UK DEFENCE CLUB

Above & Beyond

The United Kingdom Freight Demurrage and Defence Insurance (Europe) Ltd
Report and Financial Statements for the year ended 20 February 2025

UKDC
IS MANAGED
BY **THOMAS
MILLER**

Contents

Board of Directors and Other Officers

Board of Directors

Petros Pappas
Daniel John Evans
Polys Hajioannou
George Mouskas
Ioannis Triphyllis (appointed on 2nd December, 2024)
Maria Savva

Company Secretary
Cyproman Services Ltd

Independent Auditors
Ernst & Young Cyprus Limited
10 Esperidon Street
1087 Nicosia
Cyprus

Registered Office
214 Arch. Makarios III Avenue
Kanika Ideal Court, Office 401
3030 Limassol
Cyprus

Bankers
Citibank Europe Plc (Netherlands)

Registration Number
HE399596

Website
www.ukdefence.com

Management Report

The Board of Directors presents its report and audited financial statements of The United Kingdom Freight Demurrage and Defence Insurance (Europe) Ltd ("the Company") for the year ended 20 February 2025.

Principal activities and nature of operations of the Company
The Company was incorporated in Cyprus on 4 July 2019 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. The Company is a 100% subsidiary of The United Kingdom Freight Demurrage and Defence Association Limited, registered in the United Kingdom.

The Company's principal activity, which is unchanged from last year, is the provision of insurance to its policyholders against legal costs and expenses relating to the operation of ships entered with the Company as defined in the Rules of the Company. The Company underwrites insurance of policyholders mainly situated in a European Economic Area state and of few policyholders who are situated in third countries.

The Company was licensed under Article 14 of the Insurance and Reinsurance Services and Other Related Issues Laws of 2016-2017 on 19th June 2020.

Review of current position, future developments and performance of the Company's business
The financial position, development and performance of the Company as presented in these financial statements was satisfactory and in line with expectations.

The Company applies the IFRS 17 – Insurance Contracts reporting standard in the preparation of financial statements. Under the IFRS 17 model, insurance contract liabilities are calculated as the present value of future insurance cash flows with the provision for a risk adjustment.

The Company's insurance revenue amounted to UK£2,609,986 in 2025 (2024: UK£2,640,728) and net insurance service expense amounted to UK£938,515 (2024: UK£1,160,910).

The Company earned a profit of UK£69,031 for the year (2024: UK£162,656) which met the Company's expectations for the year.

The Company's insurance contract liabilities amounted to UK£2,060,589 as at 20 February 2025 (2024: UK£2,228,138).

Shareholders' equity amounted to UK£3,974,868 as at 20 February 2025 (2024: UK £3,905,837).

Principal risks and uncertainties
The Company's approach to financial and insurance risk management and a review of the principal risks is disclosed in Note 5 of the financial statements, which includes the financial risks on climate change. The principal risks are considered to be currency risk, insurance risk and credit risk of reinsurance arrangements, the mitigation of which is further discussed in Note 5 of the financial statements. In addition to the risks discussed in Note 5 of the financial statements, the Board of the Company has identified Cyber risk and the failure of IT system security as additional key risks that the Company faces. These risks, and their respective controls, are monitored by the Company's Board through the regular review of the business risk log.

Future developments of the Company
The Board of Directors monitors continuously the international economic developments and evaluates the need for strategic changes to ensure the financial and operational development for the Company.

The Board of Directors does not expect any changes or developments in the operations as such, financial position and performance of the Company. The Group will maintain the current strategy for its business in future years and anticipates retaining market share whilst adding to its Membership subject to its underwriting discipline.

Management Report (continued)

Results and dividends

The Company's results for the year are set out on page 14. The Board of Directors does not recommend the payment of a dividend and net profit for the year is retained.

Share capital

There were no changes in the share capital of the Company.

Corporate Governance

The Company recognises the importance of implementing sound corporate governance policies, practices and procedures. The Company has introduced the appropriate corporate governance practices from the inception and implemented a corporate structure that provides effective oversight, direction and management of the business in compliance with all relevant local and international business laws that apply.

The Board of Directors and the Audit, Regulatory and Risk Committee are suitably composed by Directors having the appropriate background and experience and following their respective fully approved charters of operation. The Audit Regulatory and Risk Committee ("AR&R Committee") is comprised of Non-Executive and Independent Directors.

Operating environment of the Company

Geopolitical conflicts

The ongoing geopolitical uncertainties, including the prolonged Russia – Ukraine conflict, the escalating tensions in Middle East, the change of government in the US along with political and economic developments in Europe and the commercial hub of the Asian region, continue to impact global markets and economic stability. The imposition of new and changing sanctions regimes, trade tariffs and regulatory measures has led to increased compliance requirements and higher costs for global trade. These factors present ongoing challenges to the broader geopolitical landscape. The Company continues to keep the position under review and ensures compliance with the changing sanction measures whilst acting for the benefit of the Group's overall Membership.

Climate change

Financial risks arising from climate change is a key area of focus for regulators. The Company has appointed the Risk Officer as the Senior Management Function holder with the responsibility for identifying and managing exposures from climate change and ensuring that the regulator's expectations are met.

The continuing emergence of different elements of climate change is being monitored to assess whether and to what extent they might affect future exposure for the Company. The changes imposed on the shipping industry in order to reduce the industry's impact on the environment and climate change regulation developments have, or may have, an impact on Members' existing business models. In turn, this could impact the Company's business model. The Company is likely to be most impacted during the period of adjustment whilst the industry tries to address new environmental regulations.

The Company has considered climate change risk as a risk that manifests through the established principal risks and cascades through the various functions of the Company (underwriting, credit, operational and financial). As such additional procedures and controls as well as updates in the existing mitigating controls have been introduced, in order to ensure that climate changes risks are identified, measured, monitored and managed, against the risk appetite and business risk model. The Company is developing measures and stress tests to manage the potential risks arising from climate change. The Managers are implementing measures to reduce energy consumption, increase the scope of recycling within its office operations, and to raise awareness amongst employees of environmental responsibility and promote sustainable business.

Management Report (continued)

Climate change (continued)

The Company continues to monitor these developments closely and has taken proactive measures to mitigate risks, including:

- Enhancing due diligence and compliance frameworks to address evolving regulatory requirements.
- Assessing exposure to high-risk trade routes and adjusting operational strategies accordingly.
- Maintaining a prudent underwriting approach to ensure financial resilience amid market volatility.

While uncertainties persist, the Company remains committed to navigating these challenges through disciplined risk management, operational adaptability, and strategic planning to safeguard its financial position and support its Members effectively.

Board of Directors

The members of the Company's Board of Directors as at 20 February 2025 and up to the date of this report are presented on page 1. Mr Triphyllis was appointed as a Director on 2nd December, 2024.

In accordance with the Company's Articles of Association all Directors presently members of the Board retire at the forthcoming Annual General Meeting and will be eligible for re-election.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

The Directors met three times during the year ended 20 February 2025, in order to fulfil the general and specific responsibilities entrusted to them under the Memorandum and Articles of Association. At those meetings the Directors received and discussed written and oral reports and recommendations from the Managers on operational, performance, risk management and strategic matters.

Board Composition

Name	Position	Role
Daniel John Evans	Chief Executive Officer, Director	Executive Director
Petros Pappas	Non executive and Independent Director	AR&R Committee - Member
Polys Hajioannou	Non executive and Independent Director	AR&R Committee - Member
George Mouskas	Non executive and Independent Director	AR&R Committee - Member
Ioannis Triphyllis	Non executive and Independent Director	AR&R Committee - Member
Maria Savva	Chief Financial Officer, Risk Officer, Director	Executive Director

Events after the reporting date

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements, other than those disclosed in Note 19 of the financial statements.

Branches

The Company did not operate through any branches during the year.

Independent Auditors

The Independent Auditors, Ernst & Young Cyprus Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Cyproman Services Ltd
Secretary

Nicosia, 27 May 2025

Independent Auditor's Report

Report on the Audit of the Financial Statements To the members of the United Kingdom Freight Demurrage and Defence Insurance (Europe) Ltd

Opinion

We have audited the financial statements of The United Kingdom Freight Demurrage and Defence Insurance (Europe) Ltd (the "Company") which are presented in pages 14 - 17 and comprise the statement of financial position as at 20 February 2025, the statements of profit or loss and other comprehensive income, changes in equity and cash flows, for the year then ended, and notes to the financial statements, including a material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 20 February 2025, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

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 remained independent of the Company throughout the period of our appointment in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 judgment, were of most significance in our audit of the financial statements of the current period. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Independent Auditor's Report (continued)

Report on the Audit of the Financial Statements

<table>
<tr><th>Key Audit Matters</th><th>Audit Procedures to address the key audit matter</th></tr>
<tr><td colspan="2">Valuation of reported outstanding claims (LIC)</td></tr>
<tr><td>
The total amount of Liabilities for incurred claims (LIC) as at the year ended 20 February 2025 amounts to €2.056 thousand. The total value of Liabilities for incurred claims (LIC) represents 92% of the Company's total liabilities.
The valuation of Liabilities for incurred claims ("LIC") is one of the areas that requires the exercise of significant judgment and assumptions by management. These include among others:

The assessment of claims and the potential amount of legal expenses that will be incurred throughout the process of claims settlement, that the outcome of claims will be similar to past claims with identical characteristics etc;
The assessment of the potential amount of claims relating to risks incurred but not yet reported to the Company;
The calculation of risk adjustment which is used to reflect the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfils insurance contracts;
The assessment of the impact of time value of money relating to the expected future cash outflows associated with claims reserves.

