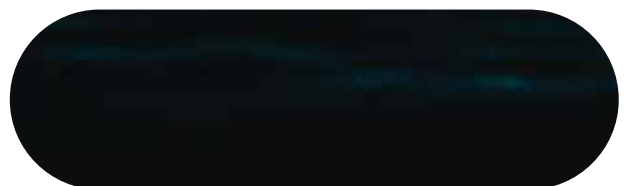
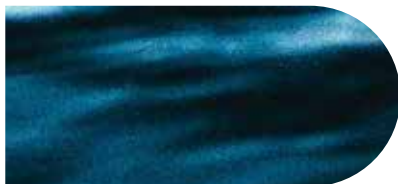
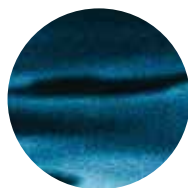




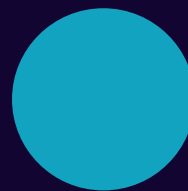
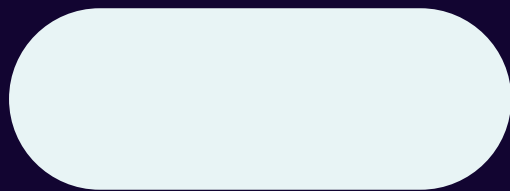
Report & Financial Statements

For the year ended 20 February 2026

The United Kingdom Freight Demurrage
and Defence Association Limited



UKDC
IS MANAGED
BY **THOMAS
MILLER**



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Directors

Directors

E. F. André	Resigned November, 2025
R. Beyer	
I. Caroussis	
B. C. Goulandris	
G. Goumas	
T.S. Huxley	
C. R. Kendall	
S. Laskaridis	
F.P. Lemos	Appointed June, 2026
M. F. Lykiardopulo	
B.D.R. MacLehose	
C.A. Monteiro	
I. Al Nadhairi	
M. Nomikos	Chairman since September 2023
P. Pappas	
C. Rychly	
Y. Shimane	
T. A. Stafilopatis	
Y. T. Triphyllis	
M. R. Wade	
D.J. Evans	

Company Secretary

K.P. Halpenny

Auditors

BDO LLP
55 Baker Street
London W1U 7EU

Strategic Report

The Directors present their Group Strategic Report for the year ended 20 February 2026.

Principal activities

The United Kingdom Freight Demurrage and Defence Association Limited ("the Association") carries on the business of mutual insurance of its Members against legal costs and expenses relating to the operation of ships entered with the Association as defined in the Rules of the Association.

Under a revised agreement dated 10 December 2021, the Association reinsures 90 per cent of its risks to The United Kingdom Defence Insurance Association (Isle of Man) Limited ("UKDIA").

The number of ships entered in the Association at the year-end on 20 February 2026 was 4,413 (3,608 owned and 805 chartered), compared 4,146 (3,271 owned and 875 chartered) on 20 February 2025. In terms of tonnage, the Association insured 264.4 million tonnes at 20 February 2026 compared to 246.3 million tonnes at 20 February 2025.

Financial review

After investment income, exchange gains/losses and taxation, there was an overall profit for the year of £0.17 million (2025: £0.29 million). The profit for the year stems mainly from a favourable investment return partly offset by a small loss on the technical account. As shown in the Association's Consolidated Income and Expenditure Account on page 17, the year ended with a loss on the technical account of £0.26 million (2025: loss of £0.60 million).

The Association considers its Key Performance Indicators to be its combined loss ratio and capital adequacy under the Solvency II regime. The combined loss ratio for the year stands at 102% (2025: 105%) excluding the impact of foreign currency on the Association's results. Throughout the year the Association complied with its capital requirements under the Solvency II regime. At year-end capital coverage under the Solvency II regime stood at 291% (unaudited). (2025: 251% (unaudited)). The Solvency II Capital coverage percentage disclosed in these financial statements are unaudited as the Association's Solvency and Financial Condition report falls outside of audit scope.

During the year under review the Association has seen an increase in premium levels driven by an increase in premium rates alongside a pleasing increase in the number of ships entered in the Association. Since a large proportion of the Association's business is written in US Dollars, the value of Sterling, relative to US Dollars, has an impact on the Association's results and represents a risk for the Association should Sterling strengthen. To manage this risk the Association hedges its US Dollar premium income through the use of forward currency contracts as further detailed in notes 4 and 13 of the financial statements. This resulted in other comprehensive income of £1.14 million (2025: loss of £0.56 million) following a strengthening in Sterling which impacted the Association's open derivative contracts that hedge future premium as represented by the movement in the Association's hedging reserve. Ancillary, the balance sheet shows a hedge reserve of £1.34 million (2025: £0.20 million). Given that these contracts are hedging future written premium, should exchange rates remain at current levels, higher premium income will offset this loss in future years.

The comprehensive income for the year led to an increase in the Association's accumulated Income and expenditure account reserves (shown on the Balance Sheet of the Association, set out on page 19) from a surplus of £5.53 million at 20 February 2025 to a surplus of £5.70 million at 20 February 2026. In terms of cash flow the Association's short-term deposits and cash and cash equivalents are sufficient to cover its net claims reserves.

The Association's gross claims reserves at 20 February 2026 were £27.30 million (2025: £27.51 million), an overall decrease of £0.21 million in the year which was mostly offset by a similar decrease in the Association's reinsurance claims reserves.

The reserves at 20 February 2026, together with calls made on Members after that date, are available and, in the opinion of the Directors, meet the Association's outgoings and the legal costs and other expenses of the Association's business.

The Directors consider the metrics discussed above the key performance indicators of the Association given that these indicators drive the financial wellbeing of the Association.

The Association's approach to financial risk management and a review of the principal risks and uncertainties is disclosed in note 4 of the financial statements. 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 4. In addition to the risks discussed in note 4 the Board of the Association has identified Cyber risk and failure of IT system security as additional key risks that the Association faces. These risks, and their respective controls, are monitored by the Association's Board through review of the Association's business risk log.

Likely future developments that may affect the Association are further discussed in the Report of the Directors on page 6.

Companies act section 172(1)

Section 172(1) of the Companies Act 2006 provides that a Director of a Company must act in a way that is considered to be in good faith, would most likely promote the success of the Association and benefit the Members as a whole, and in doing so have regard to various other stakeholder interests, including the Managers, regulators, brokers and reinsurers.

As a mutual insurer, the Association exists for the benefit of its Members, who are also the insureds of the Association. The key factors under section 172(1) are further considered below:

1. The likely consequences of any long term decision.

The Association considers the long-term consequences of its decisions as part of its Own Risk and Solvency Assessment process.

A key element of the Association's strategy is to provide a financially stable platform, from which to provide cover to its Members.

Achieving that objective involves decisions on underwriting, in particular the target premium requirements for the Association; reinsurance; capital management; and investments. The considerations listed above form the cornerstone of discussions and decision making, supported by the Association's governance structure aimed at ensuring wider views are considered and all the Association's Members are treated fairly.

As part of the Association's commitment to its Members, cases brought to the Association by its Members are considered for support by the Directors at each of the Association's Board meetings.

The Directors have recommended to the Membership a restructure of the overall operations of the Association and its parallel reinsurer. This will see the overall Membership operations reduced from three entities down to two and result in a better utilisation of the Association's direct infrastructure alongside cost savings. The Membership have agreed to proceed with the operational restructure which is anticipated to complete in advance of the 2027 year end.

2. The interests of the Association's employees

The full executive function of the Association is outsourced to the Thomas Miller group of companies. As such the Association has no employees.

3. The need to foster the Association's business relationships with suppliers, customers and others.

In terms of the wider community impacted by the Association, as a mutual insurer, the Association exists for the benefit of its Members, who are also insureds of the Association. To this end the Association's Board aims to provide a high quality service at a competitive price. The Association targets a 100% combined loss ratio and has, in recent years, distributed excess funds back to Members by way of Continuity Credits.

