares are recognised as a liability and deducted from equity (e.g. profit and loss) when they are approved by the Board.

Taxation

A current tax liability is recognised for the tax payable on the taxable profit of the current and past periods. A current tax asset is recognised in respect of a tax loss that can be carried back to recover tax paid in a previous period.

Deferred tax is recognised in respect of all timing differences between the recognition of income and expenses in the financial statements and their inclusion in tax assessments.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Evolution Insurance Company Limited
Notes to the Financial Statements
for the year ended 30 June 2025

3 Summary of significant accounting policies (continued)

Taxation (continued)

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference, except for revalued investments in land and buildings where the tax rate that applies to the sale of the asset is used.

Foreign currencies

The presentation currency of the Company is Sterling. The financial statements of the Company are presented in the currency of the primary economic environment in which it operates (its functional currency).

In preparing the financial statements, transactions in currencies other than the Company's functional currency, i.e. foreign currencies, are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting year. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in the statement of comprehensive income in the period in which they arise except when they relate to items for which gains and losses are recognised in equity.

Related party transactions

A related party transaction is a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. Key management personnel of the Company are also considered to be related parties.

Restatement

The prior year statement of comprehensive income has been restated to properly reflect a portion of fees paid to a service company from 'Net operating expenses' to 'Other charges' in line with the nature of the services rendered. This restatement had no impact in the net assets of the Company.

	For the year ended 30 June 2024		
	As previously reported	Adjustment	Restated
Technical account - Net operating expenses	6,187,341	(450,037)	5,737,304
Non-technical account - Other charges	1,078,557	450,037	1,528,594

4 Critical accounting estimates and judgements

In the application of the Company's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The Company has noted the following areas as key sources of estimation uncertainty.

Evolution Insurance Company Limited
Notes to the Financial Statements
for the year ended 30 June 2025

4 Critical accounting estimates and judgements (continued)

Recoverability of reinsurance assets

The recoverability of reinsurance assets is a principal area of judgement applied by the Directors.

Reinsurance assets include balances due from reinsurance companies for paid and unpaid insurance losses.

Reinsurance assets are subject to impairment testing and the carrying amount is reduced to its recoverable amount. The asset is impaired if objective evidence is available to suggest that the Company will not be able to collect the amounts due from reinsurers.

Valuation of liabilities of non-life insurance contracts

Estimates are made for both the expected ultimate cost of claims reported and claims IBNR at the end of the reporting year. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. In calculating the estimated liability, the Company uses a variety of estimation techniques based upon statistical analyses of historical experience which assumes past trends that can be used to project future developments. The carrying amount for non-life insurance contract liabilities recognised in the statement of financial position is £14.8 million (2024: £19.8 million).

Similar judgements, estimates and assumptions are used in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

Valuation of financial instruments - measured at fair value

The Directors use their judgement in selecting an appropriate valuation technique. Where possible, financial instruments are marked at prices quoted in active markets. In certain instances, such price information is not available for all instruments and the Company uses valuation techniques to measure such instruments. These techniques use "market observable inputs" where available, derived from similar assets in similar and active markets, from recent transaction prices for comparable items or from other observable market data. For positions where observable reference data are not available for some or all parameters the Company estimates the non-market observable inputs used in its valuation models.

Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates although some assumptions are not supported by observable market prices or rates.

The Company uses the following hierarchy for determining the fair value of investments.

Financial instruments are marked at prices quoted in active markets. FRS 102 section 34.22 establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- Level 1 – These are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted price provides the most reliable evidence of fair value and must be used without adjustment to measure fair value whenever available. An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an on-going basis. The quoted price is usually the bid price.
- Level 2 – These are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs that are observable such as interest rates and yield curves observable at commonly quoted intervals, implied volatility or credit spreads and market-corroborated inputs.

Evolution Insurance Company Limited
Notes to the Financial Statements
for the year ended 30 June 2025

4 Critical accounting estimates and judgements (continued)

Valuation of financial instruments - measured at fair value (continued)

- Level 3 – These are unobservable inputs for the asset or liability and are used to measure fair value to the extent that relevant observable inputs are not available. Unobservable inputs are used to measure fair value by use of valuation techniques. The objective of using the valuation technique is to estimate what the fair value would have been on the measurement date.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, yield curves, credit spreads, liquidity statistics and other factors.

The use of different valuation techniques could lead to different estimates of fair value.

The carrying amount of financial assets measured at fair value as at the reporting date amounted to £29.9 million (2024: £26.3 million), see note 14 for the analysis of the level applied.

Valuation of financial instruments - measured at amortised cost

Assets, other than those measured at fair value, are assessed for indicators of impairment at each reporting date and if there is objective evidence of impairment, an impairment loss is recognised. As at 30 June 2024, the Directors have assessed to reverse an impairment previously recognised on one of its investments by £0.2 million.

Valuation of land and buildings

The Directors have adopted the fair value approach in determining the carrying value of its land and buildings. Full valuations are made by independent, professionally qualified valuers every three years. In the interim, the properties are valued annually by the directors. The aggregate surplus or deficit on revaluation is taken to the statement of comprehensive income.

The carrying amount of land and buildings carried at fair value as at 30 June 2025 amounted to £9.9 million (2024: £10.0 million). The directors assessed that the value of properties should be reduced by £0.1m (2024: £nil), see note 13.

