Flood Re Limited

Annual report and accounts 2023-2024

For the period 1 April 2023 to 31 March 2024

Presented to Parliament pursuant to Part 4 S. 67(5)(e) of the Water Act 2014

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FLOOD RE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 31 March 2024

Company Registration Number: 08670444

Authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the Financial Conduct Authority FRN 706046

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FLOODRE

Company Overview
For the year ended 31 March 2024

COMPANY NAME
Flood Re Limited

DIRECTORS

Bridget Rosewell	Chair
Andy Bord	Chief Executive Officer
Tony Ballance	Independent Non-Executive Director
Judith Eden	Independent Non-Executive Director
Simon Green	Independent Non-Executive Director
Stuart Logue	Chief Financial Officer
Jean Sharp	Independent Non-Executive Director
Shirel Stedman	Independent Non-Executive Director
Perry Thomas	Independent Non-Executive Director

COMPANY SECRETARY
Harriet Boughton

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Company Overview
For the year ended 31 March 2024

THE FLOOD RE LIMITED SCHEME

Flood Re Limited (hereinafter 'Flood Re' or 'the Company') is the Scheme Administrator for the Flood Reinsurance Scheme ('Flood Re Scheme') and is principally engaged in the provision of flood peril reinsurance cover within the UK. The Flood Re Scheme is a joint initiative between the UK insurance industry and the UK Government. The Flood Re Scheme was established by the Water Act 2014. Further details of the Scheme can be found on the Company's website at www.floodre.co.uk.

Flood Re's purpose is to promote the availability and affordability of flood insurance for eligible homes and to manage, over its lifetime, the transition to risk-reflective pricing for household flood insurance. In order to do this, Flood Re provides reinsurance cover at a subsidised fixed rate to cedants, resulting in an expected underwriting loss each financial year. The Company finances this through a Levy on UK household insurers. For the year ended 31 March 2024, the annual Levy was £135m (2023: £135m). The Levy also finances the purchase of an outwards reinsurance programme to protect the Company up to a maximum Liability Limit. For the year ended 31 March 2024, the Liability Limit was £2.1bn (2023: £1.9bn). During the last Quinquennial Review (QQR) process the Liability Limit was reset to £1.9bn for 2023/24 with effect from 1 April 2022 for a period of three years adjusting for CPI annually.

Flood Re is a mutual reinsurer and was incorporated in August 2013 as a private UK Company limited by guarantee. Regulations designating the Flood Re Scheme came into force on 11 November 2015, providing Flood Re with the power necessary to fulfil its purpose. Amendment Regulations came into force on 1 April 2022. On 1 April 2016, Flood Re was authorised by the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA).

FLOOD RE SCHEME HIGHLIGHTS

Delivering on availability and affordability

- Four out of five households with previous flood claims continue to see a price reduction of more than 50% after Flood Re's inception
- 99% of householders at high risk of flooding can now obtain quotes from 15 or more insurers
- 288,567 policies were ceded this year

Operating with efficiency and financial security

- £23.8m profit before tax
- £900m invested and liquid assets
- 238% operational capital ratio
- 30% of Flood Re's total claims to date occurred in the last 12 months, with no impact on our operational capacity.

Managing Flood Re's transition

- 70% of the UK market have committed to offer the option of Build Back Better
- The latest transition plan was published in 2023, with a 'Call to action' for the industry and stakeholders. See page 10 for further detail, and here to view the report: Flood_Re_Transition_Plan_report_2023.pdf (floodre.co.uk)
- Flood Re's 'Flood Resilient Garden' design was selected for inclusion in the May 2024 Chelsea Flower Show, presenting an important opportunity for us to illustrate how outdoor space might be adapted to reduce the impact of flooding. The garden was awarded a silver medal.

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

Chair's statement

This is my first statement as Chair of Flood Re, a role I took on from the founding chair, Mark Hoban, in September 2023. I am very grateful to Mark for his efforts in putting Flood Re onto an even keel, and during his tenure much has been achieved. However, much more needs to be done by all stakeholders before Flood Re exits the market in 2039, a deadline that is moving inexorably closer.