The Association outsources management of the day-to-day operations to the Thomas Miller

group of companies. In this regard, the Board has established a Management Fee Committee that considers the Association's relationship with Thomas Miller. The Management Fee Committee ensures that any business conducted with Thomas Miller is done so on appropriate terms. The Association has strong relationships with its brokers and reinsurers and through its Managers the Association maintains contact and high level engagement with the management of its key brokers and reinsurers. The Board receive regular updates on the Association's key broker and reinsurer relationships.

4. The impact of the Association's operations on the community and the environment.

As a service orientated organisation, the Association does not consider itself to have a direct material impact on the environment. The Board has established a policy on climate changes which is owned by the Association's Risk Officer that considers the risk of climate change associated with the Association.

The Association considers the best interests of its Members as priority. This includes returning excess funds to its Members, but also supporting cases that will have a benefit to the wider shipping community and acting as a sounding board for industry issues through various topical conferences and seminars conducted throughout the year.

5. The desirability of the Association maintaining a reputation for high standards of business conduct.

The Board has in place a conduct risk policy that applies to both the Board and the Managers and ensures that the Association does the right things for its Members whilst keeping them, and the integrity of the markets in which they operate at the heart of everything that the Association does.

6. The need to act fairly between Members of the Association.

The conduct risk policy as referred to above, ensures that Members are treated fairly. In addition the Board has established a conflicts of interest policy which ensures that any conflict of interest around Member issues are appropriately disclosed and dealt with at a Board level.

The Directors therefore considers that the requirements of Section 172(1) are appropriately addressed within the Association's policies and procedures.

Approved by the Board of Directors and signed on behalf of the Board.

By order of the Board of Directors

K. P. Halpenny
Secretary

18 June 2026

Report of the Directors

The Directors have pleasure in presenting their Report and the Financial Statements of the Group for the year ended 20 February 2026.

Directors

The Directors who held office during the year are listed on page 2.

In accordance with the Articles of Association, all the Directors retire at the forthcoming Annual General Meeting to be held on 17 September 2026 and will be eligible for re-election.

Meetings of Directors

The Directors met on five occasions during the year under review, in order to fulfil the general and specific responsibilities entrusted to them by the Members under the Rules and under the Memorandum and Articles of Association. At these meetings the Directors received and discussed written and oral reports and recommendations from the Managers on calls and other policy matters.

A substantial portion of each meeting involved the consideration of Members' cases in which the Association's support was requested for court or arbitration proceedings, the Directors considering 26 major cases during the year. The Managers also considered a substantial number of requests for support in proceedings under the authority delegated to them by the Directors and reports on those cases were presented to the Board at each meeting. Of all the requests for support formally considered by the Board, in excess of 95% received a significant measure of support from the Association, illustrating the importance attached by both Board and Managers to the Association being supportive of its Members whenever the circumstances render that possible.

The work of the Association remains substantial with approximately 2,668 case files open as at 20 February 2026. The Managers continue to advise and support Members who are involved with disputes and are frequently able to help them reach satisfactory terms of settlement without proceedings.

Future Developments

Restructure of Club operations

The Board and Members have approved a restructure of the overall operations of the Membership interest in the Association and its parallel reinsurer, UKDIA. This will see the overall Club operations reduced from three legal entities down to two. Practically, the counterparty to the Association's 90% reinsurance contract will become a newly established mutual in Cyprus in addition to the Association's subsidiary being closed down. It is expected that this change in operational structure will come into effect in advance of the 20 February, 2027 year-end. This change is not expected to impact the Association's assumption around going concern.

Acquisition of Thomas Miller

In March, 2026 The United Kingdom Mutual Steam Ship Assurance Association Limited ("UK P&I") and Through Transport Mutual Insurance Association Limited ("TT") announced that a non-binding proposal was made to acquire the entire issued share capital of the Association's Manager, the Thomas Miller Group of Companies. Both UK P&I and TT are managed by Thomas Miller. In addition, in November, 2025 the UK P&I also announced that it had entered merger discussions with the TT. At present both sets of discussions remain ongoing and the Board of the Association is considering the potential impact and opportunities that may arise as a result of these proposals.

Geopolitical Conflict

Subsequent to the year end, armed conflict has escalated in the Middle East. While this conflict commenced after the Association's financial year end and therefore does not give rise to any adjusting events in these financial statements, it has resulted in increased claims activity. Given the evolving nature of the conflict, the ultimate number and quantum of claims arising from this event remain uncertain however the Directors do not consider that the conflict impacts the Association's ability to operate as a going concern.

Directors' and Officers Liability

The Board of Directors has effected a Directors' and Officers' Liability Insurance policy to indemnify the Directors and Officers of the Association against loss arising from any claim against them jointly or severally by reason of any wrongful act in their capacity as Directors or Officers of the Association. The insurance also covers the Association's loss when it is required or permitted to indemnify the Directors or Officers pursuant to common law, statute, or the Articles of Association. The cost of the insurance is met by the Association and is included in net operating expenses.

Auditor

- 1) so far as the Director is aware, there is no relevant audit information of which the Association's auditor is unaware;
- 2) the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Association's auditor is aware of the information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint BDO LLP as the Association's auditor will be proposed at the forthcoming Annual General Meeting.

Directors' Report Disclosures

The Association's financial instruments comprise its financial investments, cash, and various items arising directly from operations such as insurance and other debtors, technical provisions and creditors. The main risks arising from these financial instruments are credit risk, market risk, and insurance risk. The Association's approach to management of these risks is disclosed in note 4 of the financial statements.

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic Report and Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Association for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors and signed on behalf of the Board.

Approved by the Board of Directors and signed on behalf of the Board.s

K. P. Halpenny
Secretary

18 June 2026

Independent Auditors Report

Independent Auditor's Report to the Members of the United Kingdom Freight Demurrage and Defence Association Limited

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 20 February 2026 and of the Group's surplus and the Parent Company's surplus and the Group's cash flows for the year then ended;
- the Group and the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of The United Kingdom Freight Demurrage and Defence Association Limited (the 'Parent Company') and its subsidiary (the 'Group') for the year ended 20 February 2026 which comprise of the following:

- Consolidated and Parent Company Income and Expenditure Account;
- Consolidated and Parent Company Statement of Comprehensive Income;
- Consolidated and Parent Company Balance Sheet;
- Consolidated Statement of Changes in Reserves;
- Parent Company Statement of Changes in Reserves;
- Consolidated Statement of Cash Flows; and
- Notes to the financial statements, other than that part of Note 4 marked as 'Unaudited', including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard in the United Kingdom and Republic of Ireland and Financial Reporting Standard 103: Insurance Contracts (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Conclusion relating to going concern

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

- Review and challenge of the Group and Parent Company's current plans and budget forecasts, challenging growth assertions and checking that movements were in line with justifiable assumptions and movements. This was done through review of historic budgets against actual performance and knowledge of the Group and industry;
- Checked the basis of solvency projections for the next 12 months, ensuring that an appropriate mechanism for calculating solvency has been applied and there is sufficiency of assets to meet liabilities; and
- Challenge and discussion around the latest Own risk and Solvency Assessment (ORSA) provided by the Group. In addition, we have reviewed the solvency projections, reconciling

current positions to the financial statements and challenged the Directors as to the future assumptions over premium and claims performance embedded within the model, through discussion and comparing the assumptions to our knowledge of relevant factors affecting the industry and economy. We have also checked that the modelling used for solvency is in line with industry standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group and the Parent Company's ability to continue as a going concern.

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

Overview

Coverage	100% (2025: 100%) of Group profit before tax 100% (2025: 100%) of Group revenue 100% (2025: 100%) of Group total assets	
Key audit matters	2026 Valuation of Incurred but not reported (IBNR)	2025 Valuation of Incurred but not reported (IBNR)
Materiality	Group financial statements as a whole: £140k (2025: £398k) based on 2% net assets (2025: 2% of Revenue)	

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, the applicable financial reporting framework and the Group's system of internal control. We identified and assessed the risks of material misstatement of the Group financial statements including with respect to the consolidation process. We then applied professional judgement to focus our audit procedures on the areas that posed the greatest risks to the group financial statements. We continually assessed risks throughout our audit, revising the risks where necessary, with the aim of reducing the group risk of material misstatement to an acceptable level, in order to provide a basis for our opinion.