In June 2023, the Company's land and buildings were revalued by independent and professionally qualified valuers on an open market value basis and in accordance with the RICS valuation - Global Standards (incorporating the International Valuation Standards) publication of the Royal Institution of Chartered Surveyors and the UK national supplement (the Red Book) current as at valuation date.

5 Earned premiums, net of reinsurance

	Gross 2025	Reinsurance 2025	Net 2025	Gross 2024	Reinsurance 2024	Net 2024
	£	£	£	£	£	£
Premiums written	14,442,631	(9,132)	14,433,499	12,214,321	-	12,214,321
Unearned premiums c/f	(10,905,503)	-	(10,905,503)	(10,938,480)	-	(10,938,480)
Unearned premiums b/f	10,938,480	-	10,938,480	11,698,747	-	11,698,747
	32,977	-	32,977	760,267	-	760,267
Premiums earned	14,475,608	(9,132)	14,466,476	12,974,588	-	12,974,588

Evolution Insurance Company Limited
Notes to the Financial Statements
for the year ended 30 June 2025

6 Claims incurred, net of reinsurance

	Gross 2025 £	Reinsurance 2025 £	Net 2025 £	Gross 2024 £	Reinsurance 2024 £	Net 2024 £
Claims paid	10,594,053	(5,394,976)	5,199,077	7,130,153	(1,381,424)	5,748,729
Outstanding claims c/f	14,814,254	(4,025,496)	10,788,758	19,804,093	(9,082,291)	10,741,802
Outstanding claims b/f	(19,804,093)	9,062,291	(10,741,802)	(19,305,560)	9,538,697	(9,766,863)
	(4,989,839)	5,036,795	46,956	498,533	476,408	974,939
Claims incurred	5,604,214	(358,181)	5,246,033	7,628,686	(905,018)	6,723,668

7 Change in other technical provisions

	2025 £	2024 £
Provision for unexpired risks c/f	1,205,521	-
Provision for unexpired risks b/f	-	-
Change in other technical provisions	1,205,521	-

The related category of business covered by the above provision is fully retained by the Company and not reinsured.

8 Segmental information

Analysis of gross premiums written by geographical market:

	2025 £	2024 £
United Kingdom	14,442,631	12,214,321
	14,442,631	12,214,321

By line of business:

	Gross Premiums written £	Gross Premiums earned £	Gross claims incurred £	Gross operating expenses £	Gross change in other technical provisions £	Reinsurance balance £
2025						
Assistance	11,574,287	10,566,379	(4,659,288)	(5,300,819)	-	-
Motor third party liability	-	-	(533,587)	-	-	533,587
Miscellaneous financial loss	1,423,548	2,415,602	(1,116,685)	(631,394)	(1,205,521)	(184,538)
Credit and suretyship	1,444,796	1,493,463	689,780	(495,951)	-	-
Fire and other damage to property	-	164	15,566	-	-	-
	14,442,631	14,475,608	(5,604,214)	(6,428,164)	(1,205,521)	349,049

Total gross written premium under miscellaneous financial loss in 2025 includes inwards reinsurance premium of £0.3 million, as a result of a novation agreement entered into during the year.

Evolution Insurance Company Limited
Notes to the Financial Statements
for the year ended 30 June 2025

8 Segmental information (continued)

	Gross Premiums written £	Gross Premiums earned £	Gross claims incurred £	Gross operating expenses £	Reinsurance balance £
2024					
Assistance	9,436,788	8,981,979	(3,935,384)	(4,542,701)	-
Motor third party liability	-	-	(826,805)	-	826,605
Miscellaneous financial loss	1,234,791	2,292,717	(1,946,884)	(646,627)	78,413
Credit and suretyship	1,542,742	1,693,281	(821,376)	(547,978)	-
Fire and other damage to property	-	6,611	1,563	-	-
	<u>12,214,321</u>	<u>12,974,588</u>	<u>(7,628,686)</u>	<u>(5,737,304)</u>	<u>905,018</u>

9 Net investment return

	Income from other financial investments £	Income from land and buildings (note 27) £	Realised gain on other financial investments £	Unrealised gains on other financial investments £	Loss on revaluation of land and buildings £	Net investment result £
2025						
Financial assets at fair value through profit or loss	831,375	-	-	876,914	-	1,708,289
Loans at amortised cost	-	-	36,094	-	-	36,094
Land and buildings	-	747,538	-	-	(100,000)	647,538
	<u>831,375</u>	<u>747,538</u>	<u>36,094</u>	<u>876,914</u>	<u>(100,000)</u>	<u>2,391,921</u>

	Income from other financial investments £	Income from land and buildings (note 27) £	Realised gain on other financial investments £	Unrealised gains on other financial investments £	Investment expenses and charges £	Net investment result £
2024						
Financial assets at fair value through profit or loss	650,410	-	-	1,366,385	(18,000)	1,998,795
Loans at amortised cost	-	-	-	200,000	-	200,000
Land and buildings	-	597,608	-	-	-	597,608
	<u>650,410</u>	<u>597,608</u>	<u>-</u>	<u>1,566,385</u>	<u>(18,000)</u>	<u>2,796,403</u>

10 Net operating expenses

	2025 £	2024 £
Acquisition costs	6,812,490	5,611,338
Change in deferred acquisition costs (note 18)	(484,827)	22,503
Administrative expenses	100,501	103,463
	<u>6,428,164</u>	<u>5,737,304</u>

Administrative expenses represent service fees paid to a related party (note 28). Services include policy administration, claims handling, and records storage and maintenance. The Company has no amount paid as salaries and wages and key management personnel costs as it has no employees other than the Directors.