Given the significance of the total amount of liabilities for incurred claims, the significant level of judgement exercised on behalf of the management, we consider this to be a risk of management override of controls over the valuation of liabilities for incurred claims and a key audit matter.
The Company's disclosures relating to liabilities for incurred claims and insurance risk are included in note 4.1, note 5, note 6 and note 14.
</td><td>
As part of our audit procedures in relation to the valuation of Liabilities for incurred claims (LIC) and considering the related risk of management override of controls over the liabilities for incurred claims, we have performed the below:

We have updated our understanding and performed a walkthrough of the processes related to the calculation of liabilities for incurred claims. We have evaluated the design and tested the operating effectiveness of controls in these processes.
We inspected fee quotations obtained from experts assigned to each claim reported and read their assessment where available to assess the reasonableness of the assumptions used by claims handlers to estimate the development of claims and the effort and timing required to settle each claim selected for testing.
We have assessed the professional competence, capabilities and objectivity of the Company's actuarial specialist.
With the assistance of our actuarial experts, we have assessed the appropriateness of the methodology applied in the context of IFRS 17 requirements for the calculation of undiscounted best estimate liabilities.
With the assistance of our actuarial experts, we have assessed the reasonableness of key assumptions used by the Company's actuarial specialist such as the selection of development factors, similarity of past years claims development and loss ratios to future claims development through examining experience data provided by the Company's actuarial specialist.
With the assistance of our actuarial experts, we have tested whether the inputs used in calculating the undiscounted best estimate liabilities, are appropriate and performed a recalculation of the undiscounted best estimate liabilities in accordance with the Company's methodology.
With the assistance of our actuarial experts, we assessed the appropriateness of the methodology used to determine the payment patterns used in the reserving models developed by the Company's management.

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Report on the Audit of the Financial Statements

Valuation of reported outstanding claims (continued)	
	▪ We have performed a back testing for the adequacy of the expected undiscounted future cash outflows from claims reported, by comparing payments made post year end to the reserve reported as at the year end. ▪ We have performed back testing to assess the adequacy and reasonableness of the technical reserves included in undiscounted best estimate liabilities by assessing whether actual claims submitted post year end relating to prior years are sufficiently covered by the reserves recognised. ▪ With the assistance of our actuarial experts, we tested the discount rates used and the accuracy of the calculations for the present value of future cash flows of best estimate liabilities. ▪ With the assistance of our actuarial experts, we assessed the appropriateness of the methodology used to determine the risk adjustment applied in determining the liabilities for incurred claims and tested the mathematical accuracy of the relevant calculations. ▪ We have assessed the completeness and adequacy of the Company's disclosures regarding liabilities for incurred claims and insurance risk in the financial statements.

Independent Auditor's Report (continued)

Report on the Audit of the Financial Statements

Reporting on other information
The Board of Directors is responsible for the other information. The other information comprises the Management Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and 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 identified above 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 Board of Directors and those charged with governance for the Financial Statements
The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

Independent Auditor’s Report (continued)

Report on the Audit of the Financial Statements

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

- Conclude on the appropriateness of the Board of 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.
- 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 a true and fair view.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine the matter that is of most significance in the audit of the financial statements of the current period and are therefore the key audit matter.

Report on Other Legal and Regulatory Requirements
Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor’s Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement
We were first appointed as auditors of the Company on 6 December 2021 by the Annual General Meeting of the Company’s shareholders. Our appointment is renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 4 years.

Consistency of the Additional Report to the Audit Committee
We confirm that our audit opinion on the financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 20 May 2025, in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services
We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Company, and which have not been disclosed in the financial statements or the management report.

Independent Auditor's Report (continued)

Report on the Audit of the Financial Statements

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Nicolas Pavlou.

Nicolas Pavlou
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants & Registered Auditors

Nicosia
27 May 2025

Accounts

Statement of Profit or Loss and Other Comprehensive Income Year Ended 20 February 2025

	Notes	2025 UK£	2024 UK£
Insurance revenue	14	2,609,986	2,640,728
Insurance service expense	7	(938,515)	(1,160,910)
Insurance service result before reinsurance contracts held	14	**1,671,471**	**1,479,818**
Allocation of reinsurance premiums	14	(2,127,857)	(2,116,038)
Amounts recoverable from reinsurers for incurred claims		676,026	872,600
Net expenses from reinsurance contracts held		**(1,451,831)**	**(1,243,438)**
Insurance service result		**219,640**	**236,380**
Net investment income	9	221,191	170,787
Insurance finance cost	8	**(86,900)**	**(80,078)**
Reinsurance finance income	8	**79,790**	**72,257**
Net insurance finance cost		(7,110)	(7,821)
Net insurance and investment result		**433,721**	**399,346**
Exchange (losses)/gains		(8,448)	98,291
Operating expenses	10	(346,059)	(330,081)
Profit before tax		**79,214**	**167,556**
Tax	11	(10,183)	(4,900)
Net profit for the year		**69,031**	**162,656**
Other comprehensive income		-	-
Total comprehensive income for the year		**69,031**	**162,656**

The notes on pages 18 to 52 form an integral part of these financial statements.

Accounts

Statement of Financial Position
Year Ended 20 February 2025

	Notes	2025 UK£	2024 UK£
ASSETS			
Current assets			
Financial assets at fair value through profit or loss	12	**3,979,149**	4,386,586
Accrued interest		**5,252**	6,003
Reinsurance contract assets	14	**1,950,992**	1,704,447
Trade and other receivables	13	**32,013**	15,855
Cash at bank	15	**242,632**	165,954
Current tax assets		**261**	730
Total assets		**6,210,299**	6,279,575
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**20,000**	20,000
Share premium	16	**3,640,000**	3,640,000
Retained earnings		**314,868**	245,837
Total equity		**3,974,868**	3,905,837
Current liabilities			
Insurance contract liabilities	14	**2,060,589**	2,228,138
Trade and other payables	17	**174,842**	145,600
Total liabilities		**2,235,431**	2,373,738
Total equity and liabilities		**6,210,299**	6,279,575

On 27 May 2025 the Board of Directors of The United Kingdom Freight Demurrage and Defence Insurance (Europe) Ltd authorised these financial statements for issue.

Ioannis Triphyllis
Director

Daniel John Evans
Director

The notes on pages 18 to 52 form an integral part of these financial statements.

Accounts

Statement of Changes in Equity
Year ended 20 February 2025

	Notes	Share capital UK£	Share premium UK£	Retained earnings UK£	Total UK£
Balance at 20 February 2023		**20,000**	**3,640,000**	**83,181**	**3,743,181**
Comprehensive income:					
Net profit for the year		-	-	162,656	162,656
Total comprehensive income for the year		-	-	162,656	162,656
Balance at 20 February 2024		**20,000**	**3,640,000**	**245,837**	**3,905,837**
Comprehensive income:					
Net profit for the year		-	-	69,031	69,031
Total comprehensive income for the year		-	-	69,031	69,031
Balance at 20 February 2025		**20,000**	**3,640,000**	**314,868**	**3,974,868**

Share premium is not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by Special Contribution for the Defence of the Republic Law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are natural persons and both Cyprus tax resident and Cyprus domiciled. In addition, the Company pays on behalf of the shareholders General Healthcare System (GHS) contribution at a rate of 2.65%, when the entitled shareholders are natural persons tax residents of Cyprus, regardless of their domicile. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 18 to 52 form an integral part of these financial statements.

Cash Flow Statement
Year ended 20 February 2025

	Notes	2025 UK£	2024 UK£
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**79,214**	167,556
Adjustments for:			
Net investment income	9	**(221,191)**	(170,787)
		(141,977)	(3,231)
Changes in working capital:			
(Increase)/Decrease in reinsurance contract receivables		**(246,545)**	369,454
(Increase)/Decrease in trade and other receivables		**(16,158)**	19,961
(Decrease)/Increase in insurance contract liabilities		**(167,549)**	208,097
Increase in trade and other payables		**29,242**	7,043
Cash generated from/(used in) operations		**(542,987)**	601,324
Taxes paid		(9,714)	(6,561)
Net cash (used in)/from operating activities		**(552,701)**	594,763
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of financial assets at fair value through profit or loss		**(4,071,280)**	(5,054,031)
Dividend income		**47,955**	40,888
Interest received		**150,566**	160,088
Redemptions of financial assets at fair value through profit or loss		**4,502,138**	3,885,465
Net cash from/(used in) investment activities		**629,379**	(967,590)
Net increase/(decrease) in cash and cash equivalents		**76,678**	(372,827)
Cash and cash equivalents at beginning of the year		**165,954**	538,781
Cash and cash equivalents at end of the year	**15**	**242,632**	165,954

The notes on pages 18 to 52 form an integral part of these financial statements.

Notes to the Financial Statements

General Information

1. Incorporation and principal activities

The financial statements of The United Kingdom Freight Demurrage and Defence Insurance (Europe) Ltd (the "Company") for the year ended 20 February 2024, were authorised for issue in accordance with a resolution of the Board of Directors on 28 May 2025.