We deemed that the Group consisted of two components, being the Parent Company and the Subsidiary. The Parent Company and the subsidiary were subject to a full scope audit.

All audit work was performed directly by the audit engagement team with the assistance of appropriate specialists.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. This matter was 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 this matter.

Key Audit Matter	How the scope of our audit addressed the key audit matter
Valuation of IBNR Please refer to note 3, 18 and the accounting policy in note 2f. The financial statements includes claims reserves of £27.3m (2025: £27.5m) which include IBNR at the amount of £15.9m (2025: £15.6m). The valuation of IBNR, is a key area of estimation within the financial statements. There is a risk that inappropriate assumptions and judgements are made when determining the valuation of IBNR. IBNR modelling is reliant on: ▪ Relevant claims data being input correctly into actuarial models; and ▪ The application of appropriate actuarial techniques, judgements and assumptions. For these reasons, we considered the valuation of IBNR to be a significant risk and a key audit matter.	As part of our audit procedures, we performed the following in conjunction with our actuarial specialists: ▪ Obtained an understanding of the relevant processes and controls in place in valuing the IBNR, including evaluating the design and implementation of relevant controls. ▪ Reconciled and tested the key actuarial inputs used in actuarial models to underwriting and accounting records. ▪ Through the use of our internal actuarial specialist, we assessed the appropriateness of the methodology, significant judgements and assumptions applied by the Group's actuarial team in the calculation of IBNR. ▪ Reviewed the outturn of prior years' claims IBNR against previous estimates, to assess valuation of IBNR held against the subsequent claims development. ▪ Through the use of our internal actuarial specialists, we independently re-projected IBNR using historical claims data and our own actuarial techniques and assessed the booked reserves to our range of reasonable best estimates. ▪ Assessed the risk margin to ensure the margin is consistently prudent with prior accounting periods, through comparison to prior periods level of prudence. Key observations: Based on our audit procedures performed, we consider the judgements and assumptions made in the valuation of IBNR to be reasonable.

Our application of materiality

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

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent

of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements		Parent Company financial statements	
	2026 £'000	2025 £'000	2026 £'000	2025 £'000
Materiality	140	398	98	378
Basis for determining materiality	2% of Revenue	2% of Revenue	2% of Revenue	2% of Revenue
Rationale for the benchmark applied	This has been set with reference to net assets of the Group and Parent Company which reflects the overall scale of the business. Net assets are a key measure that is used to consider the performance of the Group and Parent Company. The change in benchmark for the current year is to reflect the Key Performance Indicator ("KPI") which closely aligned to the objectives to the group and the expectations of the users of the financial statements.			
Performance materiality	105	298	73.5	283
Basis for determining performance materiality	75% of financial statement materiality based on history of errors, management's attitude towards proposed adjustments and accounts subject to estimation.			
Rational for testing threshold impacted by the quota share agreement	The Association has a reinsurance arrangement with The United Kingdom Defence Insurance Association (Isle of Man) Limited (UKDIA) whereby they cede 90% of their risks to UKDIA. The Consolidated and Parent Company Balance Sheet has included the gross amounts of 'Technical provisions' within 'Liabilities' and the related impact of 'Reinsurers' shares of technical provisions' within 'Assets'. However, the net assets are only impacted by the retained 10% of the Gross Liability, Premium and Claims paid. As a result, the current year materiality based on net assets yields a testing threshold that does not reflect the scale of gross amounts impacted by the quota share arrangement. Consequently, in accordance with the guidance on the audit of insurers issued in the United Kingdom by the FRC (PN20), we have applied a higher testing threshold of £1,400,000 for these balances for the purpose of identifying and evaluating the effect of misstatements for the areas impacted by this agreement. The higher testing threshold is determined by grossing up the materiality by 90% to reflect the 90% quota share arrangement that is in place.			

Reporting threshold

We agreed with the Board of Directors that we would report to them all individual audit differences in excess of £7,000 (2025: £19,900). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Consolidated Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other

information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: - the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and - the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: - adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or - the Parent Company financial statements are not in agreement with the accounting records and returns; or - certain disclosures of Directors' remuneration specified by law are not made; or - we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect

material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the Parent Company and the industry in which it operates;
- Discussion with management and those charged with governance;
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations; and
- Inspecting Board and Audit, Regulatory & Risk Committee minutes.

we considered the significant laws and regulations to be Financial Reporting Standards 102 applicable in the UK, Financial Reporting Standard 103 Insurance Contract and Companies Act 2006.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the permission and supervisory requirements of the Prudential Regulatory Authority ('PRA') and the Financial Conduct Authority ('FCA').

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory authorities for any instances of non-compliance with laws and regulations; and
- Review of financial statement disclosures and agreeing to supporting documentation.

Fraud

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

- Enquiry with management and those charged with governance and the Audit, Regulatory & Risk Committee, regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be valuation of IBNR and management override of controls.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation; and
- Assessing significant estimates made by management for bias (refer to key audit matters section for procedures performed).

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

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due

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

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

Other matters which we are required to address

We were appointed by the members on 16 June 2016 to audit the financial statements for the year ended 20 February 2017 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 10 years, covering the years ended 20 February 2017 to 20 February 2026.

Our audit opinion is consistent with the additional report to the audit, regulatory and risk committee.

Use of our report

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

Thomas Reed (Senior Statutory Auditor) For and on behalf of **BDO LLP**, Statutory Auditor London, UK

24 June 2026

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated and Parent Company Income and Expenditure Account

Year ended 20 February 2026

		Consolidated		Parent company	
	Notes	2026 £'000	2025 £'000	2026 £'000	2025 £'000
Technical Account					
Gross premiums written	5	20,930	19,902	18,244	19,514
Outward reinsurance premiums	5	(7,973)	(8,605)	(6,142)	(8,605)
Net movement in unearned premium	19	(25)	(8)	(23)	(8)
Net premiums written and earned		12,932	11,289	12,079	10,901
Claims paid		(6,454)	(6,040)	(6,353)	(5,958)
Gross amount	6	(14,781)	(14,328)	(13,772)	(14,246)
Reinsurers' share		8,327	8,288	7,419	8,288
Change in provision for claims		24	62	43	46
Gross amount		109	800	2,161	784
Reinsurers' share		(85)	(738)	(2,117)	(738)
Claims incurred, net of reinsurance	18	(6,430)	(5,978)	(6,309)	(5,912)
Net operating expenses	7	(6,758)	(5,910)	(6,068)	(5,466)
Balance on the technical account		(256)	(599)	(299)	(477)
Non-Technical Account					
Balance on the technical account		(256)	(599)	(299)	(477)
Investment income	10	302	380	147	183
Exchange gains/(losses)		161	575	303	559
Surplus/(loss) on ordinary activities before tax		207	356	151	265
Tax on activities	17	(35)	(64)	(36)	(54)
Surplus/(loss) on activities after tax and transferred to reserves		172	292	115	211

All activities represent continuing activities.

The notes on pages 21 to 45 form an integral part of these financial statements.

Consolidated and Parent Company Statement of Comprehensive Income

Year ended 20 February 2026

	Notes	Consolidated		Parent company	
		2026 £'000	2025 £'000	2026 £'000	2025 £'000
Surplus/(loss) on activities after tax		172	292	115	211
Other comprehensive income					
Amounts recycled into surplus		941	(761)	941	(761)
Fair value gain/(loss)		204	200	204	200
	13	1,145	(561)	1,145	(561)
Total comprehensive income for the year		1,317	(269)	1,260	(350)

The notes on pages 21 to 45 form an integral part of these financial statements.