Evolution Insurance Company Limited
Notes to the Financial Statements
for the year ended 30 June 2025

11 Other charges

	2025 £	2024 £
Insurance management fees	264,667	281,000
Legal and professional fees	137,858	232,609
Directors' remuneration	305,133	298,288
Auditor's remuneration for audit services	93,748	105,600
Taxation compliance services	2,370	2,290
General administrative expenses	717,289	608,395
Unrealised foreign exchange (gain)/loss	(103)	412
	<u>1,520,962</u>	<u>1,528,594</u>

12 Tax on profit on ordinary activities

The Company is subject to the Gibraltar Income Tax Act 2010 which requires companies to pay 15% Gibraltar Corporation Tax on payable profits, increasing from 12.5% with effect from 1 July 2024.

Non-Gibraltar income tax represents property income tax charged on rental income earned by the Company from its investments in land and buildings in the UK.

	2025 £	2024 £
Current tax:		
Gibraltar corporation tax	134,576	-
Non-Gibraltar income tax	193,505	149,402
Total current tax	<u>328,081</u>	<u>149,402</u>
Deferred tax:		
Movement in provision for deferred tax	(25,000)	-
	<u>303,081</u>	<u>149,402</u>

In 2023, the Company recognised £680,000 as a deferred tax liability in relation to its non-Gibraltar income arising from revaluation gains on investments in land and buildings. This is recorded within 'Other creditors including taxation and social security' in the statement of financial position. In 2025, a revaluation loss of £0.1 million was reported on the Company's properties (note 13).

Factors affecting tax charge for period:

The differences between the tax assessed for the year and the standard rate of Gibraltar corporation tax are explained as follows:

	2025 £	2024 £
Profit before tax	<u>2,457,717</u>	<u>1,781,425</u>
Profit multiplied by standard rate in Gibraltar of 15.0% (2024: 12.5%)	368,658	222,678
Effects of:		
Effect of tax losses brought forward	-	(21,683)
Expenses not deductible for tax purposes	-	2,250
Income not taxable	(121,951)	(277,099)
Effect of tax suffered at a higher rate	(112,131)	(74,701)
Tax losses carried forward	-	148,555
Total tax expense	<u>134,576</u>	<u>-</u>

Evolution Insurance Company Limited
Notes to the Financial Statements
for the year ended 30 June 2025

13 Land and buildings

Land and buildings are held for investment purposes.

	2025 £	2024 £
At 1 July	10,045,000	10,045,000
Change in fair value	(100,000)	-
At 30 June	<u>9,945,000</u>	<u>10,045,000</u>

In June 2023, the Company's land and buildings were revalued by independent and professionally qualified valuers on an open market value basis and in accordance with the RICS valuation - Global Standards (incorporating the International Valuation Standards) publication of the Royal Institution of Chartered Surveyors and the UK national supplement (the Red Book) current as at valuation date.

The critical assumptions made relating to the valuations of the investment properties have been dependent on the type and nature of their use. Yields, vacancy and growth in real rental rates have been considered from the actual experience and transactions with these properties.

In the opinion of the Directors, the valuation of land and buildings approximate their fair values and is appropriate as at 30 June 2025. In reaching this assessment, a revaluation loss of £0.1 million (2024: £nil) has been booked.

Land and buildings is classified as Level 2 of the fair value hierarchy.

The historical cost of the existing land and buildings amounted to £5,577,848 as at 30 June 2025 and 30 June 2024.

14 Other financial investments

	2025		2024	
	Carrying value £	Purchase price £	Carrying value £	Purchase price £
Other financial assets				
<i>Measured at fair value through profit or loss</i>				
- Collective investment schemes	29,885,441	25,228,681	26,318,274	25,228,681
	<u>29,885,441</u>	<u>25,228,681</u>	<u>26,318,274</u>	<u>25,228,681</u>
<i>Measured at amortised cost</i>				
- Loans due from related parties (note 28)	898,567	2,387,600	1,968,545	2,387,600
	<u>898,567</u>	<u>2,387,600</u>	<u>1,968,545</u>	<u>2,387,600</u>
Total other financial assets	<u>30,784,008</u>	<u>27,616,281</u>	<u>28,286,819</u>	<u>27,616,281</u>

Outstanding loans due from related parties are non-interest bearing, due within 1-5 years and repayments can be made at any time but shall be repaid in full by no later than the due date.

Non-interest bearing loans are initially recognised at present value of future payments discounted at the market rate of interest for a similar debt instrument. During the year, gain on loan discounting amounted to £30,023 (2024: £326,825) and is recognised under 'Other comprehensive income'.

Evolution Insurance Company Limited
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14 Other financial investments (continued)

The Directors have assessed to reverse an impairment previously recognised on one of its investments in loans by Enil (2024: £0.2 million). This is recognised under 'Unrealised gains/(losses) on other financial investments' (note 9) in the Statement of Comprehensive Income.

The following table shows other financial assets carried at fair value through profit or loss grouped into the level in the fair value hierarchy into which each fair value measurement is categorised.

