**Evolution Insurance Company Limited**

FINANCIAL STATEMENTS

**for the year ended 30 June 2024**

Company Registration No. 88737

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**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**
BDO Limited
5.20 World Trade Center
6 Bayside Road
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 2024.

**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 shareholders' funds total £22.7m (2023: £20.7m).

During the last 12 months the Company reported Gross Written Premium (GWP) of £12.2m (2023: £12.3m). 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 Latent Defects Insurance and therefore the growth in this class has driven the growth in Earned Premium to £13m (2023: £11.3m).

The result on the Technical Account is a profit of £0.1m (2023: £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 £7.1m (2023: £5.6m). 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 £2.8m (2023: £3.5m). The investment return in 2023 was driven by the revaluation of the Company's investment in land and buildings following an independent third party valuation whereas the positive performance in 2024 is largely a result of the performance of the Company's fixed income portfolio.

This underwriting and investment performance, combined with good control of adminsitration costs, has enabled the Company to report a profit after tax for the current year of £1.6m (2023: £2.1m). The Company did not pay dividends in 2023 and 2024.

The Board regularly assesses the ongoing developments arising from macro events and their impact on the economic, political, and regulatory environment. The Board remains focused on inflation and believes it has made adequate allowance for the recent high level of inflation. 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 remains 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 2024 was 192% (2023: 169%).

**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 24 to the financial statements. In particular, the Company's exposure to market risk, credit risk and liquidity risk are separately disclosed in that note.

**Going concern**
Based on the Company's projections for the next twelve months, the directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis 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 (appointed 1 November 2023)
T Stephenson
C Wawn (resigned 13 December 2023)
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**
The retiring auditors are BDO Limited who are eligible for re-appointment.

This report was approved by the Board on 12 December 2024.

S R Haynes.

**W Bidwell**
**Director**

**S Haynes**
**Director**

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

**Report on the financial statements**
**Opinion**

We have audited the financial statements of Evolution Insurance Company Limited ("the Company"), which comprise the statement of comprehensive income for the year ended 30 June 2024, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2024 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 102 ('FRS 102') and Financial Reporting Standard 103 ('FRS 103'), the Financial Reporting Standards issued by the United Kingdom Financial Reporting Council, as applied pursuant to the requirements of the Gibraltar Companies Act;
- have been prepared in accordance with the Companies Act 2014 and the Gibraltar Financial Services (Insurance Companies) (Accounts) Regulations 2021.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We confirm that the non-audit services prohibited by the European Regulation 537/2014, as applicable to Public Interest Entities in Gibraltar, were not provided to the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

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

**Revenue Recognition**

**Key Audit Matter:**

There is a presumption in auditing standards that there is a risk of fraud in revenue recognition, which leads to revenue recognition being deemed a significant risk.

Revenue is a significant risk area and a key audit matter for insurance companies given the balance is typically a material component of the financial statements, as well as the fact that most other transactions are largely derived from revenue.

Due to the methods of calculation and the number of systems involved in calculating revenue there is a risk that errors may be made in the calculation of revenue for the year.

**Our Response:**

We recalculated the total premium income using the bordereaux received from each of the intermediaries to arrive at the total figure. All bordereaux were requested to ensure completeness.

We also performed a reconciliation of the debtor/creditor collections and traced payments receipts to bank statements to provide us with further assurance that we can rely on the bordereaux for our audit testing.

Further to the above, we analysed the portfolios and selected a sample of premium policies which were then agreed to supporting documents such as contracts or certificates and matched the details where relevant.

Accuracy of cut off procedures was also performed by reviewing the July 2024 bordereaux and determining whether there existed premium policies which should have been recorded in the year.

Further testing involved the recalculation of the expected amount of unearned premium using the bordereaux, as well as testing the non-technical income.

We noted no material discrepancies in the gross written and earned premium recorded in the year.

**Measurement of Claims Reserves**

**Key Audit Matter:**

At 30 June 2024, the Company had recorded gross claims outstanding reserves amounting to £19.8m (2023: £19.3m).

These reserves represent the estimated ultimate cost of settling insurance claims at the end of the reporting period. They include claims incurred and reported as well as claims incurred but not reported.

These reserves are calculated using statistical methods on the basis of historical claims data and using actuarial assumptions for which the judgement of an expert is required to estimate the ultimate cost. Changes in the inputs selected are liable to have a significant impact on the value of these reserves at the end of the reporting period.

Due to the inherent uncertainty of certain components taken into account to calculate the estimates, we deemed the measurement of claims reserves to be a key audit matter.

**Our Response:**

We obtained and reviewed the independent actuarial report received by the Company and how the recommendations of this report reconciled to the reserves booked by the Company. We also tested the integrity of data provided by management to the independent actuary.

We also engaged our own actuarial expert to carry out a high-level review of the main actuary's report. We held discussions with management to assess the reasonableness of the methodology and key assumptions used in the statistical analysis.

In addition, we have also performed substantive testing on the existence, completeness and accuracy of a sample of claims outstanding at the year end, including insurance recoveries.

Based on our procedures we concluded that the booked claims reserves were reasonably calculated and were in line with the Company's accounting policy.

## Other information

The directors are responsible for the other information. The other information comprises the Directors' report. Our opinion on the financial statements does not cover the other information and 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 for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with applicable law in Gibraltar and Gibraltar Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 judgement 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 the directors.