Consolidated and Parent Company Balance Sheet

As at 20 February 2026

		Consolidated		Parent company	
	Notes	2026 £'000	2025 £'000	2026 £'000	2025 £'000
ASSETS					
Investments					
Shares in subsidiary undertakings	21	-	-	3,660	3,660
Other financial investments	12	4,960	5,581	1,257	1,602
Derivative financial instruments	13	1,431	359	1,431	359
Reinsurers' share of technical provisions					
Reinsurance share of claims reserves	18	24,663	24,839	22,644	24,839
Provision for unearned reinsurance premium	19	394	279	355	279
Deferred acquisition costs		37	25	32	21
Cash and cash equivalents	15	5,391	5,061	4,906	4,819
Debtors	14	603	420	606	352
Total assets		37,479	36,564	34,891	35,931
RESERVES					
Income and expenditure account		5,703	5,531	5,329	5,214
Hedging reserve	13	1,344	199	1,344	199
Total reserves		7,047	5,730	6,673	5,413
LIABILITIES					
Technical provisions					
Claims reserves	18	27,303	27,512	25,067	27,314
Unearned premium provision	19	475	335	426	327
Derivative financial instruments	13	-	129	-	129
Creditors	16	2,654	2,858	2,725	2,748
Total liabilities		30,432	30,834	28,218	30,518
Total liabilities and reserves		37,479	36,564	34,891	35,931

The financial statements of The United Kingdom Freight Demurrage and Defence Association Limited, registration number 00501877, were approved by the Board of Directors and authorised for issue on 18 June 2026. They were signed on its behalf by:

M. Nomikos
B.D.R. MacLehose

D.J. Evans

Directors

Managers

The notes on pages 21 to 45 form an integral part of these financial statements.

Consolidated Statement of Changes in Reserves

Year ended 20 February 2026

	Attributable to members		
	£'000 Income and expenditure account	£'000 Hedging reserve	£'000 Total
Balance at 20 February 2024	5,239	760	5,999
Surplus for the year	292	-	292
Other comprehensive deficit for the year	-	(561)	(561)
Total comprehensive deficit for the year	292	(561)	(269)
Balance at 20 February 2025	5,531	199	5,730
Surplus for the year	172	-	172
Other comprehensive income for the year	-	1,145	1,145
Total comprehensive income for the year	172	1,145	1,317
Balance at 20 February 2026	5,703	1,344	7,047

The notes on pages 21 to 45 form an integral part of these financial statements.

Parent Company Statement of Changes in Reserves

Year ended 20 February 2026

		Attributable to members	
	£'000 Income and expenditure account	£'000 Hedging reserve	£'000 Total
Balance at 20 February 2024	5,003	760	5,763
Surplus for the year	211	-	211
Other comprehensive deficit for the year	-	(561)	(561)
Total comprehensive deficit for the year	211	(561)	(350)
Balance at 20 February 2025	5,214	199	5,413
Surplus for the year	115	-	115
Other comprehensive income for the year	-	1,145	1,145
Total comprehensive income for the year	115	1,145	1,260
Balance at 20 February 2026	5,329	1,344	6,673

The notes on pages 21 to 45 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

Year ended 20 February 2026

	2026 £'000	2025 £'000
Operating activities		
Calls and premiums received	20,216	19,926
Reinsurance premium paid	(8,358)	(8,777)
Claims paid	(14,630)	(14,849)
Reinsurance recoveries received	8,327	8,288
Acquisition costs	(1,062)	(943)
Operating expenses paid	(5,692)	(5,317)
Interest and dividends received	302	380
Taxation paid	(58)	(67)
Net cash used in operating activities	(955)	(1,359)
Investing activities		
Purchase of investments	(16,237)	(18,165)
Sale of investments	17,692	21,265
Net cash provided by investing activities	1,455	3,100
Net increase in cash and cash equivalents	500	1,741
Cash and cash equivalents at the beginning of the year	5,061	3,317
Effect of exchange rate fluctuations on cash and cash equivalents	(170)	4
Cash and cash equivalents at the end of the year	5,391	5,062

The notes on pages 21 to 45 form an integral part of these financial statements.

Notes to the Financial Statements

1. Constitution and General Information

The Association is incorporated in England as a private company limited by guarantee and not having a share capital.

In the event of the Association's liquidation the net assets of the Association are to be distributed in proportion to the amount of contributions paid by Members during the preceding six years.

The Association's principal activities are further described in the strategic report.

2. Accounting Policies

(a) Accounting disclosures

The financial statements are prepared on an annual basis under the historical cost convention as modified to include certain items at fair value, and in accordance with Financial Reporting Standard ("FRS") 102 – "Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" and FRS 103 – "Insurance contracts" issued by the Financial Reporting Council.

These financial statements which consolidate the financial statements of the Association and its subsidiary undertakings have been prepared under the Companies Act 2006. The Association and its subsidiary undertakings have applied uniform accounting policies and on consolidation all intra-group transactions, profits, and losses have been eliminated. In the parent company Balance Sheet, shares in subsidiary undertakings are shown at cost less any provision for impairment.

The functional currency of the Association is considered to be pounds sterling because that is the currency of the primary economic environment in which the Association operates. This has been selected on the basis that materially all of the Association's claims and expenses are paid in pounds sterling, and the Association's main reinsurance contract with UKDIA is denominated in pounds sterling.

The Association has taken exemption from presenting a parent Statement of Cash Flows under section 1.12(b) of FRS 102.

The Financial Statements have been prepared on a going concern basis. The Directors consider it appropriate to adopt the going concern basis of accounting in the preparation of these Financial Statements and are not aware of any material uncertainties to the Association's ability to continue to do so for at least 12 months from the date of authorisation of these Financial Statements given the Association's stable capital position.

(b) Foreign currencies

Foreign currency monetary assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. The resulting difference is treated as unrealised. The costs of investments are translated into sterling at the rate applicable for the date on which they were purchased.

Revenue transactions are translated into sterling at the rate applicable for the date on which they took place.

All exchange gains/losses other than on forward exchange contracts that are designated and qualify as hedges (see 2(h)), whether realised or unrealised have been included in the Consolidated Income and Expenditure Account for the year.

(c) Gross premiums written

Calls and premiums are presented net of return premiums and continuity credits and are the total receivable for the whole period of cover provided by the contracts incepting during the accounting period together with any adjustments in respect of prior accounting periods. Continuity credits represent a reduced premium amount for longstanding Members and are recognised as part of the related premium amount.

(d) Outward reinsurance premiums

Outward reinsurance premiums are the total payable in respect of excess of loss and quota share reinsurances for the period to which the relevant contracts relate. Quota share reinsurance premiums are subject to an agreed discount, the rate of which for each policy year is agreed with UKDIA.

The agreed discount is recognised in the Consolidated Income and Expenditure Account when corresponding reinsurance premiums are recognised.

(e) Unearned premiums

Premiums written during the financial year are earned as revenue on a daily pro-rata basis over the period of cover provided, in line with the incidence of risk. Amounts relating to periods after the year end are treated as unearned and included within liabilities on the statement of financial position

(f) Claims

These are the legal costs and expenses of the Members covered by the Association. They include all claims incurred during the year, whether paid, estimated or unreported, together with internal claims, management costs and future claims management costs and adjustments for claims outstanding from previous years.

A forecast of unreported claims is based on the estimated ultimate cost of claims arising out of events which have occurred before the end of the accounting period but have not yet been reported. The Directors' estimate for these future claims is based on the estimate of unreported claims on each policy year. The estimates are calculated by comparing the pattern of claims payments and estimates in current policy years with earlier policy years, and then projecting the outcomes of the more recent years.

The Association utilises a variety of actuarial techniques to determine its ultimate liability which include development factor methods, Bornhuetter-Ferguson methods and a bootstrapping methodology. These techniques assume that the future will be broadly similar to the past.

The Association assesses at the end of each reporting period whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate, the entire deficiency is recognised in the Consolidated Income and Expenditure Account.

Whilst the Directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. Any differences between the provisions and subsequent settlements are dealt with in the technical accounts of later years.

Claims (continued)

The Association enters into reinsurance contracts in the normal course of business in order to limit potential losses arising from certain exposures. Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses. Reinsurance assets are measured consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of the reinsurance contract.

The Association's gross and reinsurance Technical Provisions include a provision for claims Incurred But Not Reported "(IBNR)".