My interest in Flood Re stems from my career as an economist operating across a range of sectors from risk management and infrastructure to planning policy, giving me relevant experience to bring to my role here. I also recognise that climate change and rising flood risk are amongst the most significant national challenges we face. Flood Re's clear purpose – to promote available and affordable home insurance for those UK homes at risk of flooding, and to manage the transition to an affordable market by 2039 – has a key strategic role to play in building partnerships and accelerating action in response to this challenge.

The Scheme in action

The year under review was notable for a succession of named storms, of which Babet and Henk tested the effectiveness and resilience of the Scheme. The data in this report shows that Flood Re delivered, not just for those households with policies backed by the Scheme, but also for flood risk communities and the home insurance market as a whole. More detail on this is in the CEO's report.

The Future of the Scheme

Flood Re is facing significant headwinds in sustaining the success and viability of the Scheme. An increased inflationary environment in the UK, accompanied by a significant hardening of the global reinsurance markets, are amongst other factors driving up the costs of buying suitable cover.

We have been working closely with our partners in Defra to agree proposed changes to the parameters of the scheme for 2025 onwards. Our objective is to ensure that we can continue to provide the necessary level of cover to the market and to deliver on our primary purpose of affordability and availability to households. Our focus throughout has been to minimise increases in contributions from insurers and individual policy holders by making use of the capital built up during benign weather for the purpose for which it was collected: to provide cover for households at risk of flooding.

I believe that we have agreed the optimal rebalancing of the scheme to ensure its continued success. This will include a rise in 2025 in the levy paid by insurers as well as a significant increase in the loss limit Defra are prepared to account for. However, I am pleased we have been able to hold the increase in the premiums we charge on individual polices below inflation for another year.

Climate change adaptation

The necessity to rebalance the scheme's parameters underlines the importance of managing the country's flood risk. The scheme cannot just continue in perpetuity, particularly in the context of rising risk. The urgency to act now is stark, even greater than when Flood Re was established in 2016. The latest evidence suggests that we will lose our battle to keep global heating below 1.5 degrees. If that target is exceeded by just half a degree, the number of those in the UK at risk of "frequent flooding" – currently, two million people – would increase by 40%.

Insurance is not the only answer, since it deals only with the impact of what can be a devasting loss to families. We also need to work intensively with partners to reduce the risk of flooding through investment in flood risk management and defences, and to limit the damage and costs of flooding - both physical and emotional - by improving flood resilience and resistance measures at a property, community and national level. It is good and right that we are spending record amounts on these measures, but even more will be required to reduce the aggregate level of risk.

Transition Plan

In July 2023, we published our latest Transition Plan, which sets out Flood Re's approach to exiting the market in 2039 and supporting the market's transition to risk-reflective pricing of household flood insurance. The Plan reflects the way in which Flood Re is performing an increasingly leading role in Property Flood Resilience (PFR). Although there have been great improvements in the design and testing of PFR adaptations during Flood Re's lifetime, there are not yet the systems in place to test the efficacy of PFR and to incentivise take-up. The creation of a comprehensive scoring methodology, with the ability to inform Flood Protection Certificates, will be crucial to demonstrate the benefits of PFR and unlock public and private funding streams.

As a keen gardener who has written on the economics of gardening, I am in no doubt that the adaptation of our gardens and outdoor space, of any size, will play an increasingly important role in preventing flooding. The Flood Re Flood Resilient Garden at this year's Chelsea Flower Show was both impactful and beautiful and, not surprisingly, generated a huge amount of visitor interest and media coverage. The more gardeners recognise that even small changes to the layout and planting of their plots can have a real impact on reducing flood risk, the better for all of us.

Board appointments.

I have been made very welcome by the Flood Re team and I am very grateful for their patience as I get up to speed with the complexities of a unique organisation. In particular I would like to pay tribute to Judith Eden who is stepping down this year and offer thanks to Simon Green who is taking over her roles as Senior Independent Director and Chair of the Remuneration Committee. I also welcome Tony Ballance who has joined the Board in June.