- Conclude on the appropriateness of the directors' 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.

## Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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.

## 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.

This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 257 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Other matters

- We were appointed as auditors by the Board of Directors and signed an engagement letter on 10 July 2024 to audit the financial statements for the year ended 30 June 2024. This is the fourth period of uninterrupted engagements from us.

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

- Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud:

  The objectives of our audit:
  - Our overall objective is to obtain sufficient appropriate evidence to provide us with reasonable assurance that the financial statements are free from material misstatement, whether due to fraud or error, and hence to enable us to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.
  - We designed and performed audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence. This includes applying professional skepticism, particularly in relation to any fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with the Directors of the Company; and

**Other matters (continued)**

- In relation to irregularities, to obtain sufficient appropriate audit evidence regarding compliance with the provisions of the relevant laws and regulations generally recognised to have a direct effect of the determination of material amounts and disclosures in the financial statements, and perform other audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements. We are not responsible for preventing non-compliance with laws and regulations and our audit procedures cannot be expected to detect non-compliance with all laws and regulations.

Under the BDO Audit Approach, we use risk and assurance models to determine the evidence to collect and evaluate whether sufficient appropriate evidence was obtained to be able to draw reasonable conclusions to allow us to form an opinion. In particular:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the Company and determined the direct laws and regulations related to the elements of Company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Gibraltar Financial Services Commission ('GFSC').

- We obtained a general understanding of how the Company complies with these legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance matters. This involved obtaining understanding of the Company's policies and procedures in place to prevent and detect non-compliance with laws and regulations.

- We made enquiries of members of the Board of Directors (including the arranging of separate calls with the non-executive Directors) regarding their knowledge or awareness of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements. We also reviewed correspondence between the Company and the GFSC and reviewed minutes of Board and sub-committee meetings for indicators of non-compliance with laws and regulations.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by considering the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, and the impact these have on the control environment. We did not identify any key audit matters relating to irregularities or fraud. Procedures tested in this area included testing manual journals and evaluating whether there exists evidence of bias by the Directors that represented a risk of material misstatement due to fraud or error.

Christian Summerfield (Statutory Auditor)
for and on behalf of
**BDO Limited**
5.20 World Trade Center
6 Bayside Road
Gibraltar

12 December 2024

**Evolution Insurance Company Limited**
**Statement of Comprehensive Income**
**for the year ended 30 June 2024**

| **TECHNICAL ACCOUNT - GENERAL BUSINESS** | **Notes** | **2024** | **2023** |
|---|---|---|---|
| | | **£** | **£** |
| **Earned premiums, net of reinsurance** | | | |
| Gross written premiums | 5 | 12,214,321 | 12,284,811 |
| Outward reinsurance premiums | 5 | - | 136 |
| **Net written premiums** | | 12,214,321 | 12,284,947 |
| Change in the gross provision for unearned premiums | 5 | 760,267 | (952,386) |
| Change in the provision for unearned premiums, reinsurers' share | 5 | - | - |
| | | 760,267 | (952,386) |
| **Earned premiums, net of reinsurance** | | 12,974,588 | 11,332,561 |
| **Other technical income** | | - | (7) |
| **Claims incurred, net of reinsurance** | | | |
| Claims paid | | | |
| Gross amount | 6 | (7,130,153) | (5,610,491) |
| Reinsurers' share | 6 | 1,381,424 | 1,408,713 |
| | | (5,748,729) | (4,201,778) |
| Change in the provision for claims | | | |
| Gross amount | 6 | (498,533) | (102,197) |
| Reinsurers' share | 6 | (476,406) | (2,258,121) |
| | | (974,939) | (2,360,318) |
| **Claims incurred, net of reinsurance** | | (6,723,668) | (6,562,096) |
| **Net operating expenses** | 9 | (6,187,341) | (4,235,706) |
| **Balance on the Technical Account for General Business** | | 63,579 | 534,752 |

The notes on pages 15 to 40 form part of these financial statements.

**Evolution Insurance Company Limited**
**Statement of Comprehensive Income**
**for the year ended 30 June 2024**

| NON - TECHNICAL ACCOUNT | Notes | 2024 £ | 2023 £ |
|---|---|---|---|
| **Balance on the Technical Account for General Business** | | 63,579 | 534,752 |
| **Investment income** | | | |
| Income from other financial investments | 8 | 650,410 | 59,497 |
| Income from land and buildings | 8, 26 | 597,608 | 684,750 |
| Gain on revaluation of land and buildings | 8, 12 | - | 2,940,000 |
| Unrealised gains/(losses) on other financial investments | 8 | 1,566,385 | (200,098) |
| | | 2,814,403 | 3,484,149 |
| **Investment expenses and charges** | 8 | (18,000) | (24,000) |
| **Other charges** | 10 | (1,078,557) | (1,010,216) |
| **Profit on ordinary activities before tax** | | 1,781,425 | 2,984,685 |
| Tax on profit on ordinary activities | 11 | (149,402) | (846,574) |
| **Profit for the financial year** | | 1,632,023 | 2,138,111 |
| Other comprehensive income/(loss) | 13 | 326,825 | (147,881) |
| **Total comprehensive income for the financial year** | | 1,958,848 | 1,990,230 |

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 40 form part of these financial statements.