(g) Other financial investments

The Association has applied the requirements of FRS 102 sections 11 to the measurement, presentation and disclosure of its financial assets. Investments in short term deposit funds and the foreign exchange security deposit are designated in the Balance Sheet at fair value through profit and loss in order to eliminate any measurement or recognition inconsistency. Fair value is calculated using the bid price at the close of business on the balance sheet date and each date thereafter.

Those purchased in foreign currencies are translated into sterling on the date of purchase. The fair value of foreign currency investments is translated at the rate of exchange ruling at the balance sheet date.

(h) Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges of a highly probably forecast transaction is recognised in other comprehensive income. The gain or loss relating to any ineffective portion is recognised immediately in the Consolidated Income and Expenditure Account. Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised directly in the Consolidated Income and Expenditure Account.

Amounts accumulated in reserves are recycled to surplus in the periods in which the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in Other Comprehensive Income and is recognised when the forecast transaction is ultimately recognised in the Consolidated Income and Expenditure Account.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

(j) Debtors

Debtors are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables arising from insurance contracts are also classified in this category and include Members' contributions, claims deductibles recoverable from Members and reinsurance receivables. Debtors are carried at cost less impairment. Debtors are reviewed for impairment as part of an ongoing and annual review.

(k) Investment income

This comprises income received during the year adjusted in respect of interest receivable at the year end, and profits and losses on the sale of investments and gains and losses on closed forward currency contracts.

The unrealised gains and losses on the movement in the fair value of the investments are included in the non-technical account. No transfer is made of the investment returns from the non-technical account to the technical account, as this is not considered appropriate given the Association mono-line nature.

(l) Taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 102 section 29. Currently no timing differences exist that results in any deferred tax assets or liabilities.

3. Critical accounting estimates and judgements

The Association makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimation of the ultimate liability arising from claims made under insurance contracts is the Association's most critical accounting estimate. The 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 Association will ultimately pay for such claims. Estimates are made for the expected ultimate cost of claims, whether reported or unreported, at the end of the reporting period. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. In calculating the estimated liability, the Association uses a variety of estimation techniques based upon statistical analyses of historical experience which assumes past trends can be used to project future developments. For further detail refer to note 2(f) and note 18.

4. Financial Risk Management

The Association is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are: market risk, credit risk, insurance risk, liquidity risk and operational risk.

The Board and Managers have sought to establish and embed risk management procedures within the Association through a Compliance manual, an internal quality management system and a risk management framework which considers and logs potential risks and how they are to be managed. The Board monitors the development and operation of risk management policies and controls in place to mitigate risk through a governance structure which includes an internal audit function and various committees.

The Association manages the risks relating to the operations of the Association through internal risk reports which analyse exposures by degree and magnitude of risk.

Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices and foreign currency exchange rates, affecting both the value of the Association's investments and, in the case of exchange rates, its premium income and liabilities. The Association has a policy in place to manage its exposure to its investments, and this is monitored by regular reports from the investment managers to the Association's Board of Directors.

Due to the Association's revenue being materially received in US Dollars, the Association has implemented a hedging strategy whereby the Association uses forward contracts to mitigate the potential currency risk on its future premium income. Forward currency contracts have been designated as hedging instruments and the Association regards its future premium income as a highly probable forecast transaction and has designated it as a hedged item under hedge accounting requirements. This relationship has been designated by the Association as cash flow hedges and is monitored by the Association's Board of Directors. In addition, the Association utilises an investment mandate that matches the currency of its assets and liabilities.

The profile of the Association's assets and liabilities, categorised by settlement currency, at their translated carrying amount, is set out below.

As at 20 February 2026	Sterling £'000	US Dollar £'000	Euro/other £'000	Total £'000
Short term deposit funds	2,590	376	-	2,966
Foreign exchange security deposit	1,255	-	-	1,255
Fixed income securities	739	-	-	739
Net derivative financial instruments	31,872	(30,441)	-	1,431
Reinsurers' share of technical provisions	16,861	3,906	3,896	24,663
Unearned reinsurance premium	394	-	-	394
Debtors	78	513	12	603
Deferred acquisition costs	37	-	-	37
Cash and cash equivalents	4,214	362	815	5,391
Technical provisions	(18,666)	(4,324)	(4,313)	(27,303)
Unearned premium	(475)	-	-	(475)
Creditors	(2,447)	(24)	(183)	(2,654)
	36,452	(29,632)	227	7,047

Market risk (continued)

As at 20 February 2025	Sterling £'000	US Dollar £'000	Euro/other £'000	Total £'000
Short term deposit funds	2,564	749	-	3,313
Foreign exchange security deposit	1,040	-	-	1,040
Fixed income securities	1,227	-	-	1,227
Net derivative financial instruments	30,671	(30,441)	-	230
Reinsurers' share of technical provisions	17,056	3,956	3,827	24,839
Unearned reinsurance premium	279	-	-	279
Debtors	111	912	(603)	420
Deferred acquisition costs	25	-	-	25
Cash and cash equivalents	3,517	833	711	5,061
Technical provisions	(18,892)	(4,381)	(4,239)	(27,512)
Unearned premium	(335)	-	-	(335)
Creditors	(2,675)	2	(185)	(2,858)
	34,589	(28,370)	(489)	5,730

A 5 per cent strengthening / weakening of the following currencies against sterling would be estimated to have increased/(decreased) the surplus before tax, reserves and Other Comprehensive Income ("OCI") at the year-end by the following amounts:

As at 20 February 2026	Strengthening		Weakening	
	Effect on OCI £'000	Effect on surplus after tax £'000	Effect on OCI £'000	Effect on surplus after tax £'000
Dollar	(1,377)	40	1,332	(40)
Euro	-	10	-	(10)
As at 20 February 2025	Effect on OCI £'000	Effect on surplus after tax £'000	Effect on OCI £'000	Effect on surplus after tax £'000
Dollar	(1,653)	92	1,399	(92)
Euro	-	(12)	-	12

Credit risk

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

The Association's exposure primarily relates to amounts recoverable from reinsurance contracts, debtors and bank balances. Exposure to reinsurance counterparties is mitigated by the Association placing its excess of loss reinsurances with counterparties rated A- or better. On its 90% reinsurance programme, given that UKDIA is unrated, the Association has the benefit of a legal charge in the form of a fixed charge debenture of £17.49 million over UKDIA's assets which mitigate the Association's exposure to Reinsurers' share of technical provisions. Exposure to debtors, which is mainly in respect of calls and premium contributions, is spread over a large number of Members and counterparties, which mitigates the risk. Exposure to bank balances, however, is more concentrated, with two main counterparties and the risk is mitigated by placing funds surplus to normal operational requirements in money market funds and other investments.

The following tables provide information regarding aggregate credit risk exposure for financial assets with external credit ratings.

As at 20 February 2026	AAA	AA	A	Not rated / not readily available	Total
	£'000	£'000	£'000	£'000	£'000
Short term deposit funds	2,966	-	-	-	2,966
Foreign exchange security deposit	615	-	640	-	1,255
Fixed income securities	-	739	-	-	739
Derivative financial instruments	-	-	1,431	-	1,431
Reinsurers' share of technical provisions	-	905	-	23,758	24,663
Debtors	-	-	-	603	603
Cash and cash equivalents	-	-	5,391	-	5,391
Total assets subject to credit risk	3,581	1,644	7,462	24,361	37,048

As at 20 February 2025	AAA	AA	A	Not rated / not readily available	Total
	£'000	£'000	£'000	£'000	£'000
Short term deposit funds	3,313	-	-	-	3,313
Foreign exchange security deposit	-	-	1,040	-	1,040
Fixed income securities	-	1,227	-	-	1,227
Derivative financial instruments	-	-	230	-	230
Reinsurers' share of technical provisions	-	776	-	24,063	24,839
Debtors	-	-	-	420	420
Cash and cash equivalents	-	-	5,061	-	5,061
Total assets subject to credit risk	3,313	2,003	6,331	24,483	36,130

Insurance risk

The Association's risk can arise from:

1. fluctuations in the timing, frequency and severity of claims and claims settlements relative to expectations;
2. unexpected claims arising from a single source;
3. inaccurate pricing of risks when underwritten;
4. inadequate reinsurance protection;
5. inadequate reserves.