	Level 1 £	Level 2 £	Level 3 £	Total £
2025				
Financial assets				
Collective investment schemes	29,885,441	-	-	29,885,441
	<u>29,885,441</u>	<u>-</u>	<u>-</u>	<u>29,885,441</u>
2024				
Financial assets				
Collective investment schemes	26,318,274	-	-	26,318,274
	<u>26,318,274</u>	<u>-</u>	<u>-</u>	<u>26,318,274</u>

15 Debtors arising out of insurance operations

	2025 £	2024 £
Due from policyholders	1,115,747	837,290
Due from intermediaries	1,045,303	704,596
Due from related party intermediaries (note 28)	524,901	211,795
	<u>2,685,951</u>	<u>1,753,681</u>

'Due from policyholders' are balances due from instalment-paying customers of the Company's Home Emergency, Car Breakdown and Appliance Cover products. Policyholders settle this through an intermediary who then remits to the Company on a monthly basis.

Included under 'Due from intermediaries' are claims fund balances of the Company's Motor and Assistance books.

'Due from related party intermediaries' represents balances owed by Evolution Insurance Solutions Limited.

16 Other debtors

	2025 £	2024 £
Due from related parties (note 28)	-	268,200
Other debtor	8,628	35,000
	<u>8,628</u>	<u>303,200</u>

'Due from related parties' in 2024 materially represents an amount due from EHGL. This has been settled in 2025.

17 Other prepayments and accrued income

In 2025, other prepayments and accrued income amounting to £273,479 (2024: £218,385) consist of prepaid expenses and accrued rent.

Evolution Insurance Company Limited
Notes to the Financial Statements
for the year ended 30 June 2025

18 Deferred acquisition and other costs

	Gross Reinsurance £	£	Net £
2025			
Deferred acquisition costs carried forward	4,008,032	-	4,008,032
Deferred acquisition costs brought forward	(3,523,205)	-	(3,523,205)
Change in deferred acquisition cost	<u>484,827</u>	-	<u>484,827</u>
Other deferred costs	<u>2,774,861</u>	-	<u>2,774,861</u>
2024			
Deferred acquisition costs carried forward	3,523,205	-	3,523,205
Deferred acquisition costs brought forward	(3,545,708)	-	(3,545,708)
Change in deferred acquisition cost	<u>(22,503)</u>	-	<u>(22,503)</u>
Other deferred costs	<u>2,558,569</u>	-	<u>2,558,569</u>

'Other deferred costs' represent a claims fund on the unearned portion of gross written premiums of the Company's Assistance books.

19 Creditors arising out of direct insurance operations	2025 £	2024 £
Due to intermediaries	<u>1,128,296</u>	<u>896,481</u>
	<u>1,128,296</u>	<u>896,481</u>

'Creditors arising out of direct insurance operations' materially represent amounts due to intermediaries in relation to prepaid premiums and a claims fund held by the Company as at 30 June 2025 and 30 June 2024.

20 Creditors arising out of reinsurance operations	2025 £	2024 £
Due to reinsurers	<u>338,084</u>	<u>225,471</u>
	<u>338,084</u>	<u>225,471</u>

21 Other creditors including taxation and social security	2025 £	2024 £
Insurance premium tax	1,127,487	906,794
Corporation tax	268,573	177,553
Deferred tax liability	<u>655,000</u>	<u>680,000</u>
	<u>2,051,060</u>	<u>1,764,347</u>

Deferred tax liability balance is in relation to the Company's non-Gibraltar income arising from net revaluation gains on investments in land and buildings.

22 Accruals and deferred income	2025 £	2024 £
Accruals for professional fees and property expenses	<u>271,960</u>	<u>382,567</u>
	<u>271,960</u>	<u>382,567</u>

Evolution Insurance Company Limited
Notes to the Financial Statements
for the year ended 30 June 2025

23 Share capital

	2025	2024	2025	2024
	Number	Number	£	£
Authorised				
Ordinary shares of £1 each	500,000	500,000	500,000	500,000
Preference shares of £1 each	100	100	100	100
Redeemable preference shares of £0.01 each	500,000	500,000	5,000	5,000
			<u>505,100</u>	<u>505,100</u>
	2025	2024	2025	2024
	Number	Number	£	£
Allotted, called up and fully paid:				
Ordinary shares of £1 each	500,000	500,000	500,000	500,000
Preference shares of £1 each	100	100	100	100
Redeemable preference shares of £0.01 each	203,321	203,321	2,033	2,033
			<u>502,133</u>	<u>502,133</u>

Ordinary shares are dividend participating, have unlimited voting rights and, upon a winding-up, will participate in the available assets for distribution to the extent of the amount paid up and any surplus assets then remaining.

Preference shares are non-voting. The profits of the Company which are available for distribution pertain purely to net profit achieved by the Company in respect of business introduced to it by a nominated book of business and designated by the Company and identified in the Company's accounts as business qualifying for such dividend payment. The shares are also redeemable at the Company's option.

The Company has issued redeemable preference shares that carry voting rights and a preferred claim on assets upon winding-up to the extent of the amount paid up. These shares may be redeemed at the option of the Board, subject to the consent of the shareholder and prior written approval of the relevant Regulatory Authority. The Articles of Association do not specify earliest or latest redemption dates. Redemption is therefore conditional on Board approval, shareholder consent, and regulatory clearance.

In 2025, the share premium account amounted to £5.1 million (2024: £5.1 million).

24 Capital management

The capital structure of the Company consists of all components of equity, comprising issued capital and undistributed profits. The Directors manage the capital of the Company to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Directors undertake an own risk and solvency assessment whenever the risk profile of the Company materially changes, and every calendar year at a minimum.