**Evolution Insurance Company Limited**
**Statement of Financial Position**
**as at 30 June 2024**

| | Notes | | 2024 £ | | 2023 £ |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Investments** | | | | | |
| Land and buildings | 12 | 10,045,000 | | 10,045,000 | |
| Other financial investments | 13 | 28,286,819 | | 23,761,364 | |
| | | | 38,331,819 | | 33,806,364 |
| **Reinsurers' share of technical provisions** | | | | | |
| Claims outstanding | 6 | 9,062,291 | | 9,538,697 | |
| | | | 9,062,291 | | 9,538,697 |
| **Debtors** | | | | | |
| Debtors arising out of direct insurance operations: | | | | | |
| - Policyholders | 14 | 837,290 | | 3,374,210 | |
| - Intermediaries | 14 | 916,391 | | 1,139,804 | |
| Other debtors | 15 | 303,200 | | 294,807 | |
| | | | 2,056,881 | | 4,808,821 |
| **Other assets** | | | | | |
| Cash at bank and in hand | | | 964,079 | | 3,179,215 |
| **Prepayments and accrued income** | | | | | |
| Deferred acquisition and other costs | 17 | 6,081,774 | | 3,545,708 | |
| Other prepayments and accrued income | 16 | 218,385 | | 249,821 | |
| | | | 6,300,159 | | 3,795,529 |
| **Total assets** | | | 56,715,229 | | 55,128,626 |

The notes on pages 15 to 40 form part of these financial statements.

**Evolution Insurance Company Limited**
**Statement of Financial Position**
**as at 30 June 2024**

| | Notes | | 2024 £ | | 2023 £ |
|---|---|---|---|---|---|
| **SHAREHOLDER'S EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | | | | |
| Called up share capital | 22 | 502,133 | | 502,133 | |
| Share premium account | 22 | 5,118,967 | | 5,118,967 | |
| Profit and loss account | | 17,082,690 | | 15,123,842 | |
| | | | 22,703,790 | | 20,744,942 |
| **Technical provisions** | | | | | |
| Provision for unearned premiums | 5 | 10,938,480 | | 11,698,747 | |
| Claims outstanding | 6 | 19,804,093 | | 19,305,560 | |
| | | | 30,742,573 | | 31,004,307 |
| **Current liabilities** | | | | | |
| **Creditors** | | | | | |
| Creditors arising out of direct insurance operations | 18 | 896,481 | | 1,094,779 | |
| Creditors arising out of reinsurance operations | 19 | 225,471 | | 204,025 | |
| Other creditors including taxation and social security | 20 | 1,764,347 | | 1,708,231 | |
| | | | 2,886,299 | | 3,007,035 |
| **Accruals and deferred income** | 21 | | 382,567 | | 372,342 |
| **Total shareholder's equity and liabilities** | | | 56,715,229 | | 55,128,626 |

Approved and authorised for issue by the Board of Directors on 12 December 2024 and were signed on its behalf by:

W Bidwell
Director

S Haynes
Director

The notes on pages 15 to 40 form part of these financial statements.

**Evolution Insurance Company Limited**
**Statement of Changes in Equity**
**for the year ended 30 June 2024**

| | Called up share capital £ | Share premium account £ | Profit and loss account £ | Total £ |
|---|---|---|---|---|
| **At 30 June 2022** | 502,133 | 5,118,967 | 13,133,612 | 18,754,712 |
| Profit for the financial year | - | - | 2,138,111 | 2,138,111 |
| Other comprehensive loss | - | - | (147,881) | (147,881) |
| **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 |

The notes on pages 15 to 40 form part of these financial statements.

**Evolution Insurance Company Limited**
**Statement of Cash Flows**
**for the year ended 30 June 2024**

| | Notes | 2024 £ | 2023 £ |
|---|---|---|---|
| **Profit before tax** | | 1,781,425 | 2,984,685 |
| Adjustments for: | | | |
| Unrealised (income)/loss on other financial investments | 8 | (1,566,385) | 200,098 |
| Unrealised gain on land and buildings | 8, 12 | - | (2,940,000) |
| Unrealised foreign exchange loss | 10 | 412 | 744 |
| | | 215,452 | 245,527 |
| Changes in working capital: | | | |
| Decrease in reinsurers' share of technical provisions | | 476,406 | 2,258,121 |
| Decrease/(increase) in debtors and prepayments and accrued income | | 209,620 | (2,861,158) |
| (Decrease)/increase in insurance technical provisions | | (261,734) | 1,054,583 |
| (Decrease)/increase in creditors | | (120,736) | 290,705 |
| Increase in accruals and deferred income | | 10,225 | 4,805 |
| **Cash flows generated from operating activities** | | 529,233 | 992,583 |
| | | | |
| Tax (paid)/refunded | | (129,878) | 87,371 |
| Interest received | | 18,166 | 136,480 |
| **Net cash generated from operating activities** | | 417,521 | 1,216,434 |
| | | | |
| **Investing activities** | | | |
| Purchase of other financial investments | | (2,000,000) | (2,000,000) |
| Redemption of other financial investments | | - | 1,249,663 |
| Reinvestment of income from other financial investments | | (632,245) | - |
| **Net cash used in investing activities** | | (2,632,245) | (750,337) |
| | | | |
| **Net (decrease)/increase in cash and cash equivalents** | | (2,214,724) | 466,097 |
| | | | |
| Effects of foreign exchange differences | | (412) | (744) |
| | | | |
| Cash and cash equivalents as at 1 July | | 3,179,215 | 2,713,862 |
| **Cash and cash equivalents at 30 June** | | 964,079 | 3,179,215 |

The notes on pages 15 to 40 form part of these financial statements.