I am looking forward to the coming year as we make further contributions to the important challenge of managing flood risks and protecting people and families from its consequences.

……………………….
Bridget Rosewell CBE, FICE, MA, MPhil
Chair

Date: 4 July 2024

CEO statement

As a country, we must face the increasing frequency and severity of climate-related events by bolstering our efforts. Flood Re, established with the twin goals of providing available and affordable flood insurance for homes in flood-prone areas and preparing the market for our exit in 2039, plays a leading role in enhancing the UK's flood resilience.

Navigating a changing climate

Since our inception, 560,446 households have benefited from Flood Re-backed policies, with covered properties increasing by 2% in the year to date. Our financial results for the year ending 31 March 2024 reveal a profit before tax of £23.8m (2023 Restated: £92.2m). Under the Solvency II Directive, eligible own funds stand at £744.4m (2023 Restated: £688.3m). During the financial year, gross claims (our internal non GAAP measure) amounted to £241.6m (2023: £45.9m).

We launched our world-first Build Back Better initiative in 2020, providing customers with reimbursement costs of up to £10,000 beyond standard repair expenses for resilient repair. It has now gained the support of over 70% of the market. My goal is for it to become a universal solution in the coming year, used by all insurance companies and offered as a matter of course to victims of flood. We have been urging all home insurers to join – the industry has a key role helping to future-proof the UK housing stock against flood. Initial signs are encouraging. Amongst the claims received so far from Storm Babet, a third of those covered by Build Back Better polices are benefitting from additional money for flood resilient repairs.

In May 2023, we launched a joint campaign with the Environment Agency to encourage homeowners in flood-prone areas to consider and install Property Flood Resilience (PFR) when they are doing DIY. This led to widespread national media coverage across BBC News, BBC Breakfast, The Times, Daily Mail and The Sun, as well as significant traction on social media through our partnerships with four prominent DIY influencers, leading to almost 320,000 campaign link clicks.

In May 2024, we saw the Flood Re Flood Resilient Garden take centre stage at this year's Chelsea Flower Show. It was a powerful display of how the adaptation of our gardens and outdoor space can play an important role in preventing flooding. Media interest – national, broadcast and regional – far exceeded expectation.

Adapting to a challenging market

From the outset, our goal has been to establish a dynamic scheme that is able to adapt to the undeniable impacts of climate change. In 2024, we will be publishing the results of our second Quinquennial Review (QQR) to ensure that the Scheme remains sustainable and continues to promote affordability given the current economic environment.

It is critical that the Scheme, which has been very successful to date, remains viable and effective in the future, continuing to promote the availability of affordable home insurance even with the growing threat from climate change. This means that the Scheme must evolve, and I am very pleased that working with Government and insurers we have agreed necessary changes to key Scheme parameters which will enable us this year to seek to procure the largest Natural Catastrophe reinsurance programmes in Europe. We have also limited the impact on insurers – and therefore insured households – by only increasing the Levy to £160m.

Recognising the potential impact of premium increases on the consumer, we prioritise maintaining them below the rate of inflation, staying true to our core mission of providing affordable flood insurance.

Finally, we have prepared the business for the application of the new accounting standard, IFRS 17, which significantly altered the timing and accounting treatment of reinsurance cash flows. This enhanced our financial reporting and transparency amongst our key stakeholders.

Looking to the year ahead

As Flood Re will exit the market in 2039, it is vital that we start to ready both the market and properties across the UK so that we can begin to tackle the impact of potential flooding in the future.

In our Transition Plan, we outlined four pivotal policy steps crucial for enhancing UK flood resilience.