The Company sets the amount of capital it requires in proportion to its risk profile. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the appropriate balance between its risk profile and capital, the Company has documented various mechanisms to enable it to bring its risk profile in line with its capital and/or change the capital structure as necessary. There were no changes in the Company's approach to capital management during the year.

The capital requirement of the Company is determined by its exposure to risk and the solvency criteria established by management and statutory regulations.

Evolution Insurance Company Limited
Notes to the Financial Statements
for the year ended 30 June 2025

24 Capital management (continued)

The Gibraltar Financial Services Commission ("GFSC") specified the minimum amount of capital that must be held by the Company to meet its insurance liabilities. The minimum required capital was maintained at all times by the Company.

The Solvency II regime has been effective since 1 January 2016 and establishes a set of capital requirements, risk management and disclosure standards. The Company is required to meet a Solvency Capital Requirement ("SCR") which is calibrated to seek to ensure a 99.5% confidence of the ability to meet obligations over a 12 month time horizon. The Company calculates its SCR in accordance with the standard formula prescribed in the Solvency II regulations as the assumptions underlying the standard formula are considered to be a good fit for the Company's risk profile.

The Company's unaudited Solvency II solvency capital requirement coverage ratio calculated at 30 June 2025 was 192% (2024: 192%).

25 Financial risk management

The Company monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by the frequency and severity of such risks. These risks include market risk (foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Company may seek to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities. The objective of the Company in managing its market risk is to ensure risk is managed in line with the Company's risk appetite.

The Company has established policies and procedures in order to manage market risk and methods to measure it.

There were no significant changes in the Company's market risk exposure in the financial year nor to the objectives, policies and processes for managing market risk.

i Foreign currency risk

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The Company has minimal exposure to currency risk as the Company's financial assets are primarily matched to the same currencies as its insurance contract liabilities. As a result, foreign exchange risk arises from other recognised assets and liabilities denominated in other currencies.

Evolution Insurance Company Limited
Notes to the Financial Statements
for the year ended 30 June 2025

25 Financial risk management (continued)

Market risk (continued)

i Foreign currency risk (continued)

Carrying amounts of the Company's foreign currency denominated financial assets and liabilities are as follows:

	2025	2024
	£	£
<i>Financial assets</i>		
Cash at bank and in hand	174,955	169,840
Claims outstanding - reinsurers' share	3,949,704	5,597,350
Debtors arising out of direct insurance operations	335,449	224,343
	<u>4,460,108</u>	<u>5,991,533</u>
<i>Financial liabilities</i>		
Claims outstanding	4,032,842	5,664,297
Creditors arising out of reinsurance operations	335,288	222,675
	<u>4,368,130</u>	<u>5,886,972</u>
Net exposure to foreign currency	<u>91,978</u>	<u>104,561</u>

The following table details the Company's sensitivity to a 10% increase and decrease in Sterling against the relevant foreign currencies. A 10% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. For each sensitivity the impact of change in a single factor is shown, with other assumptions unchanged.

	2025	2024
	£	£
Base	<u>91,978</u>	<u>104,561</u>
Impact on pre tax profit of a 10% +/- sensitivity	9,198	10,456
Impact on shareholders' equity of a 10% +/- sensitivity	8,048	9,411

ii Interest rate risk

This is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant concentration of interest rate risk.

iii Price risk

The Company is exposed to price risk arising from fluctuations in the value of financial instruments as a result of changes in the market prices and the risks inherent in all investments. The risk is managed by the Company by maintaining an appropriate mix of investment instruments.

Evolution Insurance Company Limited
Notes to the Financial Statements
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25 Financial risk management (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The key areas of exposure to credit risk for the Company are in relation to its investment portfolio, reinsurance programme and to a lesser extent amounts due from policyholders and intermediaries.

The objective of the Company in managing its credit risk is to ensure risk is managed in line with the Company's risk appetite. The Company has established policies and procedures in order to manage credit risk and methods to measure it.

In respect of the Company's reinsurance programme, the Company has adopted a policy of targeting investment grade counterparties (with reference to its rating by an external credit rating agency) or obtaining sufficient collateral as a means of mitigating the risk of financial loss from defaults. In respect of insurance intermediaries, the Company requires regular settlements to limit the counterparty exposure and undertakes regular reviews of the intermediaries.

The Company's exposure and the credit ratings of its counterparties are monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Risk, Audit and Compliance Committee. Furthermore, in certain instances, the Company receives deposits from its reinsurers which it holds under the terms of the reinsurance agreements.

Loans with non-rated counterparties are secured with properties and assets of the borrowers. Debtors consist of a large number of insurance intermediaries and policyholders, spread across diverse industries and geographical areas. The balances due from non-rated reinsurers are fully collateralised, subject to written support or provided against until such security is obtained.