## 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***
These financial statements have been prepared in accordance with Financial Reporting Standards ("FRS") 102 and 103 issued by the UK Financial Reporting Council ("FRC"), as applied pursuant to the requirements of the Gibraltar Companies Act.

Gibraltar legislations applied in the preparation of these financial statements include the Gibraltar Companies Act 2014 and Gibraltar 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 financial statements have been prepared on a going concern basis. In considering the appropriateness of this assumption, the Board of Directors have reviewed the Company's projections for the next twelve months from the signing of these financial statements, including cash flow forecasts and stress tested these forecasts under a range of scenarios. The stress testing also considered the impact on regulatory capital requirements and solvency.

As a result of the reviews detailed above the Board of Directors have satisfied themselves that the Company has adequate resources to continue in operational existence for the foreseeable future and believe that it is appropriate to prepare the financial statements on a going concern basis.

## 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.

*Other technical income*
Other technical income is derived from the Company's fronting arrangements where it transfers all the insurance risks to reinsurers and retains a fee calculated as a percentage of the written premiums in the reporting period.

**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 26.

*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 shareholders' 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.

**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.

***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.

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.

**3 Summary of significant accounting policies (continued)**

***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 12.

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.

***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.

*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.

## 3 Summary of significant accounting policies (continued)

### ***Financial assets and liabilities (continued)***

*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.

*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.

## 3 Summary of significant accounting policies (continued)

***Financial assets and liabilities (continued)***

***Impairment of assets (continued)***

*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.

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.

## 3 Summary of significant accounting policies (continued)

***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.

## 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.

*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 £19.8 million (2023: £19.3 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.

## 4 Critical accounting estimates and judgements (continued)

*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.

FRS 102 section 11.27, 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 A) and the lowest priority to unobservable inputs (Level C). The three levels of the fair value hierarchy are as follows:

- Level A – Quoted prices for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis.

- Level B – 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 it can be demonstrated that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.

- Level C – If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

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 £26.3 million (2023: £22.3 million), see note 13 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 an increase in the value on one of its investments by £0.2 million (2023: £0.5 million decrease).

## 4 Critical accounting estimates and judgements (continued)

*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 the reporting date amounted to £10.0 million in 2023 and 2024. In 2023, a revaluation gain of £2.9 million was reported, see note 12.

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 2024 £ | Reinsurance 2024 £ | Net 2024 £ | Gross 2023 £ | Reinsurance 2023 £ | Net 2023 £ |
|---|---|---|---|---|---|---|
| Premiums written | 12,214,321 | - | 12,214,321 | 12,284,811 | 136 | 12,284,947 |
| Unearned premiums c/f | (10,938,480) | - | (10,938,480) | (11,698,747) | - | (11,698,747) |
| Unearned premiums b/f | 11,698,747 | - | 11,698,747 | 10,746,361 | - | 10,746,361 |
| | 760,267 | - | 760,267 | (952,386) | - | (952,386) |
| Premiums earned | 12,974,588 | - | 12,974,588 | 11,332,425 | 136 | 11,332,561 |

## 6 Claims incurred, net of reinsurance

| | Gross 2024 £ | Reinsurance 2024 £ | Net 2024 £ | Gross 2023 £ | Reinsurance 2023 £ | Net 2023 £ |
|---|---|---|---|---|---|---|
| Claims paid | 7,130,153 | (1,381,424) | 5,748,729 | 5,610,491 | (1,408,713) | 4,201,778 |
| Outstanding claims c/f | 19,804,093 | (9,062,291) | 10,741,802 | 19,305,560 | (9,538,697) | 9,766,863 |
| Outstanding claims b/f | (19,305,560) | 9,538,697 | (9,766,863) | (19,203,363) | 11,796,818 | (7,406,545) |
| | 498,533 | 476,406 | 974,939 | 102,197 | 2,258,121 | 2,360,318 |
| Claims incurred | 7,628,686 | (905,018) | 6,723,668 | 5,712,688 | 849,408 | 6,562,096 |

## 7 Segmental information

Analysis of gross premiums written by geographical market:

| | 2024 £ | 2023 £ |
|---|---|---|
| United Kingdom | 12,214,321 | 12,284,811 |
| | 12,214,321 | 12,284,811 |

By line of business:

| | 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) | (4,890,400) | - |
| Motor third party liability | - | - | (826,605) | - | 826,605 |
| Miscellaneous financial loss | 1,234,791 | 2,292,717 | (1,946,884) | (692,123) | 78,413 |
| Credit and suretyship | 1,542,742 | 1,693,281 | (921,376) | (604,818) | - |
| Fire and other damage to property | - | 6,611 | 1,563 | - | - |
| | 12,214,321 | 12,974,588 | (7,628,686) | (6,187,341) | 905,018 |

| | Gross Premiums written £ | Gross Premiums earned £ | Gross claims incurred £ | Gross operating expenses £ | Reinsurance balance £ |
|---|---|---|---|---|---|
| **2023** | | | | | |
| Assistance | 8,392,942 | 6,629,717 | (3,701,185) | (2,766,780) | - |
| Motor third party liability | - | - | 629,097 | - | (629,097) |
| Miscellaneous financial loss | 2,120,326 | 2,852,746 | (1,559,526) | (836,654) | (220,090) |
| Credit and suretyship | 1,771,655 | 1,802,523 | (1,126,544) | (632,361) | - |
| Fire and other damage to property | (112) | 47,439 | 45,470 | 4 | - |
| | 12,284,811 | 11,332,425 | (5,712,688) | (4,235,791) | (849,187) |