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

The Association establishes provisions for unpaid claims, both reported and unreported, and related expenses to cover its expected ultimate liability. 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 Association considers that the liability for insurance claims recognised in the statement of financial position is reasonable. However, actual experience will differ from the expected outcome. The Association only provides legal expenses cover to its Members and as a result, no further concentration analysis of risks by cover has been performed.

Some results of sensitivity testing are set out below, showing the impact on surplus 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.

	2026 £'000	2025 £'000
Increase in loss ratio by 5 percentage points		
Gross	(1,046)	(995)
Net	(105)	(100)

A 5 per cent decrease in the loss ratio would have an equal and opposite effect.

Liquidity risk

The Association manages this risk by the use of liquid investments and its ability to call upon its quota share reinsurer, UKDIA, in the event of a significant outflow of funds. The Association also has the benefit of a legal charge in the form of a debenture over UKDIA's investments and other assets.

The following table provides a maturity analysis of the Association's financial assets and liabilities representing the date that a contract will mature, amounts are due for payment or the asset could be realised without significant additional cost:

Liquidity risk (continued)

As at 20 February 2026	Within 1 year £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
Assets and liabilities				
Short term deposit funds	2,966	-	-	2,966
Foreign exchange security deposit	1,255	-	-	1,255
Fixed income securities	739	-	-	739
Derivative financial instruments	829	602	-	1,431
Reinsurers' share of technical provisions	7,016	14,124	3,524	24,663
Deferred acquisition costs	37	-	-	37
Debtors	603	-	-	603
Cash and cash equivalents	5,391	-	-	5,391
Technical provisions	(7,767)	(15,635)	(3,901)	(27,303)
Net unearned premium	(81)	-	-	(81)
Creditors	(2,654)	-	-	(2,654)
Total	8,334	(910)	(377)	7,047

As at 20 February 2025	Within 1 year £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
Assets and liabilities				
Short term deposit funds	3,313	-	-	3,313
Foreign exchange security deposit	1,040	-	-	1,040
Fixed income securities	1,228	-	-	1,228
Derivative financial instruments	191	39	-	230
Reinsurers' share of technical provisions	6,988	14,087	3,764	24,839
Deferred acquisition costs	25	-	-	25
Debtors	420	-	-	420
Cash and cash equivalents	5,061	-	-	5,061
Technical provisions	(7,739)	(15,604)	(4,169)	(27,512)
Net unearned premium	(56)	-	-	(56)
Creditors	(2,858)	-	-	(2,858)
Total	7,613	(1,478)	(405)	5,731

Operational Risk

Operational risks relate to the failure of internal processes, systems or controls due to human or other error. In order to mitigate such risks the Association has engaged Thomas Miller Defence Limited as managers to document all key processes and controls in a procedural manual. This manual is embedded into the organisation and available to all staff. Compliance with the procedures and controls documented within the manual is audited on a regular basis through quality control checks and the internal audit function which is directed and reviewed by the Audit and Risk Committee. A human resource manual including all key policies have also been documented.

Financial Risks from Climate Change

The Association has put in place a policy for the exposure, identification and management of risk relating to climate change. As a service organisation, the Association considers that there is no direct risk for the Association to climate change given that the Association insures the legal costs that its Membership is exposed to rather than a direct exposure to climate change and related regulations, however as part of the Association's Own Risk and Solvency Assessment ("ORSA") process under Solvency II the risks around climate change have been included in the Association's scenario analysis. In its scenario analysis, the Association has considered the impact of climate change regulation on its Membership and how this might impact the Association both directly and indirectly, in addition to the impact that climate change may have on the Association's invested assets. The Association continues to monitor its claims for any underlying trends relating to the risks surrounding climate change.

Capital Management

The Association maintains capital, comprising of surplus and reserves, in accordance with the Association's risk appetite and its regulatory requirements. The Association is regulated in the United Kingdom by the Prudential Regulator Authority ("PRA") and the Financial Conduct Authority ("FCA") under the Solvency II regime in the UK. At year-end capital coverage under the Solvency II regime stood at 291%. (2025: 251%). The Solvency II Capital coverage percentage disclosed in these financial statements are unaudited as the Association's Solvency and Financial Condition report falls outside of audit scope.

Limitation of the sensitivity analyses

The sensitivity analyses above show the impact of a change in one input assumption with other assumptions remaining unchanged. In reality, there is normally correlation between the change in certain assumptions and other factors which would potentially have a significant impact on the effect noted above.

Fair value estimations

In accordance with section 34 of FRS 102, as a financial institution, the Association applies the requirements of paragraph 11.27 of FRS 102. This requires, for financial instruments held at fair value in the balance sheet, disclosure of fair value measurements by level of the following fair value hierarchy

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (that is, prices) or indirectly (that is, derived from prices)
- Level 3 – Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs)

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

As at 20 February 2026	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Short term deposit funds	2,966	-	-	2,966
Foreign exchange security deposit	1,255	-	-	1,255
Fixed income securities	739	-	-	739
Derivative financial instruments	-	1,431	-	1,431
Total	4,960	1,431	-	6,391

As at 20 February 2025	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Short term deposit funds	3,313	-	-	3,313
Foreign exchange security deposit	1,040	-	-	1,040
Fixed income securities	1,227	-	-	1,227
Derivative financial instruments	-	230	-	230
Total	5,580	230	-	5,810

Financial instruments

The table below provides an analysis of the Association's financial assets and liabilities by class of recognition:

	2026 £'000	2025 £'000
Financial assets measured at fair value through profit or loss	4,960	5,581
Financial assets measured at amortised cost	5,994	5,482
Net financial assets measured at fair value through other comprehensive income	1,431	230
Financial liabilities measured at amortised cost	(2,654)	(2,858)

5. Gross and Reinsurance Premiums written

	Consolidated		Parent company	
	2026 £'000	2025 £'000	2026 £'000	2025 £'000
Gross Premiums written	20,930	19,902	18,244	19,514
Excess loss premium	(505)	(525)	(505)	(525)
90% quota share premium	(17,416)	(16,598)	(15,158)	(16,598)
Agreed discount on 90% quota share premium	9,947	8,518	9,521	8,518
	(7,973)	(8,605)	(6,142)	(8,605)

Consolidated Gross Premiums Written are written directly with Members and are classified as legal costs insurance.

The 90% quota share reinsurance premium is calculated after the impact of any excess of loss reinsurance and is subject to a discount which is agreed on an annual basis with the reinsurance quota share provider, UKDIA.

Consolidated Gross Premiums Written by country of the primary assured is shown in the table below:

	2026 £'000	2025 £'000
Marshall Islands	5,899	5,914
Liberia	3,229	4,411
Singapore	1,919	2,079
China	1,944	1,248
Panama	527	883
Hong Kong	854	737
Other	6,558	4,630
	20,930	19,902

6. Gross claims paid

	Consolidated		Parent company	
	2026 £'000	2025 £'000	2026 £'000	2025 £'000
Legal costs and expenses	(9,252)	(9,209)	(8,243)	(9,127)
Claims handling costs and management fee	(5,529)	(5,119)	(5,529)	(5,119)
	(14,781)	(14,328)	(13,772)	(14,246)

7. Net operating expenses

	Consolidated		Parent company	
	2026 £'000	2025 £'000	2026 £'000	2025 £'000
General management (see note 8)	(3,869)	(3,567)	(3,526)	(3,246)
Directors' remuneration	(297)	(286)	(280)	(271)
Auditors' remuneration	(173)	(156)	(99)	(94)
Professional fees including taxation services	(304)	(248)	(261)	(198)
Brokerage	(1,062)	(939)	(886)	(792)
Other expenses	(1,293)	(962)	(1,255)	(925)
	(6,997)	(6,159)	(6,308)	(5,715)
Net operating expenses allocated to claims handling	239	249	239	249
Total	(6,758)	(5,910)	(6,068)	(5,466)

Auditors' remuneration relates to fees regarding the audit of the annual financial statements

8. Management fee

The fee covers the Managers' costs of providing offices, staff and administration. It is fixed by the Directors in accordance with the Rules. No loan has been made to the Managers and none is contemplated. The Association itself had no employees throughout the year.