- **Increased investment in flood defences:** We need to see more investment in flood defences in the face of climate change and increasing severe weather events. Maintenance also plays a pivotal role, with every £1 spent on flood defence maintenance resulting in a £7 saving on building new ones.
- **Promoting the widespread adoption of PFR:** Through a new Flood, Homes and Insurance Hub, developing a robust scoring methodology for PFR and creating the infrastructure for Flood Performance Certificates, we will encourage wider adoption of PFR.
- **Integrating future flood risk into planning policy:** To minimise the likelihood of new homes facing flooding, planning policies need to factor in future flood risk. Introducing common standards for flood prevention will help provide assurance for homeowners, as well as confidence for investors within the UK property market.
- **Addressing the cost of living:** Acknowledging the financial strain, especially concerning insurance expenses, Flood Re is committed to making flood insurance affordable. Our aim is to ease this burden, ensuring that it doesn't pose a challenging choice for those on tight budgets. Together with the insurance industry and government, we will continue to raise awareness of support though our Build Back Better scheme.

It is a pleasure to have welcomed Bridget Rosewell during the year. Bridget's broad experience and insight will be very beneficial to the Board. Personally, I am already enjoying working with her and benefitting from her ideas and wise counsel.

It is a real privilege to lead the Flood Re team and the success and progress during 2023/4 has only been possible because of the professionalism and commitment across the entire team. They should be rightly proud of the last year, and I am very grateful to them.

It is very satisfying that our investment in our people and their development has been externally recognised during the year as Flood Re achieved Great Place to Work accreditation.

Principal Risks and uncertainties

The major drivers of change and uncertainty in the Flood Re Scheme's risk profile predominantly stem from external shifts in the economic, industry, political and physical weather and climate environment within which the Scheme operates. Annually Flood Re delivers an "Own Risk and Solvency Assessment" which draws out these risks and uncertainties and next steps to manage each. The principal risks and uncertainties highlighted in this report are set out below.

Outwards Reinsurance procurement and Scheme Parameters

The placement of our next three-year cycle of reinsurance over the next 12 months, remains the most material area of risk and uncertainty in the Scheme currently, however strong results for reinsurers in 2023, and reducing inflationary pressure is expected to support capacity and appetite in the outwards market. Flood Re is actively planning a range of risk transfer options to support delivering a comprehensive and appropriately priced programme, aligned to the latest Scheme Parameters and limits, namely the Liability Limit, Loss Limit and Levy 1, agreed through the Scheme's Article 90 process.

Article 90

Flood Re is required to limit potential losses to not exceed £100m in any one financial year. This is defined as the "Loss Limit" and is captured in the Company's Articles of Association. It was designed to limit the Scheme's potential impact on the UK Government Public Sector Net Borrowing. Flood Re submitted an Article 90 Report in September 2023 seeking an amendment to the Loss Limit, along with our recommendations for the new Liability Limit and Levy for the next three-year period commencing April 2025.

As a result of engagement with Defra and HM Treasury officials we together achieved an outcome representing the right balance between all the stakeholders of the Scheme. Changes include:

- Increasing the Liability Limit to £3.2bn (from £1.9bn, subsequently adjusted for inflation to £2.1bn as at 31 March 2024)
- Increasing Levy 1 to £160m a year (from £135m), subject to Parliamentary approval. This is still below the £180m set at the start of the scheme in 2016.
- Increase the Loss Limit to £250m (from £100m)

The changes will be effective from April 2025 and remain applicable until March 2028.

These modifications aim to ensure that the Scheme remains viable, can accommodate increasing policy numbers, and responds to the changes in the global reinsurance markets over the last three years of increased pricing. Importantly, it also means that we can put more of Food Re's capital to work supporting the Scheme.

Post Storms Babet and Henk

Babet and Henk represent the most material flood events the scheme has managed since inception in 2016. Our flood response activity operated well in the lead up to and in the immediate aftermath of these events, so our attention has shifted to the more medium-term claims management activity, and assessing the implications arising from Babet and Henk, most notably in relation to reinsurance procurement and future cedant behaviour.

Transition Activity

As we look ahead to 2039, Flood Re's Third Transition Plan has set out a "Call to Action" across Flood Re's major stakeholders to increasingly manage and respond to major headwinds to the 2039 Transition Vision, particularly climate change, fiscal pressures on flood defence spending and non-flood resilient property development. Annually we are reporting progress against the various elements of Flood Re's Transition Vision for 2039 to highlight necessary steps which need to be delivered by key stakeholders alongside increasingly setting the scene for what the 2039 exit from the market could look like to further catalyse action.