Country of incorporation

The Company was incorporated in Cyprus on 4 July 2019 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 214 Arch. Makarios III Avenue, Kanika ideal Court, Office 401, 3030 Limassol, Cyprus.

Principal activities

The Company is a 100% subsidiary of The United Kingdom Freight Demurrage and Defence Association Limited, registered in the United Kingdom, with its registered office at 90 Fenchurch Street, London, EC3M 4ST. The United Kingdom Freight Demurrage and Defence Association Limited prepares consolidated financial statements, that include the results of the Company, which can be obtained from its registered office.

The Company's principal activity, which is unchanged from last year, is the provision of insurance to its policyholders against legal costs and expenses relating to the operation of ships entered with the Company as defined in the Rules of the Company. The Company underwrites insurance of policyholders situated in an European Economic Area state.

The Company was licensed under Article 14 of the Insurance and Reinsurance Services and Other Related Issues Laws of 2016-2017 on 19th June 2020.

2. Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with IFRS Accounting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113, as amended from time to time.

Basis of presentation

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (no more than 12 months) and more than 12 months after the reporting date (more than 12 months) is presented in the respective notes.

Statement of measurement

The financial statements have been prepared under the historical cost convention, except for investments classified at fair value through profit or loss that have been measured at fair value and insurance and reinsurance contracts that have been measured as the present value of their fulfilment cash flows.

Functional and presentation currency of the financial statements

The financial statements are presented in Sterling (UK£), which is the Company's functional currency, and all amounts are rounded to the nearest Sterling, except where otherwise stated.

3. Adoption of new or revised standards and interpretations
3.1 Adoption of new and revised IFRS Accounting Standards and Interpretations:
During the current year the Company adopted all the new and revised IFRS Accounting Standards that are relevant to its operations and are effective for accounting periods beginning on 21 February 2024. This adoption did not have a material effect on the financial statements of the Company.

3.2 Standards, Amendments to Standards and Interpretations issued but not yet effective and not early adopted:
3.2.1 Standards and Interpretations adopted by the EU
- IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments)

Management does not expect that the above amendment will have any material effect on the results and the statement of financial position of the Company.

3.2.1 Standards, Amendments and Interpretations not yet adopted by the EU
- IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Classification and Measurement of Financial Instruments (Amendments) - Effective for annual reporting periods beginning on or after 1 January 2026)
- IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Contracts Referencing Nature-dependent Electricity (Amendments) - Effective for annual reporting periods beginning on or after 1 January 2026)
- IFRS 18 Presentation and Disclosure in Financial Statements - Effective for annual reporting periods beginning on or after 1 January 2027)
- IFRS 19 Subsidiaries without Public Accountability: Disclosures - Effective for annual reporting periods beginning on or after 1 January 2027)
- Annual Improvements to IFRS Accounting Standards – Volume 11 - Effective for annual reporting periods beginning on or after 1 January 2026)
- Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Effective date postponed indefinitely

Management does not expect that the above will have any material effect on the results and the statement of financial position of the Company.

4. Summary of accounting policies
A summary of the principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

4.1 IFRS 17 - Insurance and reinsurance contracts held
Classification of insurance and reinsurance contracts held
The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its Policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Company issues legal cost insurance to ship owners and operators.

The Company does not issue any contracts with direct participating features.

Separating components from insurance and reinsurance contracts held
The Company assesses its insurance contracts issued and reinsurance contracts held to determine whether they contain distinct components that must be separated and accounted for under another IFRS standard instead of under IFRS 17. If these non-insurance components are non-distinct, they are accounted for together with the insurance/reinsurance component as part of the accounting for an insurance/reinsurance contract. The insurance contracts issued and reinsurance contracts held by the Company do not contain any embedded derivatives or investment components.

4. Summary of accounting policies (continued)
4.1 IFRS 17 - Insurance and reinsurance contracts held (continued)
Level of aggregation of insurance and reinsurance contracts held
IFRS 17 requires the Company to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts could be treated together as one unit based on reasonable and supportable information. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The Company applied a full retrospective approach for transition to IFRS 17. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any)
- A group of contracts that at initial recognition have no significant risk of becoming onerous subsequently (if any); and
- A group of the remaining contracts in the portfolio (if any)

The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. All of the Company's contracts fall within the third category as above.

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

The Company has classified all of its policies as being categorised under the legal costs insurance and reinsurance portfolios.

Recognition of insurance and reinsurance contracts held
The Company recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous

The Company recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. (However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held; and
- The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

4. Summary of accounting policies (continued)
4.1 IFRS 17 - Insurance and reinsurance contracts held (continued)
Contract boundary – insurance contracts held
The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks

Or both of the following criteria are satisfied:

- The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio
- The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

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

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

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

The Company's reinsurance contracts providing coverage on a loss occurring basis cover claims incurred during the accident year from underlying insurance contracts.

4. Summary of accounting policies (continued)
4.1 IFRS 17 - Insurance and reinsurance contracts held (continued)
Measurement – premium allocation approach

The Company has applied the PAA to measure its insurance and reinsurance contracts under the requirements of IFRS 17. The table below details the various options of IFRS 17 around the PAA.

	IFRS 17 options	**Adopted approach**
Premium Allocation Approach Eligibility	Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model.	The coverage period for the Company's insurance and reinsurance contracts are one year or less and so qualifies automatically for PAA.
Insurance acquisition cash flows	Where the coverage period of all contracts within a group is no longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts and then amortised over the coverage period of the related group. For groups containing contracts longer than one year, insurance acquisition cash flows must be allocated to related groups of insurance contracts and amortised over the coverage period of the related group.	Insurance acquisition cash flows are allocated to related groups of insurance contracts and amortised over the coverage period of the related group.
Liability For Remaining Coverage ("LFRC") adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LFRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LFRC.	There is no allowance for the time value of money on the LFRC as the premiums are received within one year of the coverage period, or any adjustment for the time value of money is considered immaterial.
Liability for Incurred Claims ("LFIC") adjusted for time value of money	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	The LFIC is adjusted for the time value of money.
Insurance finance income and expense	There is an option to disaggregate port of the movement in LFIC resulting from changes in discount rates and present this in OCI.	The change in LFIC as a result of changes in discount rates will be captured within profit or loss.

4. Summary of accounting policies (continued)
4.1 IFRS 17 - Insurance and reinsurance contracts held (continued)
Insurance contracts – Initial Measurement
The Company applies the PAA to all the insurance contracts that it issues and reinsurance contracts that it holds, as the coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary.

Liability for remaining coverage ('LRC'):
For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:
- The premiums, if any, received at initial recognition
- Minus any insurance acquisition cash flows at that date,
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and

Any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognised. For the measurement of liabilities for remaining coverage the Company does not include an allowance for time value of money as the premiums are received within one year of the coverage period.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

Liability for Incurred Claims ('LIC')
The LIC for groups of insurance contracts measured under the PAA is estimated as the fulfilment cash flows related to incurred claims. For the measurement of the LIC the Company adjusts the future cash flows for the time value of money and the effect of financial risk since the claims are not expected to be paid within one year of being incurred. Liabilities for incurred claims are initially measured using the discounted cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

Reinsurance contracts held – Initial Measurement
The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued.

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

Insurance contracts – Subsequent Measurement
The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:
- Plus premiums received in the period
- Minus insurance acquisition cash flows,
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group
- Plus any adjustment to the financing component, where applicable
- Minus the amount recognised as insurance revenue for the services provided in the period.

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company, and include an explicit adjustment for non-financial risk (the risk adjustment). The Company adjust the future cash flows for the time value of money using the risk-free yield curve.

4. Summary of accounting policies (continued)
4.1 IFRS 17 - Insurance and reinsurance contracts held (continued)
Insurance contracts – Subsequent Measurement (continued)
Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss (through insurance revenue).

Reinsurance contracts held – Subsequent Measurement
The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held. Where the Company has established a loss-recovery component, the Company subsequently reduces the loss recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

Insurance Acquisition Cash Flows
IInsurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. The Company uses a systematic and rational method to allocate insurance acquisition costs to its groups of contracts.

Modification and Derecognition
The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired)

Or

- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract. When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

Presentation of insurance and reinsurance contracts held
The Company has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

The Company disaggregates the total amount recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

Insurance Revenue
The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time.

The majority of policies expire on or before 12pm noon GMT of the reporting date. Insurance revenue from owned entries are usually fixed for any given policy year and is recognised in the Statement of Comprehensive Income in full upon inception of the policy subject to the allocation methodology described above.

4. Summary of accounting policies (continued)
4.1 IFRS 17 - Insurance and reinsurance contracts held (continued)
Insurance Revenue (continued)
Insurance revenue from chartered entries may be subject to variability based on the number and duration of voyages undertaken by such entry. Chartered premium is recognised in the accounting period it relates to, based on the information available to the Company at the inception date of the policy. This is treated as a modification to insurance contract liabilities and any adjustments to insurance revenue are recognised in the accounting period these are agreed with the policyholders.

Loss Components
The Company assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise.