The management fee is apportioned between the different management functions and consists of acquisition costs, which include the cost of underwriting and credit control; claims handling costs; and other costs which include accounting, regulatory compliance, and general management. The fee is allocated to these functions on the basis of the underlying cost elements to the management fee which are included in amounts in notes 6 and 7.

9. Directors' fees

	Consolidated		Parent company	
	2026 £'000	2025 £'000	2026 £'000	2025 £'000
Aggregate emoluments	(297)	(286)	(271)	(271)

Pension contributions are not made in respect of any of the Directors. The Directors' fees for the highest paid director amounted to £31,500 (2025: £37,500).

10. Investment income

	Consolidated		Parent company	
	2026 £'000	2025 £'000	2026 £'000	2025 £'000
Bank deposits	75	119	23	31
Return on short term deposit funds	181	199	123	152
Fixed income securitites	46	62	-	-
Total	302	380	147	183

11. Rates of Exchange

The year end rates of exchange equivalent to £1 were:

	2026	2025
US dollar	1.3500	1.2640
Euro	1.1454	1.2067

12. Investments

Consolidated	Fair Value		Cost	
	2026 £'000	2025 £'000	2026 £'000	2025 £'000
Fixed income securities	739	1,228	739	1,227
Short term deposit funds	2,966	3,313	2,966	3,280
Foreign exchange security deposit	1,255	1,040	1,255	1,040
Total	4,960	5,581	4,960	5,547
Percentage of cash and interest bearing securities repayable: within one year			100%	100%

Parent Company

	Fair Value		Cost	
	2026 £'000	2025 £'000	2026 £'000	2025 £'000
Short term deposit funds	2	561	2	561
Foreign exchange security deposit	1,255	1,041	1,255	1,040
Total	1,257	1,602	1,257	1,601
			2026 £'000	2025 £'000
Percentage of cash and interest bearing securities repayable: within one year			100%	100%

The foreign exchange security deposit is charged to The Royal Bank of Scotland plc and the Bank of New York Mellon, London branch, as collateral in respect of the Association's forward currency contracts.

13. Derivative financial instruments

	2026			2025		
	Contract notional amount £'000	Fair value asset £'000	Fair value liability £'000	Contract notional amount £'000	Fair value asset £'000	Fair value liability £'000
Forward currency contracts						
Cash flow hedges	24,308	1,243	-	30,581	320	(129)
Currency options						
Cash flow hedges	4,102	101	-	1,426	8	-
Transaction costs capitalised	-	87	-	-	31	-
Total	28,410	1,431	-	32,007	359	(129)

The Association uses forward currency contracts and currency options to hedge the foreign exchange risks that it is exposed to as a result of future income being received in United States Dollars. Future premium income is regarded as a highly probable forecast transaction and is designated as a hedged item. Forward currency contracts in relation to the hedged item are designated as a hedging instrument. The relationship between the hedged item and hedging instruments is designated as a cash flow hedge under hedge accounting requirements.

Gains and losses in reserves on forward foreign exchange contracts as at 20th February 2026 will be released to the Income and Expenditure Account over the next two years to match the receipt of future income. All amounts reported as other comprehensive income in the Consolidated Statement of Comprehensive income relate to cash flow hedges.

The hedging reserve on the Balance Sheet is represented by a net profit of £1.34 million (2025: profit of £0.20 million) on cash flow hedges as per the table above. There was no ineffective portion attributable to these hedges.

14. Debtors

	Consolidated		Parent Company	
	2026 £'000	2025 £'000	2026 £'000	2025 £'000
Arising out of insurance operations				
Members' contributions	179	(59)	196	(116)
Claims deductibles recoverable	354	185	340	188
	533	126	536	72
Other debtors	70	294	70	280
	70	294	70	280
Total debtors	603	420	606	352

Debtors arising out of direct insurance operations include a provision for impairment of £55,000 (2025: £54,000) resulting in an increase of £1,000 in the current year (2025: decrease of £12,000). The provision for impairment is based on the likelihood of recovery of funds from Members.

Debtors arising out of direct insurance operations include an amount of £130,000 (2025: £65,000) that are past due, but not impaired.

15. Cash and cash equivalents

	Consolidated		Parent company	
	2026 £'000	2025 £'000	2026 £'000	2025 £'000
Cash at bank and in hand	5,391	5,061	4,906	4,819
Total cash and cash equivalents	5,391	5,061	4,906	4,819

16. Creditors

	Consolidated		Parent company	
	2026 £'000	2025 £'000	2026 £'000	2025 £'000
Arising out of insurance operations				
Members' contributions	(5)	-	(5)	-
Claims creditors	289	34	237	35
Due to subsidiary	-	-	582	55
Due to quota share reinsurer	1,935	2,319	1,617	2,319
	2,219	2,353	2,431	2,409
Other creditors				
Corporation tax payable	31	54	36	54
PAYE and social security	(8)	(2)	(8)	(2)
Other creditors	40	30	13	8
Accruals and deferred income	372	423	253	279
	435	505	294	339
Total Creditors	2,655	2,858	2,725	2,748

17. Taxation

Taxation is in respect of United Kingdom and Cyprus corporation tax. In the UK tax is calculated on assessable investment income and gains/losses at current rates of taxation. In Cyprus tax is calculated on the surplus for the year adjusted for non-allowable expenditure.

Analysis of tax charge for the year:	2026 £'000	2025 £'000
Corporation tax applicable tax rates	(44)	(64)
Prior year adjustment	9	-
Total current tax	(35)	(64)
Reconciliation of tax amount		
Surplus/(loss) on activities before tax	207	356
Surplus on activities before tax multiplied by standard rate of corporation tax	(52)	(86)
Effect of foreign tax rates	6	10
Non-taxable balance on technical account	(75)	(119)
Non-taxable allowances and exchange losses	88	148
Tax effect of expenses not allowable for tax purposes	(11)	(17)
Prior year adjustment	9	-
	(35)	(64)

The corporation tax rate in the United Kingdom is 25% (2025: 25%) and in Cyprus it is 15% (2025: 12.5%).

18. Technical provisions

	Consolidated		Parent company	
	2026 £'000	2025 £'000	2026 £'000	2025 £'000
Technical provisions				
Gross technical provisions	27,303	27,512	25,067	27,314
Reinsurers' share of gross technical provisions	(24,663)	(24,839)	(22,644)	(24,839)
Total net technical provisions	2,640	2,673	2,423	2,475
Current	766	752	699	694
Non-Current	1,978	1,921	1,724	1,781

The nature of the business makes it very difficult to predict the likely outcome of any particular case and to estimate the cost of future claims. The estimates for known outstanding claims are based on the best estimates of the Directors of the likely cost of individual cases, and the extent of the Association's current commitment to the cost of these cases. These estimates are as accurate as possible given the details of the cases and taking into account all the current information. The estimates are reviewed regularly.

The movement in the gross provision for claims is the difference between the provision for outstanding claims on all policy years at the beginning of the year and the equivalent provision at the end of the year, after deduction of all claims paid during the financial year and addition of new claims notified in the 2025 policy year.

The movement on net incurred claims for prior policy years saw an improvement of £190,000 (2025: improvement of £166,000). Technical provisions include a provision for IBNR of £15.9 million (2025: £15.6 million) on a gross basis and £1.5 million (2025: £1.5 million) on a net basis.

Development claim tables

The development of insurance liabilities provides a measure of the Association's ability to estimate the ultimate value of claims. The top half of the table below illustrates how the Association's estimate of total claims outstanding for each policy year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the statement of financial position.