The following table shows aggregated credit risk exposure for assets with external credit ratings:

	AA- to AAA £	A- to A+ £	BBB+ and lower £	Not Rated £	Carrying amount £
2025					
Collective investment schemes	15,859,342	3,010,015	10,970,909	45,175	29,885,441
Loans at amortised cost	-	-	-	898,567	898,567
Cash and cash equivalents	-	1,097,672	-	-	1,097,672
Debtors arising out of insurance operations	-	-	-	2,685,951	2,685,951
Reinsurers' share in claims outstanding	-	4,025,498	-	-	4,025,498
	15,859,342	8,133,183	10,970,909	3,629,693	38,593,127
	AA- to AAA £	A- to A+ £	BBB+ and lower £	Not Rated £	Carrying amount £
2024					
Collective investment schemes	12,586,839	3,702,912	10,028,523	-	26,318,274
Loans at amortised cost	-	-	-	1,968,545	1,968,545
Cash and cash equivalents	-	964,079	-	-	964,079
Debtors arising out of insurance operations	-	-	-	1,753,681	1,753,681
Reinsurers' share in claims outstanding	-	5,666,942	-	3,395,349	9,062,291
	12,586,839	10,333,933	10,028,523	7,117,575	40,066,870

Evolution Insurance Company Limited
Notes to the Financial Statements
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25 Financial risk management (continued)

Credit risk (continued)

Except for 'Loans at amortised cost' as at 30 June 2024, all of the assets of the Company are neither past due nor impaired as at 30 June 2025 and 30 June 2024. The factors considered in determining that the value of the assets have been impaired were: analysis of impairment, ageing of balances, past loss experience, current economic conditions and other relevant circumstances.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its obligations associated with financial liabilities as they fall due. The Company is exposed to liquidity risk arising from clients on its insurance and investment contracts and in relation to its direct and indirect investments in immovable property. In respect of catastrophic events there is liquidity risk from a difference in timing between claim payments and recoveries thereon from reinsurers. Liquidity management ensures that the Company has sufficient access to funds necessary to cover insurance claims, surrenders, withdrawals and maturing liabilities. In practice, most of the Company's assets are marketable securities which could be converted in to cash when required.

The Directors continue to maintain sufficient liquid investments to cover the Company's estimated short and medium term cash requirements and as such there has been no change to the objectives, policies and processes for managing liquidity risk.

The following table shows details of the expected maturity profile of the Company's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognised insurance and participating investment contract liabilities. The liquidity risk table doesn't include the Company's non-financial liabilities (i.e. unearned premium and reinsurance share on deferred acquisition costs and accrual for property tax under accruals and deferred income).

	Less than 1 month £	1 – 3 months £	3 months to 1 year £	1 – 5 years £	5+ years £	Total £
2025						
Claims outstanding	383,101	766,201	3,447,906	7,974,864	2,242,182	14,814,254
Provision for unexpired risks	-	-	-	1,205,521	-	1,205,521
Creditors arising out of direct insurance operations	-	-	768,920	359,376	-	1,128,296
Creditors arising out of reinsurance operations	-	-	338,084	-	-	338,084
Other creditors including taxation and social security	-	1,127,487	-	923,573	-	2,051,060
Accruals and deferred income	-	-	271,960	-	-	271,960
	383,101	1,893,688	4,826,870	10,463,334	2,242,182	19,809,175

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Notes to the Financial Statements
for the year ended 30 June 2025

25 Financial risk management (continued)

Liquidity risk (continued)

	Less than 1 month £	1 – 3 months £	3 months to 1 year £	1 – 5 years £	5+ years £	Total £
2024						
Claims outstanding	578,626	1,157,252	5,207,633	9,728,241	3,132,341	19,804,093
Creditors arising out of direct insurance operations	-	-	538,312	358,169	-	896,481
Creditors arising out of reinsurance operations	-	-	225,471	-	-	225,471
Other creditors including taxation and social security	-	908,794	-	857,553	-	1,764,347
Accruals and deferred income	-	-	382,567	-	-	382,567
	578,626	2,064,048	6,353,983	10,943,983	3,132,341	23,072,959

The following table details the Company's expected maturity profile for its non-derivative assets. The tables below have been drawn up based on the undiscounted contractual maturities of the assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

	Less than 1 month £	1 – 3 months £	3 months to 1 year £	1 – 5 years £	5+ years £	Total £
2025						
Collective investment schemes	-	424,983	15,153,269	14,307,189	-	29,885,441
Loans at amortised cost	-	-	-	898,567	-	898,567
Cash and cash equivalents	1,097,672	-	-	-	-	1,097,672
Debtors arising out of insurance operations	-	-	2,685,951	-	-	2,685,951
Reinsurers' share in claims outstanding	101,901	203,801	917,105	2,584,150	218,539	4,025,496
	1,199,573	628,784	18,756,325	17,789,906	218,539	38,593,127

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25 Financial risk management (continued)

Liquidity risk (continued)

	Less than 1 month £	1 – 3 months £	3 months to 1 year £	1 – 5 years £	5+ years £	Total £
2024						
Collective investment schemes	-	197,675	12,169,697	13,950,902	-	26,318,274
Loans at amortised cost	-	-	1,200,000	788,545	-	1,988,545
Cash and cash equivalents	964,079	-	-	-	-	964,079
Debtors arising out of insurance operations	-	-	1,753,681	-	-	1,753,681
Reinsurers' share in claims outstanding	286,362	572,725	2,577,281	4,397,299	1,228,644	9,062,291
	<u>1,250,441</u>	<u>770,400</u>	<u>17,700,639</u>	<u>19,116,748</u>	<u>1,228,644</u>	<u>40,066,870</u>

The Company expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

26 Insurance risk management

The Company accepts insurance risk through its Insurance contracts where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The Company manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is purchased to mitigate the effect of potential loss to the Company from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis.

Regulatory capital is also managed (though not exclusively) by reference to the insurance risk to which the Company is exposed.