## 8 Net investment return

| | Income from other financial investments £ | Income from land and buildings (note 26) £ | Unrealised gains/ (losses) | 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 |
| | 650,410 | 597,608 | 1,566,385 | (18,000) | 2,796,403 |
| **2023** | | | | | |
| Financial assets at fair value through profit or loss | 15,354 | - | 299,902 | (24,000) | 291,256 |
| Loans at amortised cost | 44,143 | - | (500,000) | - | (455,857) |
| Land and buildings | - | 684,750 | 2,940,000 | - | 3,624,750 |
| | 59,497 | 684,750 | 2,739,902 | (24,000) | 3,460,149 |

## 9 Net operating expenses

| | 2024 £ | 2023 £ |
|---|---|---|
| Acquisition costs | 5,611,338 | 4,300,242 |
| Change in deferred acquisition costs (note 17) | 22,503 | (458,451) |
| Acquisition costs - reinsurers' share | - | (85) |
| Administrative expenses | 553,500 | 394,000 |
| | 6,187,341 | 4,235,706 |

Administrative expenses represent service fees paid to a related party (note 27). 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.

## 10 Other charges

| | 2024 £ | 2023 £ |
|---|---|---|
| Insurance management fees (note 27) | 281,000 | 295,000 |
| Legal and professional fees | 232,609 | 256,684 |
| Directors' remuneration | 298,288 | 243,306 |
| Auditor's remuneration for audit services | 105,600 | 74,426 |
| Taxation compliance services | 2,290 | 2,175 |
| General administrative expenses | 158,358 | 137,881 |
| Unrealised foreign exchange loss | 412 | 744 |
| | 1,078,557 | 1,010,216 |

## 11 Tax on profit on ordinary activities

The Company is subject to the Gibraltar Income Tax Act 2010 which requires companies to pay 12.5% Gibraltar Corporation Tax on payable profits.

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.

| | 2024 £ | 2023 £ |
|---|---|---|
| **Current tax:** | | |
| Gibraltar corporation tax | - | - |
| Non-Gibraltar income tax | 149,402 | 166,574 |
| Total current tax | 149,402 | 166,574 |
| **Deferred tax:** | | |
| Movement in provision for deferred tax | - | 680,000 |
| | 149,402 | 846,574 |

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.

## 11 Tax on profit on ordinary activities (continued)

**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:

| | 2024<br>£ | 2023<br>£ |
|---|---|---|
| Profit before tax | 1,781,425 | 2,984,685 |
| Profit multiplied by standard rate in Gibraltar of 12.5% (2023: 12.5%) | 222,678 | 373,086 |
| *Effects of:* | | |
| Effect of tax losses brought forward | (21,683) | (329,750) |
| Expenses not deductible for tax purposes | 2,250 | 65,500 |
| Income not taxable | (277,099) | (44,925) |
| Effect of tax suffered at a higher rate | (74,701) | (85,594) |
| Tax losses carried forward | 148,555 | 21,683 |
| Total tax expense | - | - |

## 12 Land and buildings

Land and buildings are held for investment purposes.

| | 2024<br>£ | 2023<br>£ |
|---|---|---|
| At 1 July | 10,045,000 | 7,105,000 |
| Change in fair value | - | 2,940,000 |
| At 30 June | 10,045,000 | 10,045,000 |

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 2023, the gain arising from the change in fair value amounted to £2,940,000. The Company consequently recognised £680,000 as a deferred tax liability in relation to this gain. This is recorded within ‘Other creditors including taxation and social security’ in the statement of financial position.

In the opinion of the Directors, the valuation of land and buildings approximate their fair values and is appropriate as at 30 June 2024 and 30 June 2023, see note 4. This investment is classified as Level B of the fair value hierarchy.

The historical cost of the existing land and buildings amounted to £5,577,848 as at 30 June 2024 and 30 June 2023.

## 13 Other financial investments

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | **Carrying value £** | **Purchase price £** | **Carrying value £** | **Purchase price £** |
| **Other financial assets** | | | | |
| *Measured at fair value through profit or loss* | | | | |
| - Collective investment schemes | 26,318,274 | 25,228,681 | 22,319,645 | 21,228,681 |
| | 26,318,274 | 25,228,681 | 22,319,645 | 21,228,681 |
| *Measured at amortised cost* | | | | |
| - Loans due from related parties (note 27) | 1,968,545 | 2,387,600 | 1,441,719 | 2,387,600 |
| | 1,968,545 | 2,387,600 | 1,441,719 | 2,387,600 |
| **Total other financial assets** | 28,286,819 | 27,616,281 | 23,761,364 | 23,616,281 |

Outstanding loans due from related parties are non-interest bearing, due within 1-5 years and with no repayment terms.