Flood Re functions across the three lines of defence continue to actively identify and manage risks to both sides of the Flood Re purpose, namely the ongoing functioning and financial strength of the reinsurance scheme and our preparation for a successful 2039 exit.

Macro-Economic and Political Uncertainty

The political uncertainty created by the imminent General Election is a current area of focus. Firstly ensuring that Flood Re aligns to the requirements of the "period of sensitivity" prior to the election and then the next steps following the election and how it aligns to broader longer term Flood Re Transition Planning and supporting the latest Transition Plan's "Call to Action". Macro-economic uncertainty has reduced compared to the same point last year, with the reduction in inflation and claims inflation, however this is still being closely monitored by the Scheme as further supply-side shocks from geo-political tensions could trigger further inflationary pressures.

For all other risks associated with the financial results of the Flood Re Scheme, please see Note 4.

Strategic Report
For the year ended 31 March 2024

Financial highlights	31 March 2024	31 March 2023	31 March 2022
Gross written premium[1,4]	£59m	£52m	£46m
Levy income	£135m	£135m	£180m
Insurance service result[3]	(£140m)	(£48m)	(£88m)
Profit before tax[3]	£24m	£92m	£83m
Invested and liquid assets	£900m	£772m	£691m
Solvency capital ratio[3,4]	1127%	1057%	897%
Operational capital ratio[2,3,4]	238%	418%	373%
Number of policies written	288,567	265,826	256,634

[1] Gross Written Premium (GWP) is the total premium written before deductions for reinsurance and ceding commissions.
[2] This management metric is the ratio of Solvency II Eligible Own Funds of £786.4m (2023 £730.8m and 2022 £652.4m) covering Operational Capital requirements of £330m (2023 £175m and 2022 £130m). Solvency II Eligible Own Funds includes associated Tier II Ancillary Own Funds of £75m (2023 £75m and 2022 £65m). This management metric was used in discussion with the PRA as a useful means of understanding Flood Re's capital management strategy.
[3] Comparative figures for 2023 and 2022 have been restated for IFRS 17 first time adoption purposes.
[4] Unaudited figures

Result for the year

The profit before tax on an IFRS 17 basis at 31 March 2024 was £23.8m (2023 restated £92.2m), with the key driver of that result being the cumulative effect of the storm events of Babet and Henk, which has driven a substantial increase in paid claims and other insurance service expenses, incurred but not yet reported (IBNR) and received but not processed (RBNP) in the Liability for Incurred Claims (LFIC).

On a modelled basis, the projections for Ultimate claims arising from these storms triggered the Aggregate Excess of Loss (XL) Reinsurance limit for the first time in Flood Re's experience. The resultant significant increase in projected claims, not experienced in benign weather years, was somewhat tempered by the increased recovery that this reinsurance provides.

Key drivers of change under IFRS 17 compared to IFRS 4

Contract boundaries
The measurement of future cash flows is based on a 12-month time horizon:

- the contract boundary of Flood Re's reinsurance inward contracts is 12 months, with an overall coverage period of 24 month and is discussed in Note 2.9(a).
- All reinsurance outward contracts also have a 12-month contract boundary, with the right to terminate the contract effectively requiring a 12-month notice period.

Contracts recognition
Flood Re sets premiums below market risk level resulting in inwards business that is onerous:

- We establish a Loss Component to recognise this loss up front, which is disclosed in the 'reinsurance inward contracts liabilities' component of the Statement of Financial Position; which includes Liability for Remaining Coverage (LFRC), loss component and LFIC.
- The Company recognises each group of Quota Share (QS) contracts from the date the Company recognises the corresponding group of onerous reinsurance inward contracts. This is recognised as a loss-recovery component in the 'reinsurance outward contracts assets' component of the Statement of Financial Position; which includes the Asset for Remaining Coverage (AFRC), loss recovery component and AFIC.