Concentration

The Company primarily underwrites suretyship, assistance, miscellaneous financial loss and motor risks with short and long tail duration. The most significant insurance risks arise from changes in the economic environment, natural disasters, climate change and other catastrophes (i.e. high severity, low frequency events). A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policyholder, within a geographical location or to types of commercial business. The relative variability of the outcome is mitigated if there is a large portfolio of similar risks.

Evolution Insurance Company Limited
Notes to the Financial Statements
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26 Insurance risk management (continued)

Concentration (continued)

The concentration of non-life insurance by the location of the underlying risk is summarised below by reference to gross and net claims payable.

	Gross		Reinsurance		Net	
	2025	2024	2025	2024	2025	2024
	£	£	£	£	£	£
UK	15,975,412	14,139,796	75,792	3,464,941	15,899,620	10,674,855
EU (excluding UK)	44,363	5,664,297	3,949,704	5,597,350	(3,805,341)	66,947
	<u>16,019,775</u>	<u>19,804,093</u>	<u>4,025,496</u>	<u>9,062,291</u>	<u>11,994,279</u>	<u>10,741,802</u>

The concentration of non-life insurance by type of contract is summarised below by reference to liabilities.

	Gross		Reinsurance		Net	
	2025	2024	2025	2024	2025	2024
	£	£	£	£	£	£
Motor other classes	3,949,704	5,597,350	3,949,704	5,597,350	-	-
Miscellaneous	9,767,980	10,722,280	75,792	3,464,941	9,692,188	7,257,339
Credit and suretyship	2,017,881	3,290,830	-	-	2,017,881	3,290,830
Fire and other damage to property	766	28,924	-	-	766	28,924
Assistance	283,464	164,709	-	-	283,464	164,709
Total	<u>16,019,775</u>	<u>19,804,093</u>	<u>4,025,496</u>	<u>9,062,291</u>	<u>11,994,279</u>	<u>10,741,802</u>

The Company's motor line of business makes up the largest reinsurance exposure at £3.9 million (2024: £5.6 million) which is with an A- rated reinsurer.

In 2024, the Company had a reinsurance exposure with a related party for £2.3 million under the miscellaneous line of business. During the year, the Company entered into a commutation agreement with this reinsurer to retain 100% of risk.

Assumptions and sensitivities

The risks associated with the non-life insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The key methods used by the Company for estimating liabilities are:

- chain ladder;
- expected loss ratio;
- benchmarking; and
- Bornhuetter-Ferguson.

In addition, the Directors engage, annually, an independent external actuary to support the internal assessment of the level of reserves. The Company has reserved in line with the actuaries' best estimate.

The Company considers that the liability for non-life insurance claims recognised in the statement of financial position is adequate. However, actual experience will differ from the expected outcome.

Evolution Insurance Company Limited
Notes to the Financial Statements
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26 Insurance risk management (continued)

Assumptions and sensitivities (continued)

Some results of sensitivity testing are set out below, showing the impact on profit before tax and shareholder's equity, net of reinsurance. For each sensitivity the impact of a change in a single factor is shown, with other assumptions unchanged.

	Pre tax profit		Shareholder's equity	
	2025	2024	2025	2024
	£	£	£	£
5% increase in net claims reserve	(539,438)	(537,090)	(472,008)	(469,954)
5% decrease in net claims reserve	539,438	537,090	472,008	469,954
5% increase in expenses	(321,408)	(309,367)	(281,232)	(270,696)
5% decrease in expenses	321,408	309,367	281,232	270,696

26 Insurance risk management (continued)

Assumptions and sensitivities (continued)

Claims development tables

The following tables show the development of claims over a period of time on both a gross and net of reinsurance basis. FRS 103 requires that claims development shall go back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payment, but need not go back more than ten years (or five years from first time adoption). The top half of the table shows how the estimates of total claims for each accident year develop over time. The lower half of the table reconciles the cumulative claims to the amount appearing in the statement of financial position.

The cumulative claims estimates and payments for each accident year are translated into pounds sterling at the year rates that applied at the end of each accident year.

Analysis of claims development - gross

	2016 and prior	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
	£	£	£	£	£	£	£	£	£	£	£
At end of reporting year	133,986,969	8,215,795	10,612,292	6,961,886	1,257,237	553,345	1,079,999	3,334,734	3,115,128	3,861,761	172,979,146
1 year later	304,267,722	81,711,893	16,256,179	10,762,069	1,352,008	2,385,402	3,720,168	7,053,792	5,241,486		432,752,719
2 years later	295,295,105	15,718,750	14,472,028	10,748,482	2,676,464	2,675,408	5,406,840	6,194,271			353,187,348
3 years later	321,014,055	12,916,172	14,674,344	16,160,514	2,802,703	3,965,860	4,898,380				376,452,028
4 years later	313,904,305	8,326,319	18,940,615	16,093,220	4,095,118	3,897,410					365,256,987
5 years later	279,547,647	24,398,053	18,349,450	31,923,740	4,525,787						356,744,677
6 years later	285,947,701	17,553,052	21,261,120	20,704,881							345,466,754
7 years later	286,073,759	21,044,081	21,320,563								328,436,363
8 years later	291,229,712	21,077,146									312,309,858
9 years later	291,738,158										291,738,158
Current estimate of cumulative claims	291,738,158	21,077,146	21,320,563	20,704,881	4,525,787	3,897,410	4,898,380	6,194,271	5,241,486	3,861,761	383,459,843
Cumulative payments to date	298,115,520	18,407,863	19,418,681	19,628,576	3,245,450	2,758,949	4,126,229	6,125,078	4,299,676	2,519,567	368,645,589
Claims outstanding	3,622,638	2,669,283	1,901,882	1,076,305	1,280,337	1,138,461	772,151	69,193	941,810	1,342,194	14,814,254