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, net gain on loan discounting amounted to £326,825 (2023: £147,881 loss) and is recognised under 'Other comprehensive loss'.

As at 30 June 2024, the Directors have assessed an increase in the value on one of its investments in loans by £0.2 million (2023: £0.5 million decrease). This is recognised under 'Unrealised gains/(losses) on other financial investments' (note 8) 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 A £** | **Level B £** | **Level C £** | **Total £** |
|---|---|---|---|---|
| **2024** | | | | |
| **Financial assets** | | | | |
| Collective investment schemes | 26,318,274 | - | - | 26,318,274 |
| | 26,318,274 | - | - | 26,318,274 |
| **2023** | | | | |
| **Financial assets** | | | | |
| Collective investment schemes | 22,319,645 | - | - | 22,319,645 |
| | 22,319,645 | - | - | 22,319,645 |

## 14 Debtors arising out of insurance operations

| | 2024 £ | 2023 £ |
|---|---|---|
| Due from policyholders | 837,290 | 3,374,210 |
| Due from intermediaries | 704,596 | 906,146 |
| Due from related party intermediaries (note 27) | 211,795 | 233,658 |
| | 1,753,681 | 4,514,014 |

'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.

## 15 Other debtors

| | 2024 £ | 2023 £ |
|---|---|---|
| Due from related parties (note 27) | 268,200 | 273,807 |
| Other debtor | 35,000 | 21,000 |
| | 303,200 | 294,807 |

'Due from related parties' materially represents an amount due from EHGL.

## 16 Other prepayments and accrued income

In 2024, other prepayments and accrued income amounting to £218,385 (2023: £249,821) consist of prepaid expenses and accrued rent.

## 17 Deferred acquisition and other costs

| | Gross £ | Reinsurance £ | Net £ |
|---|---|---|---|
| **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 | (22,503) | - | (22,503) |
| Other deferred costs | 2,558,569 | - | 2,558,569 |
| **2023** | | | |
| Deferred acquisition costs carried forward | 3,545,708 | - | 3,545,708 |
| Deferred acquisition costs brought forward | (3,087,258) | - | (3,087,258) |
| Change in deferred acquisition cost | 458,450 | - | 458,450 |

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

## 18 Creditors arising out of direct insurance operations

| | 2024 £ | 2023 £ |
|---|---|---|
| Due to intermediaries | 896,481 | 1,094,779 |
| | 896,481 | 1,094,779 |

'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 2024 and 30 June 2023.

## 19 Creditors arising out of reinsurance operations

| | 2024 £ | 2023 £ |
|---|---|---|
| Due to reinsurers | 225,471 | 204,025 |
| | 225,471 | 204,025 |

## 20 Other creditors including taxation and social security

| | 2024 £ | 2023 £ |
|---|---|---|
| Insurance premium tax | 906,794 | 800,202 |
| Corporation tax | 177,553 | 158,029 |
| Deferred tax liability | 680,000 | 680,000 |
| Due to related party creditor (note 27) | - | 70,000 |
| | 1,764,347 | 1,708,231 |

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. 'Due to related party creditor' balance in 2023 represents amount owed to Evolution Insurance Solutions Limited for service fees.

## 21 Accruals and deferred income

| | 2024 £ | 2023 £ |
|---|---|---|
| Accruals for professional fees and property expenses | 382,567 | 372,342 |
| | 382,567 | 372,342 |

## 22 Share capital

| **Authorised** | 2024 Number | 2023 Number | 2024 £ | 2023 £ |
|---|---|---|---|---|
| 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 |
| | | | 505,100 | 505,100 |

| | 2024 Number | 2023 Number | 2024 £ | 2023 £ |
|---|---|---|---|---|
| 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 |
| | | | 502,133 | 502,133 |

## 22 Share capital (continued)

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.

Redeemable preference shares have voting rights and, upon a winding-up, will have a preferred claim to the available assets for distribution to the extent of the amount paid up. Redeemable preference shares shall only be redeemed at the Company's option.

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.

In 2024, the share premium account amounted to £5.1 million (2023: £5.1 million).

## 23 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.

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 2024 was 192% (2023: 169%).

## 24 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.

## 24 Financial risk management (continued)

*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.

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

| | 2024 | 2023 |
|---|---|---|
| | £ | £ |
| *Financial assets* | | |
| Cash at bank and in hand | 169,840 | 190,148 |
| Claims outstanding - reinsurers' share | 5,597,350 | 6,000,942 |
| Debtors arising out of direct insurance operations | 224,343 | 201,229 |
| | 5,991,533 | 6,392,319 |
| *Financial liabilities* | | |
| Claims outstanding | 5,664,297 | 6,063,453 |
| Creditors arising out of reinsurance operations | 222,675 | 201,229 |
| | 5,886,972 | 6,264,682 |
| Net exposure to foreign currency | 104,561 | 127,637 |

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.

| | 2024 | 2023 |
|---|---|---|
| | £ | £ |
| Base | 104,561 | 127,637 |
| Impact on pre tax profit of a 10% +/- sensitivity | 10,456 | 12,764 |
| Impact on shareholders' equity of a 10% +/- sensitivity | 9,149 | 11,487 |

*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.

## 24 Financial risk management (continued)

*Market risk (continued)*

*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.