Adjustment for time value of money

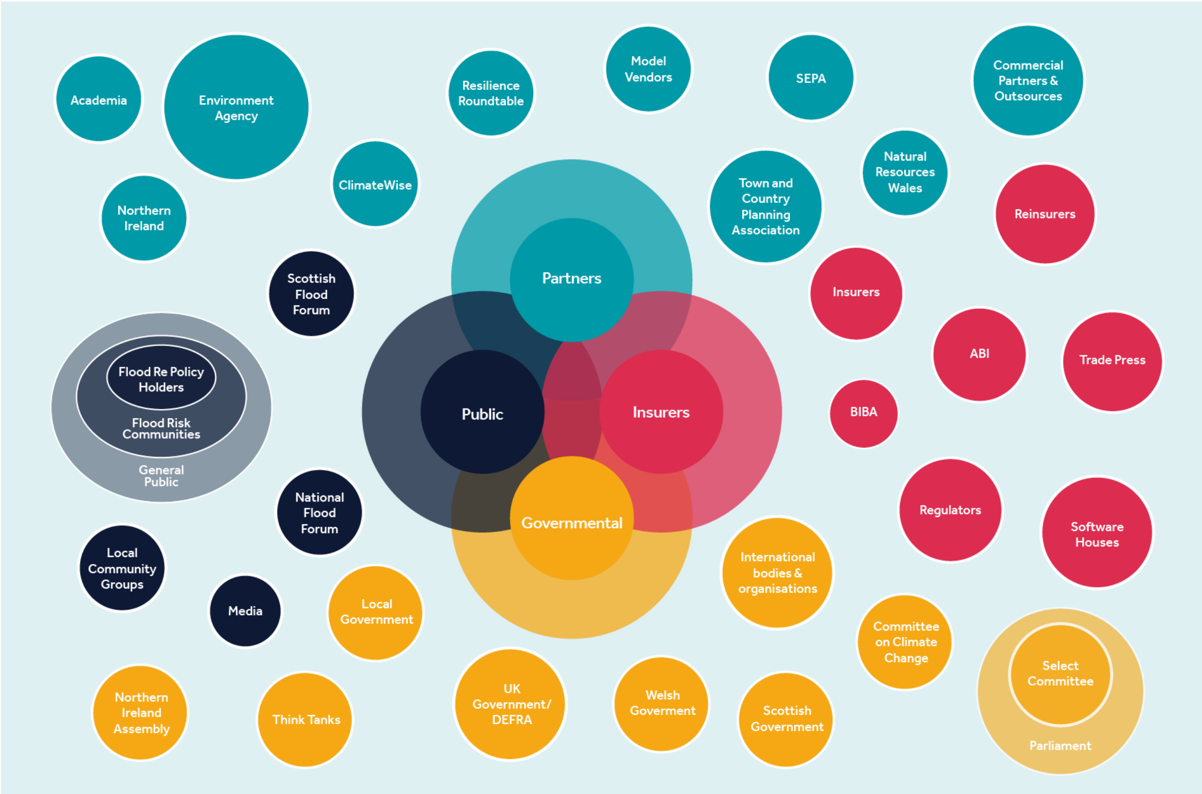
Flood Re applies an adjustment for time value of money to expired risk claims cashflows required to calculate the liability for incurred claims and projected Booked But Not Incepted (BBNI) cashflows or calculating the loss component and loss recovery components.

For an analysis of the changes between the IFRS 17 result for the year ending 31 March 2023, and Opening Balances at 1 April 2022, please refer to Note 2 Section C.

Section 172 (1) statement and our stakeholders

Overview

Flood Re is a unique public-private partnership between the insurance industry and Government. To fulfil its Transition purpose, Flood Re with a wide range of partners to help reduce flood risk, mitigate flood damage and support an effective market in home insurance. All this work is underpinned by a focus on the need to address climate change and to ensure the availability and affordability of home flood insurance for communities at risk of flooding.