Where this is not the case, and if at any time during the coverage period, the facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

Loss Recovery Components
Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses. A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

Insurance Service Expenses
Insurance service expense arising from groups of insurance contracts issued comprises:
- incurred claims and other incurred insurance service expenses.
- amortisation of insurance acquisition cash flows: the Company has not elected to expense insurance acquisition cash flows as incurred and hence will defer all the insurance acquisition cash flows.
- impairment of insurance acquisition cash flows, if any.
- changes that relate to past service. i.e. changes in fulfilment cash flows relating to the liability for incurred claims; and
- changes that relate to future service. i.e. losses on onerous groups of contracts and reversals of such losses.

Insurance Finance Income and Expenses
Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:
- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

Insurance finance income or expenses reflect interest accreted on the future cash flows under the LIC and the effect of changes in interest rates and other financial assumptions.

The Company does not disaggregate finance income and expenses because the related financial assets are managed on a fair value basis and measured at FVPL.

Net Income and Expenses from Reinsurance Contracts held
The Company presents separately on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims of the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and includes commissions in the allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

4. Summary of accounting policies (continued)
4.2 Investment income
Fair value gains on financial assets at FVTPL

Financial assets at fair value through profit and loss ("FVTPL") are measured at fair value at each reporting date with any changes recognised in profit or loss.

Dividend and interest income from debt and equity instruments

Dividend from investments in equity instruments is recognised when the right to receive payment is established. Withheld taxes are transferred to profit or loss. Interest from investments in debt instruments is recognised using the effective interest rate method.

4.3 Foreign currency translations
Transactions and balances

The functional and presentation currency is Sterling Pounds ("UK£"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss in the period in which they arise.

The exchange rate on the reporting date and used for the purpose of preparing the accounts are as follows:

	2025	2024
EUR/UK£	1.2067	1.1698
USD/UK£	1.2640	1.2661

4.4 Income Taxes
Current income tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment.

Deferred taxes

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

4.5 Insurance premium tax
IInsurance premium tax is the indirect tax on insurance premiums payable by the policyholders on premiums written and collected by the Company and paid on behalf of the policyholders to the relevant jurisdiction. Insurance premium tax does not form part of insurance revenue. Insurance premium tax payable is presented within insurance contract liabilities on the statement of financial position.

4. Summary of accounting policies (continued)

4.6 Financial instruments

Recognition of financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument.

All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets - Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Company has designated the debt instruments it holds as at FVTPL since the designation eliminates or significantly reduces the inconsistency that would otherwise arise from the measurement of the insurance contracts assets and liabilities and reinsurance contract assets and liabilities the finance income of which is recorded in the statement of profit or loss in its entirety.

Financial assets – Business model assessment

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Financial assets – Initial recognition and subsequent measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Subsequent measurement of financial assets depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Company classifies its financial assets:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are initially measured at fair value and subsequently measured using the effective interest (EIR) method and are subject to impairment. Interest income from these financial assets is presented in profit or loss separately. Any gain or loss arising on derecognition is also presented separately in profit or loss. Impairment losses are presented as separate line item in the statement of comprehensive income. Financial assets measured at amortised cost (AC) comprise of cash at bank and other receivables.

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within "other gains/(losses)" in the period in which it arises. Interest income on from these financial assets is presented in profit or loss in a separate line than interest income from FVOCI and Amortised cost financial assets. Financial assets measured at FVTPL comprise of investments held in UCITS and Government bonds.

Changes in the fair value of financial assets at FVTPL are recognised in "Investment income"' in the statement of comprehensive income as applicable.

4. Summary of accounting policies (continued)
4.6 Financial instruments (continued)

Financial assets - credit loss allowance for ECL

The Company assesses on a forward-looking basis the ECL for debt instruments measured at amortised cost ('AC'). The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within "Expected credit losses on insurance receivables".

Expected losses are recognised and measured according to one of two approaches: general approach or simplified approach.

For trade and other receivables without a significant financing component the Company applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets.

For all other financial assets that are subject to impairment under IFRS 9, the Company applies general approach three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Company determines that a financial asset is credit impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

Additionally, the Company has decided to use the low credit risk assessment exemption for Cash at bank financial assets.

Credit risk increase:

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when:

- the counterparty is unlikely to pay its credit obligations to the Company in full, or
- the financial asset is more than 90 days past due

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets measured at amortised cost at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor, counterparty or issuer;
- a breach of contract such as a default or past-due event;
- the restructuring of an amount due to the Company on terms that the Company would not otherwise consider;
- it is becoming probable that the debtor, counterparty or issuer will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

4. Summary of accounting policies (continued)
4.6 Financial instruments (continued)
Credit-impaired financial assets (continued)
A financial asset that has been renegotiated due to a deterioration in the debtor's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In assessing whether an investment in bonds is credit-impaired, the Company considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessments of credit-worthiness;
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- the international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms, including an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Financial liabilities – Classification and Measurement
Financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument and are initially measured at fair value. Subsequent measurement of financial liabilities is at amortised cost, using the effective interest rate method.

Derecognition of financial instruments
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Modifications to, and exchanges of, financial liabilities are treated as extinguishments and derecognised, when the revised terms are substantially different to the original term. The difference between the carrying amount of the original financial liability and the consideration paid is recognised in profit or loss.

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Write-off
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Offsetting financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.7 Cash and cash equivalents
For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash at bank balances with maturity of 3 months or less which are repayable on demand and which form an integral part of the Company's cash management.

4.8 Dividends
Dividend distribution to the Company's shareholder is recognised as a liability in the Company's financial statements in the year in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of Directors and in case of final dividends, these are recognised in the period in which these are approved by the Company's shareholder. Dividends for the year that are declared after the reporting date are dealt with as a non-adjusting event after the reporting date.

4. Summary of accounting policies (continued)
4.9 Share capital
Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account. Share premium account can only be resorted to for limited purposes which do not include distribution of dividends and is subject to the provisions of the Cyprus Companies Law on reduction of share capital.

4.10 Provisions
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. When the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

5. Financial and insurance risk and capital management
The Company monitors and manages the risks relating to its operations through its risk management programme. This is evidenced in the Own Risk Solvency Assessment ("ORSA") report which is submitted to the Cyprus Superintendent of Insurance ("ICCS") and documents the Company's risk and capital management policies employed to identify, assess, manage and report the risks. The ORSA report considers the business strategy of the Company and its alignment with the risk appetite and risk profile.

The Company is exposed to insurance risk as part of its ordinary course of business. In addition, the Company has exposure to financial risks, specifically credit risk, liquidity risk, and market risk in relation to its financial instruments. This note presents information about Company's exposure to each of the above risks and its objectives, policies and processes for measuring and managing risks.

5.1 Credit risk
Credit risk is the risk of loss in the value of reinsurance contract assets and financial assets due to counterparties failing to meet all or part of their obligations. The Company's objective is to reduce credit risk through the risk management techniques discussed below.

The Company's exposure to reinsurance counterparties is mitigated through the cession of 90% of insurance liabilities with the Company's sole shareholder. In accordance with the Group's policy, exposure to reinsurance counterparties is mitigated by the Parent Company placing its excess of loss reinsurances with counterparties rated A or better thereby reducing the credit risk on the Company's reinsurance recoverable with the Parent Company.

In respect of banking and financial counterparties, the Company regularly assesses the creditworthiness of all its counterparties. This assessment includes a review of credit ratings provided by rating agencies, and other publicly available financial information.

The following tables provide information regarding aggregate credit risk exposure and concentration of the Company and the credit quality analysis of the financial and reinsurance contract assets held as at the year end, with reference to their external credit ratings as published by independent rating agencies:

20 February 2025	AAA - A UK£	Not rated / not readily available UK£	Total UK£	Concentration %
Debt securities at fair value through profit or loss	1,227,323	-	1,227,323	36%
Reinsurance contract assets	-	1,950,992	1,950,992	57%
Accrued interest	5,252	-	5,252	0%
Trade and other receivables	-	5,930	5,930	0%
Cash at bank	242,632	-	242,632	7%
Total assets subject to credit risk	**1,475,207**	**1,956,922**	**3,432,128**	100%

5. Financial and insurance risk and capital management (continued)
5.1 Credit risk (continued)

20 February 2024	AAA - A UK£	Not rated / not readily available UK£	Total UK£	Concentration %
Debt securities at fair value through profit or loss	1,218,432	-	1,218,432	40%
Reinsurance contract assets	-	1,704,447	1,704,447	55%
Accrued interest	6,003	-	6,003	0%
Trade and other receivables	-	1,121	1,121	0%
Cash at bank	165,954	-	165,954	5%
Total assets subject to credit risk	**1,390,389**	**1,705,568**	**3,095,957**	100%

Any unrated financial assets that are past due, but not impaired are further disclosed in Note 12 and Note 13.

5.2 Liquidity risk
Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets.

The Company maintains a highly liquid portfolio of cash, government and corporate bonds with a maturity equivalent to the expected settlement period of insurance contract liabilities. Most of the remaining assets in the surplus portfolio could be converted into cash in less than one month, as per the internal procedures and approved risk tolerances. The Chief Financial Officer and Chief Risk Officer monitor the liquidity position of the company against risk tolerances on a continuous basis. Any breaches of liquidity limits are assessed, and appropriate action is taken.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company could be required to pay.

The tables also summarizes the maturity analysis of the company's insurance and reinsurance portfolios based on the estimate of the discounted future cash flows expected to be paid in the periods presented.

The table includes both interest and principal cash flows.