*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<br>£ | A- to A+<br>£ | BBB+ and lower<br>£ | Not Rated<br>£ | Carrying amount<br>£ |
|---|---|---|---|---|---|
| **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 |

## 24 Financial risk management (continued)

*Credit risk (continued)*

| | AA- to AAA | A- to A+ | BBB+ and lower | Not Rated | Carrying amount |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| **2023** | | | | | |
| Collective investment schemes | 13,405,771 | 2,683,310 | 6,210,237 | 20,327 | 22,319,645 |
| Loans at amortised cost | - | - | - | 1,441,719 | 1,441,719 |
| Cash and cash equivalents | - | 3,179,215 | - | - | 3,179,215 |
| Debtors arising out of insurance operations | - | - | - | 4,514,014 | 4,514,014 |
| Reinsurers' share in claims outstanding | - | 6,036,947 | - | 3,501,750 | 9,538,697 |
| | 13,405,771 | 11,899,472 | 6,210,237 | 9,477,810 | 40,993,290 |

Except for 'Loans at amortised cost', all of the assets of the Company are neither past due nor impaired as at 30 June 2024 and 30 June 2023. 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).

## 24 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 | - | 906,794 | - | 857,553 | - | 1,764,347 |
| Accruals and deferred income | - | - | 382,567 | - | - | 382,567 |
| | 578,626 | 2,064,046 | 6,353,983 | 10,943,963 | 3,132,341 | 23,072,959 |

| | Less than 1 month £ | 1 – 3 months £ | 3 months to 1 year £ | 1 – 5 years £ | 5+ years £ | Total £ |
|---|---|---|---|---|---|---|
| **2023** | | | | | | |
| Claims outstanding | 566,581 | 1,133,161 | 5,099,226 | 7,265,587 | 5,241,005 | 19,305,560 |
| Creditors arising out of direct insurance operations | - | - | 631,684 | 463,095 | - | 1,094,779 |
| Creditors arising out of reinsurance operations | - | - | 204,025 | - | - | 204,025 |
| Other creditors including taxation and social security | - | 870,202 | - | 838,029 | - | 1,708,231 |
| Accruals and deferred income | - | - | 372,342 | - | - | 372,342 |
| | 566,581 | 2,003,363 | 6,307,277 | 8,566,711 | 5,241,005 | 22,684,937 |

## 24 Financial risk management (continued)

*Liquidity risk (continued)*

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 £ |
|---|---|---|---|---|---|---|
| **2024** | | | | | | |
| Collective investment schemes | - | 197,675 | 12,169,697 | 13,950,902 | - | 26,318,274 |
| Loans at amortised cost | - | - | 1,200,000 | 768,545 | - | 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 | 286,362 | 572,725 | 2,577,261 | 4,397,299 | 1,228,644 | 9,062,291 |
| | 1,250,441 | 770,400 | 17,700,639 | 19,116,746 | 1,228,644 | 40,066,870 |

| | Less than 1 month £ | 1 – 3 months £ | 3 months to 1 year £ | 1 – 5 years £ | 5+ years £ | Total £ |
|---|---|---|---|---|---|---|
| **2023** | | | | | | |
| Collective investment schemes | - | - | 22,319,645 | - | - | 22,319,645 |
| Loans at amortised cost | - | - | - | 1,441,719 | - | 1,441,719 |
| Cash and cash equivalents | 3,179,215 | - | - | - | - | 3,179,215 |
| Debtors arising out of insurance operations | - | - | 4,514,014 | - | - | 4,514,014 |
| Reinsurers' share in claims outstanding | 233,285 | 466,570 | 2,099,567 | 4,041,135 | 2,698,140 | 9,538,697 |
| | 3,412,500 | 466,570 | 28,933,226 | 5,482,854 | 2,698,140 | 40,993,290 |

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

## 25 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 writes property, liability, 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.

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 | |
|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | £ | £ | £ | £ | £ | £ |
| UK | 14,139,796 | 13,242,107 | 3,464,941 | 3,537,755 | 10,674,855 | 9,704,352 |
| EU (excluding UK) | 5,664,297 | 6,063,453 | 5,597,350 | 6,000,942 | 66,947 | 62,511 |
| | 19,804,093 | 19,305,560 | 9,062,291 | 9,538,697 | 10,741,802 | 9,766,863 |

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

| | Gross | | Reinsurance | | Net | |
|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | £ | £ | £ | £ | £ | £ |
| Motor other classes | 5,597,350 | 6,000,942 | 5,597,350 | 6,000,942 | - | - |
| Miscellaneous | 10,722,280 | 9,697,473 | 3,464,941 | 3,537,755 | 7,257,339 | 6,159,718 |
| Credit and suretyship | 3,290,830 | 3,095,207 | - | - | 3,290,830 | 3,095,207 |
| Fire and other damage to property | 28,924 | 33,580 | - | - | 28,924 | 33,580 |
| Assistance | 164,709 | 478,358 | - | - | 164,709 | 478,358 |
| **Total** | 19,804,093 | 19,305,560 | 9,062,291 | 9,538,697 | 10,741,802 | 9,766,863 |

## 25 Insurance risk management (continued)

***Concentration (continued)***

The Company's motor line of business makes up the largest reinsurance exposure at £5.6 million (2023: £6.0 million) which is with an A- rated reinsurer.