Section 172 Statement

In the year ended 31 March 2024, the directors of Flood Re have considered the interests of numerous stakeholders and taken many scenarios into account while carrying out their duties, some key examples of which this year, are described below.

1. The likely consequences of any decision in the long term

Flood Re's unique purpose, and limited lifespan ensures that long term decision making is at the forefront of the Board's thinking. Flood Re will cease to operate in 2039 and has a statutory objective to manage this exit whilst the market transitions to risk reflective pricing.
In July last year Flood Re published its 5 yearly Transition Plan which set out how Flood Re will work with stakeholders to create the conditions for insurance to remain affordable and available after we exit the market. Our call to action is underpinned by our theory of change: understanding, engaging and leading.

Flood Re's Transition Plan recognises at its centre that the risk of flooding is not static. Climate change means that, even at today's levels of greenhouse gases, we will see more flooding in the future. That is why the Transition Plan sets out a series of commitments to engage with partners to galvanise a system wide response to flooding. These commitments include:

- A centre of excellence called the Flood, Home & Insurance Hub which will support research and disseminate information to tackle flooding.
- To develop a scoring methodology for property flood resilience working with expert academics, the financial services sector and the Environment Agency.
- Pioneer the introduction of Flood Performance Certificates to empower and recognise householders who have adapted their homes.

Throughout the year Flood Re has also been developing its next Quinquennial Review (QQR), which will be published in July 2024. The Board set out these four strategic aims for the QQR review:

- Incentivising the uptake of PFR and adaptation measures, including Build Back Better (BBB)
- Promoting effective market mechanisms and foreshadowing conditions in 2039
- Maintaining the stability and viability of the scheme, throughout the next QQR period (to 2029) and to 2039; and
- Enabling affordability in the light of a cost of living crisis.

The Board has actively reviewed and challenged the focus and content of the QQR Report and specifically, how it promotes the continued ability of Flood Re to fulfil its purpose for the next five years and beyond.

2. Impact of the company's operations on the community and the environment

Climate change has been a top area of focus for Flood Re's Board since 2019, when the Board Strategy Day focused on the impact of climate risk on Flood Re's purpose. Since that time, this focus on climate and discussions at the Board level have deepened each year, moving to encompass not only business-focused processes such as the Own Risk Solvency Assessment (ORSA), but also the delivery of significant climate-adaptation-focused programs such as Build Back Better, launched in 2022/23.

This focus on climate has continued this year, in areas such as developing a scoring mechanism for Property-Level Flood Resilience (PFR) measures, and major discussions of the implications of climate, and the policy environment needed to address growing flooding risks.

The Board has championed the Company's creation of a Flood Resilient Garden to be installed for the Chelsea Flower Show, with a permanent home afterwards at HR Wallingford's Howbery Park ground. The project aims to demonstrate how gardens of any size can be used to reduce the risk of flooding. The project will involve various suppliers, including builders and water contractors, and will be an excellent opportunity to better inform both suppliers and households about measures that can be taken to reduce household flood risk. The high-profile nature of the show allows Flood Re a unique opportunity to spread awareness about flood risk to a wider audience.

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

This year was our first working with our new major outsourced system vendors, following the move from Capita and Landmark. The Board continues to closely monitor these relationships as Flood Re embeds its new operating model and processes.

Flood Re is a business-to-business rather than a business- to-consumer brand; It does not directly interact with householders. However, we do recognise the importance of raising awareness and education of the public on Flooding issues. That is why we undertook a major campaign with the Environment Agency, working with online influencers, to raise awareness of the benefits of Property Flood Resilience adaptations.

In addition, we sought feedback from Insurers and PFR suppliers to understand the end customer's experience of BBB. This will help us to work with Insurers to ensure that the options available to customers are understood in advance of a flood event.

4. The desirability of the company maintaining a reputation for high standards of business conduct

Flood Re is dual regulated by the FCA and PRA, and consequently all staff must undertake annual regulatory training. A new training suite was launched in the year with the bespoke training a requirement for all staff and directors.