20 February 2025	Carrying amounts UK£	Contractual cash flows UK£	12 months or less UK£
Financial assets			
Financial assets at fair value through profit or loss	3,979,149	3,979,149	3,979,149
Accrued interest	5,252	5,252	5,252
Trade and other receivables	5,930	5,930	5,930
Cash at bank	242,632	242,632	242,632
Total financial assets	**4,232,963**	**4,232,963**	**4,232,963**
Financial liabilities			
Trade and other payables	97,855	97,855	97,855
Total financial liabilities	**97,855**	**97,855**	**97,855**

5. Financial and insurance risk and capital management (continued)
5.2 Liquidity risk (continued)

Insurance contracts issued and reinsurance contracts held	Carrying amounts UK£	Contractual cash flows UK£	12 months or less UK£	1 to 2 years UK£	2-5 years UK£	More than 5 years UK£
Reinsurance contract assets	1,950,992	1,950,992	897,456	409,708	526,768	117,059
Insurance contract liabilities	(2,060,589)	(2,060,589)	(947,871)	(432,724)	(556,359)	(123,635)
Net undiscounted future cash flows	**(109,589)**	**(109,589)**	**(50,415)**	**(23,016)**	**(29,591)**	**(6,576)**

20 February 2024	Carrying amounts UK£	Contractual cash flows UK£	12 months or less UK£
Financial assets			
Financial assets at fair value through profit or loss	4,386,586	4,386,586	4,386,586
Accrued interest	6,003	6,003	6,003
Trade and other receivables	1,121	1,121	1,121
Cash at bank	165,954	165,954	165,954
Total financial assets	**4,559,664**	**4,559,664**	**4,559,664**
Financial liabilities			
Trade and other payables	36,297	36,297	36,297
Total financial liabilities	**36,297**	**36,297**	**36,297**

Insurance contracts issued and reinsurance contracts held	Carrying amounts UK£	Contractual cash flows UK£	12 months or less UK£	1 to 2 years UK£	2-5 years UK£	More than 5 years UK£
Reinsurance contract assets	1,704,447	1,704,447	700,631	467,921	390,432	145,463
Insurance contract liabilities	(2,228,138)	(2,228,138)	(1,118,501)	(517,011)	(431,730)	(160,896)
Net undiscounted future cash flows	**523,691**	**(523,691)**	**(417,870)**	**(49,090)**	**(41,298)**	**(15,433)**

5.3 Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and security prices will affect the Company's income or the value of its holdings in financial instruments. Market risk comprises mainly three types of risk: interest rate risk, currency risk and market price risk.

5.3.1. Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar and the Euro. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

5. Financial and insurance risk and capital management (continued)
5.3 Market risk (continued)
5.3.1 Currency risk (continued)

The carrying amounts of the Company's foreign currency denominated financial assets, financial liabilities, insurance contract liabilities, and reinsurance contract assets at the reporting date are as follows:

20 February 2025	Sterling UK£	US Dollar UK£	Euro UK£	Total UK£
Financial and insurance assets				
Financial assets at fair value through profit or loss	3,231,522	747,627	-	3,979,149
Accrued interest	5,252	-	-	5,252
Reinsurance contract assets	1,950,992	-	-	1,950,992
Trade and other receivables	-	5,930	-	5,930
Cash at bank	29,525	177,259	35,848	242,632
Total financial and insurance assets	**5,217,291**	**930,816**	**35,848**	**6,183,955**
Financial and insurance liabilities				
Insurance contract liabilities	1,854,734	205,855	-	2,060,589
Trade and other payables	-	6,800	91,055	97,855
Total financial and insurance liabilities	**1,854,734**	**212,655**	**91,055**	**2,158,444**

20 February 2024	Sterling UK£	US Dollar UK£	Euro UK£	Total UK£
Financial and insurance assets				
Other financial investments	3,059,677	1,326,909	-	4,386,586
Accrued interest	6,003	-	-	6,003
Reinsurance contract assets	1,704,447	-	-	1,704,447
Trade and other receivables	14,716	1,139	-	15,855
Cash and cash equivalents	50,910	104,338	10,706	165,954
Total financial and insurance assets	**4,835,753**	**1,432,386**	**9,976**	**6,278,845**
Financial and insurance liabilities				
Insurance contract liabilities	2,206,233	21,905	-	2,228,138
Trade and other payables	-	6,790	29,507	36,397
Total financial and insurance liabilities	**2,206,233**	**28,695**	**29,507**	**2,264,535**

5. Financial and insurance risk and capital management (continued)
5.3 Market risk (continued)
5.3.1. Currency risk (continued)
Sensitivity analysis
A 5% strengthening/weakening of Sterling against the following currencies at 20 February each year would have increased/(decreased) profit or loss and subsequently equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2025		2024	
	Strengthening	**Weakening**	**Strengthening**	**Weakening**
USD	**(34,198)**	37,798	**(65,601)**	72,507
EUR	**5,888**	(6,508)	**861**	(951)

5.3.2. Market price risk
Market price risk is the risk that the value of financial instruments will fluctuate due to changes in market prices. The Company is exposed to market price risk due to its investments in financial instruments and are classified in the statement of financial position as financial assets at fair value through profit or loss.

Financial assets that are valued at fair value through the results of the Company are subject to market price risk due to uncertainty about future investment prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return on risk. Market price risk is mitigated through the investment policy adopted by the Company which safeguards against exposure to risky asset classes and ensures minimum diversification limits of the investment portfolios.
As a result the Company does not have any significant concentration of market price risk, based on the allocation of its investments held.

The Company invests in quoted debt and equity instruments and performs periodic reviews of the market values by reference to quoted prices, along with the credit rating and the financial condition of the key counterparties, at least quarterly, and is ready to take action in the event of a deterioration in the credit quality of the underlying instrument or/and issuer.

The Company holds investments in UCITS and UK Government bonds with maturity within 3 months.

Sensitivity analysis
A 0.5% strengthening/weakening of the market price of financial instruments held at 20 February would have increased/(decreased) profit or loss and subsequently equity by the amounts shown below:

	2025 UK£	**2024 UK£**
0.5% increase in fair value	**19,896**	21,932
0.5% decrease in fair value	**(19,896)**	(21,932)

5.3.3. Interest rate risk
The Company's interest rate risk arises from interest-bearing assets. Interest-bearing assets at fixed rates expose the Company to fair value interest rate risk. As at 20 February 2025 and 20 February 2024, all of the Company's interest -bearing investments are bearing fixed interest rates and as such the Company is not exposed to any cash flow interest rate risk. The Company is instead exposed to fair value interest rate risk, and its exposure was determined to be insignificant, taking into consideration the short-term maturity of the interest-bearing financial assets.

5. Financial and insurance risk and capital management (continued)
5.3 Market risk (continued)
5.3.3 Interest rate risk (continued)
Sensitivity analysis
In terms of insurance contract liabilities and reinsurance contract assets, the Company is exposed to interest rate risk given that these balances are discounted. A 10% movement in the yield curve would impact the results as detailed in the table below:

		2025		2024	
	Change in assumptions	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
Changes in interest rates	10%	**(35,609)**	**(32,758)**	(53,732)	(47,016)
Changes in interest rates	-10%	**7,307**	**6,861**	40,967	30,978

5.4 Insurance risk
The Company as part of its ordinary course of business is exposed to insurance risk which can be significantly affected by the following:
- fluctuations in the timing, frequency and severity of claims and claims settlements relative to expectations;
- unexpected claims arising from a single source;
- inaccurate pricing of risks when underwritten;
- inadequate reinsurance protection;
- inadequate reserves.

1. Underwriting risk
This is the risk that insurance revenue will not be sufficient to cover the future losses and associated expenses. It arises from the fluctuations in the frequency and severity of financial losses incurred through the underwriting process as a result of unpredictable events or from accepting risks for premiums which are insufficient to cover the ultimate claims which result from such policies.

Underwriting risk is mitigated through cession of 90% of the risk written by the Company to its parent under a quota share agreement.

2. Reserving risk
Reserving risk is defined as the risk arising from the inherent uncertainty about the occurrence, amount and timing of claims, as well as the risk from unexpected increases in the associated expense and other costs of settling the respective claims, compared to the claims' provisions recognised.

The objective of the Company's insurance risk management process is to support the execution of effective underwriting, reinsurance and reserving strategies which are agreed and monitored by the Board of Directors.

The 2025 policy year contracts will not be active until 20 February 2025 at 12pm noon GMT and, therefore, are not included within the financial statements for this year in line with UK insurance industry practice.

Therefore, there is limited risk of fluctuation in loss ratio for the year.

The Company establishes provisions for unpaid claims, both reported and unreported, and related expenses to cover its expected ultimate liability included in its Liability for Incurred Claims. These provisions are established through the application of actuarial techniques and assumptions. In order to minimise the risk of understating these provisions the assumptions made and actuarial techniques employed are reviewed in detail by management.

The Company considers that the Liability for Incurred Claims recognised in the statement of financial position is adequate. However, actual experience will differ from the expected outcome.

The Company only provides legal expenses cover to its Members and as a result, no further concentration analysis of risks by cover has been performed.

Reserving risk is mitigated through cession of 90% of the risks written by the Company to its parent under a quota share agreement.