Consolidated gross estimate of ultimate claims cost attributable to policy year (£'000)

Reporting year	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/23	2024/25	2025/26
- At the end of the reporting year	12,150	11,203	11,513	9,600	11,226	10,638	12,224	9,518	9,869	10,639
- One year later	9,323	9,184	10,735	9,228	9,300	9,880	12,620	7,927	8,825	
- Two years later	8,394	7,948	9,387	8,720	9,028	8,839	12,895	7,522		
- Three years later	7,717	7,264	9,495	8,109	9,319	8,853	12,425			
- Four years later	7,503	7,419	8,958	7,750	9,360	9,550				
- Five years later	7,332	7,170	8,870	7,800	9,345					
- Six years later	7,177	7,000	8,890	7,700						
- Seven years later	7,025	6,950	9,020							
- Eight years later	7,000	6,850								
- Nine years later	6,700									
Current estimate of cumulative claims	6,700	6,850	9,020	7,700	9,345	9,550	12,425	7,522	8,825	10,639
Current payments to date	6,510	6,684	8,580	7,332	8,470	8,318	10,227	4,885	4,531	2,045
Gross liability recognised on the balance sheet	190	165	440	368	874	1,232	2,198	2,637	4,294	8,954
Total gross liability relating to the last ten policy years										20,991
Other claims liabilities										6,312
Total gross technical provisions included on balance sheet										27,303

Consolidated net estimate of ultimate claims cost attributable to policy year (£'000)

Reporting year	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
- At the end of the reporting year	1,215	1,091	1,131	960	1,105	1,025	1,205	928	980	1,055
- One year later	916	893	1,030	900	930	955	1,208	765	850	
- Two years later	825	780	925	846	895	884	1,275	745		
- Three years later	758	715	915	798	913	880	1,230			
- Four years later	735	715	880	775	913	955				
- Five years later	723	710	887	780	905					
- Six years later	715	700	889	770						
- Seven years later	703	695	902							
- Eight years later	700	685								
- Nine years later	670									
Current estimate of cumulative claims	670	685	902	770	905	955	1,230	745	850	1,055
Cumulative payments to date	651	668	858	733	847	832	1,023	489	453	205
Net liability recognised on the balance sheet	19	17	44	37	58	123	207	256	397	850
Total net liability relating to the last ten policy years										2,099
Other net liabilities										631
Total net technical provisions included on balance sheet										2,640

Parent company gross estimate of ultimate claims cost attributable to policy year (£'000)

Reporting year	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/23	2024/25	2025/26
- At the end of the reporting year	12,150	11,203	11,513	9,600	11,226	9,145	12,059	9,403	9,752	9,220
- One year later	9,323	9,184	10,735	9,228	9,300	9,743	12,462	7,875	8,910	
- Two years later	8,394	7,948	9,387	8,720	9,028	8,708	12,726	7,086		
- Three years later	7,717	7,264	9,495	8,109	9,319	8,720	10,616			
- Four years later	7,503	7,419	8,958	7,750	9,360	8,165				
- Five years later	7,332	7,170	8,870	7,800	9,345					
- Six years later	7,177	7,000	8,890	7,700						
- Seven years later	7,025	6,950	9,020							
- Eight years later	7,000	6,850								
- Nine years later	6,700									
Current estimate of cumulative claims	6,700	6,850	9,020	7,700	9,345	8,165	10,616	7,086	7,910	9,220
Cumulative payments to date	6,510	6,684	8,580	7,332	8,470	7,059	8,783	4,579	4,042	1,815
Gross liability recognised on the balance sheet	190	165	440	368	874	1,106	1,832	2,507	3,867	7,405
Total gross liability relating to the last ten policy years										18,753
Other claims liabilities										6,315
Total gross technical provisions included on balance sheet										25,067

Parent company net estimate of ultimate claims cost attributable to policy year (£'000)

Reporting year	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
- At the end of the reporting year	1,215	1,091	1,131	960	1,105	859	1,041	813	863	914
- One year later	916	893	1,030	900	930	817	1,051	714	762	
- Two years later	825	780	925	846	895	753	1,107	702		
- Three years later	758	715	915	798	913	747	1,051			
- Four years later	735	715	880	775	913	817				
- Five years later	723	710	887	780	905					
- Six years later	715	700	889	770						
- Seven years later	703	695	902							
- Eight years later	700	695								
- Nine years later	670									
Current estimate of cumulative claims	670	685	902	770	905	817	1,051	702	762	914
Cumulative payments to date	651	668	858	733	847	706	878	458	404	182
Net liability recognised on the balance sheet	19	17	44	37	58	111	173	244	357	733
Total net liability relating to the last ten policy years										1,792
Other net liabilities										631
Total net technical provisions included on balance sheet										2,423

	2026			2025		
	Gross £'000	RI £'000	Net £'000	Gross £'000	RI £'000	Net £'000
Movement in consolidated technical claims provisions						
Total at the beginning of the year	27,512	24,839	2,674	28,403	25,658	2,745
Claims paid	(14,781)	(8,327)	(6,454)	(14,328)	(8,288)	(6,040)
Claims incurred during the year	14,672	8,241	6,430	13,527	7,549	5,978
Exchange movements	(100)	(90)	(10)	(90)	(80)	(10)
Total at the end of the year	27,303	24,663	2,640	27,512	24,839	2,673

19. Provision for unearned premium

	2026			2025		
	Gross £'000	RI £'000	Net £'000	Gross £'000	RI £'000	Net £'000
Group movement in provision for unearned premium						
Total at the beginning of the year	335	279	56	289	240	49
Increase/(decrease in provision)	140	115	25	46	39	8
Total at the end of the year	475	394	81	335	279	56

	2026			2025		
	Gross £'000	RI £'000	Net £'000	Gross £'000	RI £'000	Net £'000
Parent company movement in provision for unearned premium						
Total at the beginning of the year	327	279	48	281	240	41
Increase/(decrease in provision)	99	76	23	46	39	8
Total at the end of the year	426	355	71	327	279	48

20. Related Party Disclosures

The Association has 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.

All, but one, of the Directors are current representatives of Member companies and other than the insurance, which is arranged on an arm's length basis, and Member interests of these companies, the Directors have no financial interests in the Association. Directors' fees are disclosed in note 9.

The Chief Executive Officer, who is also a Director, is employed by the Managers. The details of the Association's arrangement with the Managers is further disclosed in note 8.

The Association reinsures with UKDIA on a 90% quota share basis. All Members of the Association are automatically also Members of UKDIA. However, none of the Directors of the Association are Directors of UKDIA. Additionally, UKDIA operates under a separate governance and operational structure, has its own rulebook, and is therefore not considered to be a related party of the Association.

21. Investment in Subsidiary

Name of subsidiary	Country of incorporation	Class of shares held	Principal activity	Proportion on shares and voting rights
The United Kingdom Freight Demurrage and Defence Insurance (Europe) Limited	Republic of Cyprus	Ordinary	Legal cost insurance	100%

The above subsidiary's registered office is at 2 Pavlou Nirvana & Agias Fylaxeos Street, 2nd floor, CY-3021 Limassol, Cyprus. The closing value of the investments is £3,660,000 (2025: £3,660,000) at the statement of financial position date. The subsidiary cedes around 90% of its risks to UKDIA.

Following a change in the reinsurance arrangement of the Group, during the year, the subsidiary ceded no (2025: £2.2 million) inwards reinsurance premium to the Association net of ceding commission. The Association paid no (2025: £739,000) claims to its subsidiary. An intercompany liability of £582,000 (2025: £55,000) is included in the parent company balance sheet within creditors arising out of previous reinsurance operations.

The Directors consider the value of these investments to be supported by their underlying assets. No impairment is considered to be required.

22. Post Balance Sheet Events

Subsequent to the year end, armed conflict has escalated in the Middle East. While this conflict commenced after the Association's financial year end and therefore does not give rise to any adjusting events in these financial statements, it has resulted in increased claims activity. Given the evolving nature of the conflict, the ultimate number and quantum of claims arising from this event remain uncertain however the Directors do not consider that the conflict impacts the Association's ability to operate as a going concern.

Managers

Thomas Miller Defence Limited

Directors

D. J. Evans (Chairman)
K. G. Moore
S. L. Murphy
W. D. van der Westhuisen

Company Secretary

K.P. Halpenny

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