Under the miscellaneous line of business, the Company has a reinsurance exposure with a related party for £3.3 million (2023: £3.5 million).

***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.

Some results of sensitivity testing are set out below, showing the impact on profit before tax and shareholders' 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** | | **Shareholders' equity** | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| | **£** | **£** | **£** | **£** |
| 5% increase in net claims reserve | (537,090) | (488,343) | (469,954) | (439,509) |
| 5% decrease in net claims reserve | 537,090 | 488,343 | 469,954 | 439,509 |
| 5% increase in expenses | (309,367) | (211,785) | (270,696) | (190,607) |
| 5% decrease in expenses | 309,367 | 211,785 | 270,696 | 190,607 |

***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.

## 25 Insurance risk management (continued)

***Assumptions and sensitivities (continued)***

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

| | 2020 and prior | 2021 | 2022 | 2023 | 2024 | Total |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| At end of reporting year | 161,034,180 | 553,345 | 1,079,999 | 3,334,734 | 3,115,128 | 169,117,386 |
| One year later | 414,351,871 | 2,385,402 | 3,720,168 | 7,053,792 | | 427,511,233 |
| Two years | 338,910,829 | 2,675,408 | 5,406,840 | | | 346,993,077 |
| Three years | 367,587,788 | 3,965,860 | | | | 371,553,648 |
| Four years | 358,314,010 | | | | | 358,314,010 |
| Current estimate of cumulative claims | 358,314,010 | 3,965,860 | 5,406,840 | 7,053,792 | 3,115,128 | 377,855,630 |
| Cumulative payments to date | 343,335,715 | 2,739,100 | 4,262,484 | 5,422,366 | 2,291,872 | 358,051,537 |
| Claims outstanding | **14,978,295** | **1,226,760** | **1,144,356** | **1,631,426** | **823,256** | **19,804,093** |

### Analysis of claims development - net

| | 2020 and prior | 2021 | 2022 | 2023 | 2024 | Total |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| At end of reporting year | 65,207,814 | 302,349 | 963,553 | 1,377,149 | 3,115,128 | 70,965,993 |
| One year later | 134,087,460 | 1,874,789 | 3,648,595 | 5,096,206 | | 144,707,050 |
| Two years later | 144,556,067 | 2,180,987 | 5,205,407 | | | 151,942,461 |
| Three years later | 157,053,121 | 3,255,780 | | | | 160,308,901 |
| Four years later | 168,575,363 | | | | | 168,575,363 |
| Current estimate of cumulative claims | 168,575,363 | 3,255,780 | 5,205,407 | 5,096,206 | 3,115,128 | 185,247,884 |
| Cumulative payments to date | 162,313,139 | 2,245,381 | 4,190,911 | 3,464,779 | 2,291,872 | 174,506,082 |
| Net claims outstanding | **6,262,224** | **1,010,399** | **1,014,496** | **1,631,427** | **823,256** | **10,741,802** |

## 26 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:

| | **2024** | **2023** |
|---|---|---|
| | **£** | **£** |
| Land and buildings - rental income | 597,608 | 684,750 |

The Company owns various land and buildings which are investment properties, as disclosed in Note 12, which are let to third parties. These non-cancellable leases have remaining terms of between 1 and 23 years. Some leases include a provision for 3 or 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:

| | **2024** | **2023** |
|---|---|---|
| | **£** | **£** |
| Expiring within 1 year | 30,200 | 147,100 |
| Expiring within 2 to 5 years | 1,410,131 | 1,365,157 |
| Expiring after 5 years | 845,500 | 883,500 |

## 27 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:

| **2024** | **Income from related parties** | **Expenses from related parties** | **Balance due from related parties** | **Balance due to related parties** |
|---|---|---|---|---|
| | **£** | **£** | **£** | **£** |
| **Entities under common ownership and with common directors** | | | | |
| Evolution Insurance Solutions Limited | 15,000 | 1,181,100 | 211,795 | - |
| Evolution Holdings (Guernsey) Limited | - | - | 268,200 | - |
| **Entities under common ownership** | | | | |
| Charles Street Investments Limited - loan | - | - | 1,200,000 | - |
| Skylark Investments Limited - loan | - | - | 768,544 | - |

| **2023** | **Income from related parties** | **Expenses from related parties** | **Balance due from related parties** | **Balance due to related parties** |
|---|---|---|---|---|
| | **£** | **£** | **£** | **£** |
| **Entities under common ownership and with common directors** | | | | |
| Evolution Insurance Solutions Limited | 15,000 | 1,094,104 | 233,658 | 70,000 |
| Evolution Holdings (Guernsey) Limited | - | - | 268,200 | - |
| **Entities under common ownership** | | | | |
| Charles Street Investments Limited - loan | - | - | 731,038 | - |
| Skylark Investments Limited - loan | - | - | 710,681 | - |
| Skylark Investments Limited - other debtors | - | - | 5,607 | - |

**27 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 (2023: £15,000) and paid service fees of £559,500 (2023: £400,000) and commissions of £621,600 (2023: £694,104).

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 13), outstanding balances with related parties are unsecured, interest free and cash settlements are due within one year. During the year ended 30 June 2024, the Company has not made provision for doubtful debts relating to amounts owed by related parties.

*Key management personnel*
The Company has no amount paid as salaries and wages and key management personnel costs as it employs no staff.

## 28 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.