5. Financial and insurance risk and capital management (continued)
5.4 Insurance risk (continued)
Sensitivity analysis
A sensitivity testing has been carried out as set out below, showing the impact on profit after after tax, of an increase and decrease in loss ratios gross and net of reinsurance. The sensitivity analysis assumes that a change in loss ratio is driven by a change in claims incurred.

	2025 UK£	2024 UK£
Change in claims ratio by 5%		
Gross	**(41,060)**	(50,790)
Net	**(11,484)**	(12,614)

A 5% decrease in the claims ratio would have an equal and opposite effect.

5.5 Capital management
The Company's capital consists of share capital and share premium amounting to UK£20,000 and UK£3,640,000 respectively (2024: UK£20,000 and UK£3,640,000 respectively).

The Company manages its capital to ensure that it will be able to meet its obligations and regulatory minimum capital requirements and continue as a going concern, while maximising the return to shareholders.

The adequacy of the Company's capital is monitored by the Superintendent of Insurance (Ministry of Finance) in order to ensure a minimum margin for solvency. The required minimum capital is 115% and is determined in order to ensure the minimum solvency margin.

The Company assesses on a quarterly basis the potential deficit between the current level and the required level of capital to maintain a strong solvency margin. The Company was in full compliance with the legal capital requirements set by the Superintendent of the Insurance, during the reported accounting period.

5.6 Financial Risks from Climate Change
The guidelines issued by EIOPA in August 2022 approaches to managing the financial risks from "climate change", which sets out their expectations as to how firms will manage the financial risks relating to climate change and apply them in the Own Risk and Solvency Assessment ("ORSA") scenarios. To this end, the Company has put in place a policy for the exposure, identification and management of risk relating to climate change. As a service organisation, the Company considers that there is no direct risk for the Company to climate change given that the Company insures the legal costs that its policyholders are exposed to rather than a direct exposure to climate change and related regulations, however as part of the Company's Own Risk and Solvency Assessment ("ORSA") process under Solvency II the risks around climate change have been included in the Company's scenario analysis. In its scenario analysis, the Company has considered the impact of climate change regulation on policyholders and how this might impact the Company both directly and indirectly, in addition to the impact that climate change may have on the Company's invested assets. The Company continues to monitor its claims for any underlying trends relating to the risks surrounding climate change.

5.7 Fair value estimation
Fair value is the amount at which a financial asset could be exchanged or a liability settled in a transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Company, using available market information, where it exists, and appropriate valuation methodologies and assistance of experts. However, judgment is necessarily required to interpret market data to determine the estimated fair value. The Company has used all available market information in estimating the fair value of financial instruments.

5. Financial and insurance risk and capital management (continued)
5.7 Fair value estimation (continued)

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received, discounted at current interest rates for instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

Carrying amounts of trade and other receivables approximate their fair values. Carrying amounts of trade and other payables which are due within twelve months approximate their fair values.

The disclosure of the fair value of financial instruments carried at fair value is determined using the following valuation methods:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on Company's specific estimates.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Company's financial instruments carried at fair value relate to investment securities and are disclosed in Note 1. They are valued using Level 1 valuation techniques from the table above. There were no changes in the valuation techniques during the year.

The below table presents the Company's assets measured at fair value by level of the fair value hierarchy:

As at 20 February 2025	Level 1 UK£	Level 2 UK£	Level 3 UK£	Total UK£
Short term investment funds	2,751,826	-	-	2,751,826
Fixed income securities	1,227,323	-	-	1,227,323
Cash at bank	242,632	-	-	242,632
Total	**4,221,781**	**-**	**-**	**4,221,781**

As at 20 February 2024	Level 1 UK£	Level 2 UK£	Level 3 UK£	Total UK£
Short term investment funds	3,168,154	-	-	3,168,154
Fixed income securities	1,218,432	-	-	1,218,432
Cash at bank	165,954	-	-	165,954
Total	**4,552,540**	**-**	**-**	**4,552,540**

There were no transfers between fair value hierarchy levels during the years ended 20 February 2025 and 2024.

6. Critical accounting estimates, judgments and assumptions

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates and requires Management to exercise its judgment and to make assumptions that influence the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions in accounting estimates are recognized prospectively i.e., recognised in the period during which the estimate is revised.

The Company makes estimates and assumptions concerning the future which will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

6.1. Insurance and reinsurance contracts

- Insurance contract liabilities – liability for incurred claims

  When measuring liabilities for incurred claims, the Company discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

  Estimates are made for the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not yet reported at the reporting date. The Company reviews every reported claim, and the estimated insurance liability is based on the facts of each claim and on other factors that are believed to be reasonable under the circumstance. Given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. Insurance liabilities are based on the best estimates of the Management of the likely cost of individual cases, and the extent of the Company's current commitment to the cost of these cases.

  The final outcome on claims can significantly deviate from both initial estimates and the estimates as disclosed in the financial statements. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimates are made for the best estimate expected ultimate cost of claims, whether reported or unreported, at the end of the reporting period. These estimates are 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 can be used to project future developments. The estimates are reviewed regularly. For further details please refer to Note 14.

- Time value of Money

  The Liability for Incurred Claims and Asset for Incurred Recoveries are calculated by discounting expected future cash flows at the risk free interest rate term structure as published by the European Insurance and Occupational Pensions Authority for the purposes of the Solvency II Directive. No adjustment is made for any illiquidity premium.

  Discount rates applied for discounting are listed below:

	1 year		3 year		5 year		10 year	
	2025	2024	2025	2024	2025	2024	2025	2024
GBP	4.23%	4.96%	4.07%	4.20%	4.04%	3.92%	4.14%	3.81%
EUR	2.25%	3.56%	2.19%	2.82%	2.25%	2.64%	2.37%	2.62%
USD	4.2%	5.02%	4.07%	4.20%	4.06%	3.98%	4.11%	3.90%

6. Critical accounting estimates, judgments and assumptions (continued)
6.1. Insurance and reinsurance contracts (continued)

- Risk adjustment for non-financial risk

  The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance and reinsurance contracts. The risk adjustment reflects an amount that an insurer(or reinsurer) would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

  The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 85th percentile as at 2025 and the 85th percentile as at 2024.

6.2 Income taxes
Judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

6.3 Going concern
The financial statements have been prepared on a going concern basis. The Board of Directors have assessed the Company's ability to continue as a going concern for a period of 12 months from the date of approval of these financial statements. The Board of Directors has evaluated the financial developments, the prospects as well as the ability of the Company to have the required solvency and liquidity to continue as a going concern. The Board of Directors of the Company taking into account the current business and financial environment considers that the Company has the capacity to continue its operations, as a going concern and maintain compliance with Solvency Capital and Minimum Capital requirements.

7. Insurance service expenses

	2025 UK£	**2024 UK£**
Paid claims and other expenses	**927,425**	926,017
Amortisation of insurance acquisition cash flows	**181,219**	194,375
Changes to the risk adjustment	**80,581**	57,198
Changes to liabilities for incurred claims	**(250,710)**	(16,680)
Total	**938,515**	1,160,910

8. Insurance and reinsurance finance costs

	2025 UK£	**2024 UK£**
Interest relating to insurance contract liabilities	**86,900**	80,078
Interest relating to reinsurance contract assets	**(79,790)**	(72,257)
Insurance and reinsurance finance costs/income	**7,110**	7,821

9. Net investment income

	2025 UK£	2024 UK£
Dividend income	47,955	40,888
Interest income	149,815	157,373
Net gains on investments at fair value through profit or loss	23,421	37,066
	221,191	170,787

10. Operating expenses

	2025 UK£	2024 UK£
Auditors' remuneration for the statutory audit of annual accounts	61,791	60,261
Auditors' remuneration for other assurance services	15,069	16,501
Auditors' remuneration for tax services	1,033	5,372
Management fees (1)	321,303	245,172
Professional fees	34,015	39,564
Directors' remuneration	14,946	16,318
Other expenses	37,651	9,348
Total expenses	485,808	392,536
Attributed to the insurance result	(139,749)	(62,455)
Net operating expenses	346,059	330,081

(1) Management fees represent fees charged by the appointed external managers of the Company and covers the costs of providing offices, staff and administration services. The compensation of the Management entity is fixed by the Directors in accordance with the articles of the Company. No loan has been made to the Management entity and none is contemplated. The Company itself had no employees throughout the year.

11. Tax

	2025 UK£	2024 UK£
Tax charge for the year	10,183	4,900

The tax on the Company's result before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2025 UK£	2024 UK£
Profit before tax	79,214	167,556
Tax calculated at the applicable tax rates	9,902	20,945
Tax effect of expenses not allowable for tax purposes	10,701	549
Tax effect of allowances and income not subject to tax	(10,185)	(16,594)
Tax charge	10,183	**4,900**

The income tax rate is 12.5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

12. Financial assets at fair value through profit or loss

	2025 UK£	2024 UK£
Fixed income securities	1,227,323	1,218,432
Short term investment funds	2,751,826	3,168,154
	3,979,149	4,386,586

The movement in the financial assets at fair value through profit or loss is presented below:

	2025 UK£	2024 UK£
Balance as at 21 February	4,386,586	3,245,494
Additions	4,071,280	5,054,031
Redemptions	(4,502,138)	(3,885,465)
Net gains on investments at fair value through profit or loss	23,421	(27,474)
Balance as at 20 February	3,979,149	4,386,586

13. Trade and other receivables

	2025 UK£	2024 UK£
Amounts due from Members	**5,930**	1,121
Prepayments	**26,083**	14,734
	32,013	15,855

As per management's assessment receivables from parent company are exposed to low credit risk. In this regard, the provision for expected credit losses under IFRS 9 was assessed as not material to the financial statements.