Evolution Insurance Company Limited
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26 Insurance risk management (continued)

Assumptions and sensitivities (continued)

Claims development tables (continued)

Analysis of claims development - net

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
	£	£	£	£	£	£	£	£	£	£	£
At end of reporting year	61,123,798	1,194,598	31,767	1,790,439	1,067,213	302,349	963,553	1,377,148	3,115,128	1,561,781	72,527,754
1 year later	124,402,257	337,698	1,760,040	6,478,311	1,119,154	1,874,789	3,648,595	5,098,206	5,241,486		149,948,536
2 years later	131,650,769	1,148,439	3,007,075	6,550,877	2,198,908	2,180,987	5,205,407	4,296,685			156,179,147
3 years later	141,387,684	827,622	3,312,852	9,180,752	2,344,211	3,255,760	4,751,015				165,059,916
4 years later	145,131,931	1,389,636	3,413,275	10,205,411	3,431,022	3,403,692					166,974,987
5 years later	142,247,907	3,320,612	4,388,531	15,189,292	4,068,287						169,210,609
6 years later	143,303,993	2,112,133	5,427,491	12,111,213							162,954,830
7 years later	143,413,358	3,867,930	5,828,640								153,109,928
8 years later	144,525,550	3,912,563									148,438,113
9 years later	145,380,596										145,380,596
Current estimate of cumulative claims	145,380,596	3,912,563	5,828,640	12,111,213	4,068,287	3,403,692	4,751,015	4,236,685	5,241,486	1,561,781	190,493,918
Cumulative payments to date	143,802,546	2,235,847	4,622,711	11,251,504	2,785,930	2,265,231	4,054,657	4,167,491	4,299,676	219,567	179,705,160
Net claims outstanding	1,578,050	1,676,716	1,205,929	859,709	1,280,337	1,138,461	696,358	69,194	941,810	1,342,194	10,788,758

Evolution Insurance Company Limited
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27 Operating lease income

The total rental income recognised in the statement of comprehensive income during the year together with the total future minimum rental receivable on operating leases where the Company is the lessor are disclosed below:

	2025	2024
	£	£
Land and buildings - rental income	<u>747,538</u>	<u>597,608</u>

The Company owns various land and buildings which are investment properties, as disclosed in Note 13, which are let to third parties. These non-cancellable leases have remaining terms of between 18 months and 12 years. Some leases include a provision for 3 to 5 yearly upward rent reviews according to prevailing market conditions. No contingent rentals have been recognised as income.

Future minimum rental receivable under non-cancellable operating leases are as follows:

	2025	2024
	£	£
Expiring within 1 year	148,913	30,200
Expiring within 2 to 5 years	824,647	1,410,131
Expiring after 5 years	<u>-</u>	<u>845,500</u>

28 Related party transactions

During the year, the Company entered into transactions with its related parties. The transactions entered into and balances outstanding as at 30 June are as follows:

2025	Income from related parties £	Expenses from related parties £	Balance due from related parties £	Balance due to related parties £
Entitles under common ownership and with common directors				
Evolution Insurance Solutions Limited	15,000	1,222,243	524,901	-
Entitles under common ownership				
Skylark Investments Limited - loan	-	-	<u>898,567</u>	-
2024	Income from related parties £	Expenses from related parties £	Balance due from related parties £	Balance due to related parties £
Entitles under common ownership and with common directors				
Evolution Insurance Solutions Limited	15,000	1,181,100	211,795	-
Evolution Holdings (Guernsey) Limited	-	-	268,200	-
Entitles under common ownership				
Charles Street Investments Limited - loan	-	-	1,200,000	-
Skylark Investments Limited - loan	-	-	<u>768,544</u>	-

Evolution Insurance Company Limited
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28 Related party transactions (continued)

Balances due from Charles Street Investment Limited (CSIL) and Skylark Investments Limited (SIL) are non-interest bearing loans, due within 1-5 years and with no repayment terms. SIL loan is discounted using an effective interest of 5.0%.

EISL is considered a related party by virtue of common ownership and control. During the year, the Company received rent income of £15,000 (2024: £15,000) and paid service fees of £636,000 (2024: £559,500) and commissions of £586,243 (2024: £621,600).

EISL is a related party insurance intermediary and included in the Company's statement of comprehensive income - technical accounts are transactions and balances with this entity.

Terms and conditions of transactions with related parties

Except for loans due from related parties (note 14), outstanding balances with related parties are unsecured, interest free and cash settlements are due within one year. During the year ended 30 June 2025, the Company has not made provision for doubtful debts relating to amounts owed by related parties.

Key management personnel

Other than Directors' remuneration (note 11), the Company has no amount paid as salaries and wages and other key management personnel costs as it employs no staff.

29 Controlling party

The Company is a wholly owned subsidiary of Evolution Holdings (Guernsey) Limited, a company registered in Guernsey. No individual holds a controlling interest in Evolution Holdings (Guernsey) Limited.

30 Post balance sheet events

There are no events after the reporting period that warrant any adjustment or disclosure in the financial statements.