Other classes within trade and other receivables do not contain impaired assets.

The fair value of receivables approximates their carrying value.

14. Insurance and reinsurance contracts

The breakdown for insurance and reinsurance contracts that are in liability and asset position are shown in the table below:

Legal costs insurance portfolio:	2025 UK£	2024 UK£
Insurance contract liabilities	**(2,060,589)**	**(2,228,138)**
Liability for incurred claims	(2,056,102)	(2,167,028)
Liability for remaining coverage	(4,487)	(61,110)
Legal costs reinsurance portfolio:		
Reinsurance contract assets	**1,950,992**	**1,704,447**
Asset for incurred claims	1,859,598	1,938,464
Asset/(liability) for remaining coverage	91,394	(234,017)
Net liability for insurance and reinsurance contracts	**(109,597)**	**(523,691)**

14. Insurance and reinsurance contracts (continued)

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and liability for incurred claims

Liability for Incurred Claims 2025	Liabilities for remaining coverage UK£	Estimate of the present value of future cash flows UK£	Risk adjustment UK£	Total UK£
Insurance contract assets/ (liabilities) brought forward	**(61,110)**	**(1,855,830)**	**(311,198)**	**(2,228,138)**
Insurance revenue	2,609,986	-	-	2,609,986
Insurance service expense				
Incurred claims and other expenses - past service claims	-	(476,450)	-	(476,450)
Incurred claims and other expenses - current service claims	-	(200,265)	-	(200,265)
Change in risk adjustment	-	-	(80,581)	(80,581)
Amortisation of insurance acquisition cash flows	(181,219)	-	-	(181,219)
Insurance service result	**2,428,767**	**(676,715)**	**(80,581)**	**1,671,471**
Insurance finance expenses	-	(86,900)	-	(86,900)
Total changes in the statement of comprehensive income	**2,428,767**	**(763,615)**	**(80,581)**	**1,584,571**
Premiums received	(2,553,147)	-	-	(2,553,147)
Claims and other expenses paid	-	955,122	-	955,122
Insurance acquisition cash flows	181,003	-		181,003
Total cash flows	(2,372,144)	955,122	-	(1,417,021)
Net reinsurance contract assets carried forward	**(4,487)**	**(1,664,323)**	**(391,779)**	**(2,060,589)**

14. Insurance and reinsurance contracts (continued)

Liability for Incurred Claims 2024	Liabilities for remaining coverage UK£	Estimate of the present value of future cash flows UK£	Risk adjustment UK£	Total UK£
Net reinsurance contract assets brought forward	**16,285**	**(1,782,326)**	**(254,000)**	**(2,020,041)**
Insurance revenue	2,640,728	-	-	2,640,728
Insurance service expense				
Incurred claims and other expenses - past service claims	-	(760,721)	-	(760,721)
Incurred claims and other expenses - current service claims	-	(148,615)	-	(148,615)
Change in risk adjustment	-	-	(57,198)	(57,198)
Amortisation of insurance acquisition cash flows	(194,376)	-	-	(194,376)
Insurance service result	**2,446,372**	**(909,336)**	**(57,198)**	**1,479,818**
Insurance finance expenses	-	(80,078)		(80,078)
Total changes in the statement of comprehensive income	**2,446,352**	**(989,414)**	**(57,198)**	**1,399,740**
Premiums received	(2,719,184)	-		(2,719,184)
Claims and other expenses paid	-	915,910		915,910
Insurance acquisition cash flows	195,437	-		195,437
Total cash flows	(2,523,747)	915,910	-	(1,607,837)
Net insurance contract assets/ (liabilities) carried forward	**(61,110)**	**(1,855,830)**	**(311,198)**	**(2,228,138)**

Notes
Insurance acquisition cash flows were allocated on a straight-line basis during the coverage period of the respective group of contracts.

Any refunds of premiums have been included in premiums received.

14. Insurance and reinsurance contracts (continued)
Roll-forward of net asset or liability for reinsurance contracts held showing the asset for remaining coverage and asset for incurred recoveries

Asset for incurred recoveries 2025	Asset for remaining coverage UK£	Estimate of the present value of future cash flows UK£	Risk adjustment UK£	Total UK£
Net reinsurance contract assets/ (liabilities) brought forward	**(234,017)**	**1,658,116**	**280,348**	**1,704,447**
Allocation of reinsurance premiums	(2,127,857)	-	-	(2,127,857)
Amounts recoverable from reinsurers for incurred claims and other expenses	-	603,034	-	603,034
Change in risk adjustment	-	-	72,993	72,993
Net income or expense from reinsurance contracts held	**(2,127,857)**	**603,034**	**72,993**	**(1,451,830)**
Reinsurance finance income	**-**	**79,790**	**-**	**79,790**
Total changes in the statement of comprehensive income	**(2,127,857)**	**682,824**	**72,993**	**(1,372,040)**
Premiums received	2,453,268	-	-	2,453,268
Amounts recovered	-	(834,683)	-	(834,683)
Total cash flows	**2,453,268**	**(834,683)**	**-**	**1,618,585**
Net reinsurance contract assets carried forward	**91,394**	**1,506,257**	**353,341**	**1,950,992**

14. Insurance and reinsurance contracts (continued)

Asset for incurred recoveries 2024	Asset for remaining coverage UK£	Estimate of the present value of future cash flows UK£	Risk adjustment UK£	Total UK£
Net reinsurance contract assets brought forward	**246,879**	**1,597,022**	**230,000**	**2,073,901**
Allocation of reinsurance premiums	(2,116,038)	-	-	(2,116,038)
Amounts recoverable from reinsurers for incurred claims and other expenses	-	822,252	-	822,252
Change in risk adjustment	-	-	50,348	50,348
Net income or expense from reinsurance contracts held	**(2,116,038)**	**822,252**	**50,348**	**(1,243,438)**
Reinsurance finance income	**-**	**72,257**	**-**	**72,257**
Total changes in the statement of comprehensive income	**(2,116,038)**	**894,509**	**50,348**	**(1,171,181)**
Premiums received	1,635,142	-	-	1,635,142
Amounts recovered	-	(833,415)	-	(603,415)
Total cash flows	**1,635,142**	**(833,415)**	**-**	**801,727**
Net reinsurance contract assets/ (liabilities) carried forward	**(234,017)**	**1,658,116**	**280,348**	**1,704,447**

Notes
The Company applies a consistent accounting policy to reinsurance contracts held and recognises net insurance finance expense in profit or loss only

14. Insurance and reinsurance contracts (continued)

Development claim tables

The development of incurred claims provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of the table below illustrates how the Company's estimate of total claims outstanding for each policy year has changed. The bottom half of the table reconciles the cumulative claims to the amount appearing in the liability for incurred claims.

The Company has not disclosed previously unpublished information about claims development that occurred earlier than five years before the end of the annual reporting period in which it first applies IFRS 17.

Gross undiscounted estimate of ultimate claims cost attributable to policy year:

As at 20 February 2025 Reporting year	**Prior years UK£**	**2021/2022 UK£**	**2022/2023 UK£**	**2023/2024 UK£**	**2024/2025 UK£**
At the end of the reporting year	15,018	1,513,322	1,529,845	1,046,455	1,030,240
One year later	27,811	1,342,958	1,560,873	475,179	
Two years later	23,846	1,239,410	1,617,387		
Three years later	514,817	1,293,675			
Current estimate of cumulative claims	514,817	1,293,675	1,617,387	475,179	1,030,240
Cumulative payments to date	(512,397)	(1,114,711)	(1,181,503)	(273,622)	(151,000)
LIC recognised on the balance sheet	**2,420**	**178,964**	**435,884**	**201,557**	**879,240**
Total LIC relating to the past four years					**1,698,065**
Impact of discounting					(137,243)
Risk adjustment for non-financial risk					391,779
Other liabilities					103,501
Total gross LIC					**2,056,102**

As at 20 February 2024 Reporting year	**Prior years UK£**	**2021/2022 UK£**	**2022/2023 UK£**	**2023/2024 UK£**
At the end of the reporting year	15,018	1,513,322	1,529,845	1,046,455
One year later	27,811	1,342,958	1,560,873	
Two years later	23,845	1,239,410		
Current estimate of cumulative claims	23,845	1,239,410	1,560,873	1,046,455
Cumulative payments to date	-	(861,618)	(894,748)	(145,511)
LIC recognised on the balance sheet	**23,845**	**377,792**	**666,125**	**900,944**
Total LIC relating to the past four years				**1,067,762**
Impact of discounting				(160,282)
Risk adjustment for non-financial risk				311,198
Other liabilities				47,406
Total gross LIC				**2,167,028**

14. Insurance and reinsurance contracts (continued)
Development claim tables (continued)
Net undiscounted estimate of ultimate claims cost attributable to policy year:

As at 20 February 2025					
Reporting year	**Prior years UK£**	**2021/2022 UK£**	**2022/2023 UK£**	**2023/2024 UK£**	**2024/2025 UK£**
At the end of the reporting year	1,502	151,332	150,505	101,567	102,150
One year later	2,781	129,609	149,240	45,837	
Two years later	2,385	123,879	159,781		
Three years later	51,482	128,652			
Current estimate of cumulative claims	51,482	128,652	159,781	45,837	102,150
Cumulative payments to date	(51,240)	(111,471)	(118,150)	(27,362)	(15,100)
LFIC recognised on the balance sheet	**242**	**17,181**	**41,631**	**18,475**	**87,050**
Total LFIC relating to the past four years					**164,579**
Impact of discounting					(13,329)
Risk adjustment for non-financial risk					38,438
Other liabilities					6,815
Total gross LIC					**196,503**

As at 20 February 2024				
Reporting year	**Prior years UK£**	**2021/2022 UK£**	**2022/2023 UK£**	**2023/2024 UK£**
At the end of the reporting year	1,502	151,332	150,505	101,567
One year later	2,781	129,609	149,240	
Two years later	2,384	123,879		
Current estimate of cumulative claims	2,384	123,879	149,240	101,567
Cumulative payments to date	-	(86,162)	(89,475)	(14,551)
LFIC recognised on the balance sheet	**2,384**	**37,717**	**59,765**	**87,016**
Total LFIC relating to the past four years				**186,882**
Impact of discounting				(15,302)
Risk adjustment for non-financial risk				30,849
Other liabilities				4,741
Total gross LIC				**207,170**

Prior years relate to policies which was transferred to the Company from its Parent entity and are for policy years that preceded the Company's incorporation.

Notes to the Financial Statements (continued)

15. Cash at bank

	2025 UK£	2024 UK£
Cash at bank	242,632	165,954

Bank accounts held by the Company earn annual interest rate of 0.50% (2024: 0.38%)

The exposure of the Company to credit risk in relation to cash at bank is reported in Note 5. No expected credit losses in relation with cash at bank were recognised during the year.

16. Share capital

	2025 Number of shares	2025 UK£	2024 Number of shares	2024 UK£
Authorised - Ordinary shares of UK£ 1.00				
Balance brought forward	40,000	40,000	40,000	40,000
Increase in authorised shared capital	-	-	-	-
Balance carried forward	**40,000**	**40,000**	**40,000**	**40,000**

	Number of shares	Par value UK£	Share premium UK£	Total
Issued				
Balance at 21 February 2023	30,000	30,000	3,640,000	3,670,000
Increase in share capital	-	-	-	-
Balance at 20 February 2024	30,000	30,000	3,640,000	3,670,000
Not called/unpaid issued capital	(10,000)	(10,000)	-	(10,000)
Balance at 20 February 2024	20,000	20,000	3,640,000	3,660,000
Balance at 21 February 2024	30,000	30,000	3,640,000	3,670,000
Increase in share capital	-	-	-	-
Balance at 20 February 2025	30,000	30,000	3,640,000	3,670,000
Not called/unpaid issued capital	(10,000)	(10,000)	-	(10,000)
Balance at 20 February 2025	**20,000**	**20,000**	**3,640,000**	**3,660,000**

16. Share capital (continued)

On 23rd June 2022 the Board of Directors of the Company approved the increase of the authorised share capital of the Company to UK£40,000 (2022: UK£20,000) divided into 40,000 ordinary shares of nominal value of UK£1 each (2022: 20,000 ordinary shares of nominal value of UK£1 each).

On 23rd June 2022, 10.000 out of the additional authorised share capital of the Company of nominal value UK£1 each were issued and allotted to the existing sole shareholder of the Company at a premium of UK£49 per share, totalling to UK£10,000 increase in the share capital and UK£490,000 increase in the share premium of the Company.

Nature and purpose of reserves:
(i) Retained earnings:
Retained earnings includes the total earnings for the year less dividends paid to shareholders. Retained earnings are distributable to the owners of the Company.

(ii) Share premium:
Share premium consists of the value of shares issued above par value. Share premium is not distributable.

17. Trade and other payables

	2025 UK£	2024 UK£
Other payables	**7,635**	6,790
Management fee payable	**90,220**	29,507
Accruals	**76,987**	109,303
	174,842	**145,600**

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

18. Related Parties

The Company is controlled by The United Kingdom Freight Demurrage and Defence Association Limited (the "Association"), incorporated in United Kingdom, which owns 100% of the Company's shares. The Association is a mutual entity with no share capital and is controlled by the Members who are also the insureds. The subsequent insurance transactions are consequently deemed to be between related parties, but these are the only transactions between the Association and the Members.

The four non-executive directors of the Company are current representatives of Member companies and other than the insurance and Member interests of these companies, the Directors have no financial interests in the Company or the Association.

18.1 Directors' remuneration

The remuneration of Directors was as follows:

	2025 UK£	2024 UK£
Directors' fees	**14,946**	15,318

The Company's key management personnel services are provided by a separate management entity, Thomas Miller B.V. Cyprus Branch, and their remuneration forms part of the management fees incurred during the year (Note 10).

18. Related Parties (continued)
18.2 (Payables)/Receivable from related parties

Name	Nature of transactions	2025 UK£	2024 UK£
The United Kingdom Freight Demurrage and Defence Association Limited (parent)	Reinsurance	**54,653**	(300,136)

The fair value of balance with the parent entity which is due within one year approximates to the carrying amounts as presented above. The amount due from/(due to) the parent entity is repayable on demand. The amount is presented within reinsurance contract assets in the statement of financial position.

The following income statement transactions were recorded during the year:

	2025 UK£	2024 UK£
Outward reinsurance premium	**(2,222,815)**	(2,261,385)
Claims paid and inwards reinsurance	**738,930**	812,218
Ceding commission	**189,197**	130,600

19. Events after the reporting date.
As of 21st February, 2025 the reinsurance arrangement between the Company and its parent company, The United Kingdom Freight Demurrage and Defence Association Limited, has been terminated. The reinsurance arrangements has been replaced with an agreement between the Company and The United Kingdom Defence Insurance Association (Isle Of Man) Limited, under the same terms and conditions. There was no financial impact to the Company.

In addition, the management agreement for the provision of insurance management services with Thomas Miller B.V. Cyprus branch has been terminated and the Company entered into a management agreement with Thomas Miller Cyprus Insurance Agency Ltd, another entity within the Thomas Miller Group, effective as of 01 June 2025. The new arrangement is expected to improve the operational efficiency of the Company.

There were no other material events after the reporting date that have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 8 - 13.

Appendix 1 Additional Information

For the year ended 20 February 2025

Additional information to the information provided under the provisions of the Companies Act (Amendment) (No.2) Law of 2003 [N 67(1)] and of the IFRS, under Order 7 of the Superintended of Insurance for the year ended 20 February 2025.

Class 17 - Legal costs	2024 UK£	2023 UK£
Gross premiums written	2,610,738	2,634,920
Reinsurers share of gross premiums	2,032,104	2,230,492
Gross earned premiums	2,609,271	2,628,245
Gross outstanding claims reserves	2,032,003	2,267,962
Gross claims incurred	764,406	966,534
Administrative expenses	485,808	392,536

For the year ended 20 February 2025	Belgium UK£	Cyprus UK£	Finland UK£	France UK£	Germany UK£
Gross Written premiums	16,418	400,571	10,241	188,232	637,003
Premiums from direct insurance	16,418	391,084	10,241	188,232	637,003
Gross claims incurred	(16,558)	27,558	(83)	72,149	126,625
Brokerage expenses	1,685	11,507	-	547	24,136

	Greece UK£	Ireland UK£	Italy UK£	Malta UK£	Netherlands UK£
Gross Written premiums	224,158	26,460	197,404	175,901	513,298
Premiums from direct insurance	224,158	26,460	197,631	175,901	517,929
Gross claims incurred	186,780	14,863	119,224	8,927	200,935
Brokerage expenses	8,392	2,713	19,966	9,410	39,412

	Norway UK£	Portugal UK£	Spain UK£	Other countries UK£	Total UK£
Gross Written premiums	82,569	27,011	74,938	36,535	2,610,738
Premiums from direct insurance	82,569	27,209	77,668	36,769	2,609,271
Gross claims incurred	31,193	-	-	(7,208)	764,406
Brokerage expenses	5,631	4,686	5,484	47,650	181,219

For the year ended 20 February 2025 (continued)

For the year ended 20 February 2024	Belgium UK£	Cyprus UK£	Finland UK£	France UK£	Germany UK£	Greece UK£	Ireland UK£
Gross Written premiums	16,273	475,974	10,298	120,397	689,062	266,212	24,757
Premiums from direct insurance	16,273	475,974	10,298	120,397	689,062	266,212	24,757
Gross claims incurred	1,779	86,190	81	83,981	194,464	245,747	32,444
Brokerage expenses	1,670	26,925	-	549	22,509	9,559	2,477

	Italy UK£	Malta UK£	Netherlands UK£	Portugal UK£	Spain UK£	Other countries UK£	Total UK£
Gross Written premiums	135,475	244,346	515,154	30,009	104,889	2,073	2,634,920
Premiums from direct insurance	132,196	244,346	516,349	26,928	103,379	2,073	2,628,245
Gross claims incurred	20,926	6,828	275,806	-	-	18,288	966,534
Brokerage expenses	13,394	16,648	38,136	4,187	18,905	-	154,957

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