All senior staff, including Directors for whom the SMCR regime applies must all comply with continuing professional development requirements, and must attest their continuing fitness for their roles every year. For Directors' a number of training days are provided, which this year covered a number of preparatory sessions for the changes brought by IFRS 17 and the opportunities and risks that the adoption of AI might bring in future.

5. The need to act fairly as between members of the company.

All Insurers writing household insurance are responsible for paying the levy that Flood Re is required to raise each year. As a result, the Levy process is the key mechanism used to ensure all members of the relevant market are treated fairly, and as such we allow two years for Insurers to finalise their returns to us, and we undertake regular market reviews to ensure that new entrants, merger and acquisition activity, and market exits are identified in a timely manner. Updates in this area are reviewed by the Board via the CFO's report, the Audit and Compliance Committee (ACC) and the Operations Sub-committee.
We have worked with Insurers throughout the year in many fora allowing timely, transparent industry feedback. Sessions have included learnings from BBB experience so far, Storm event updates and discussions. Insurer Workshops were well attended, and the feedback from those sessions was reviewed by the Board in February as input into the QQR process.

6. The interests of the company's employees

Through the appointment of Bridget Rosewell as the new Chair of Flood Re, and the gender balance of the wider Board, the directors of Flood Re have remained committed to ensuring diversity within senior leadership is embraced and role modelled from the very top of our organisation. Diversity, Equity, and Inclusion (DEI) has been a key area of focus during the year, with the Board fully supporting Flood Re's internal 'DEI Data and Insight' gathering exercise that will enable a data led strategy to be developed during 2024/25 for the benefit of the business and employees.

There has been full support for the Conscious High Performing Organisation (CHPO) programme, both in terms of the investment but also immersion in aspects of the programme. The wider programme is designed to create behavioural change through developing greater emotional intelligence resulting in an increase in performance, more inclusive leadership capabilities and a positive working culture. Each director has completed their own individual EQ profiling and received feedback enabling them to grow their own personal understanding of their emotional intelligence levels.

Our Non Executive Directors have attended several of our monthly all staff 'Connect Days' to enable them to network directly with staff, experience the culture and share their own personal stories, experiences, and expertise in return. Furthermore Simon Green, Board member and Non-Executive Director has an additional employee engagement remit and holds meetings with all of Flood Re's joiners and leavers. In addition, over the course of the year, Simon Green, has met approximately 50% of our existing staff for coffee chats. These small group informal meetings give staff the opportunity to raise issues and concerns in confidence at a senior level, and for key themes arising to be brought back to Human Resources, Executive Committee or Board level if necessary.

In the year, the Board endorsed the addition of new employee provisions to support inclusion and diversity within the organisation. Examples include the introduction of paid corporate volunteering days, paid fertility leave and rolling out a menopause policy with a manager training programme.

By Order of the Board
For and on behalf of Flood Re Limited

…………………………
Andy Bord
Chief Executive Officer

Date: 4 July 2024

Registered Office: 75 King William Street, London EC4N 7BE

The Directors present their Report and the audited Financial Statements of the Company for the year ended 31 March 2024.

Future developments

Likely future developments in the business of the Company are discussed in the Strategic Report.

Employee engagement and stakeholder interests

Diversity and inclusion

Creating an inclusive environment where all types of diversity are celebrated is of huge importance to Flood Re. We believe that differences in not just characteristics you can see but also in background, perspective, expertise, experience, and culture are an asset to the Company. The greater the mix of people, the greater the mix of skills, experiences, thinking styles, perspectives, and ideas we can draw on. We want our employees to trust that their differences are respected and valued so they can genuinely be themselves at work.

Through the Conscious High Performing Organisation (CHPO) Programme we have focussed heavily on our culture. The interventions over the year have enabled our leaders to begin to grow their awareness and understanding of their own leadership capabilities with an emphasis on inclusive leadership. The key tools and takeaways shared with the leaders, have been disseminated across the whole organisation through our Connect Days. The organisation wide learnings allow us all to increase our individual and collective contribution as well as build our emotional resilience and be more inclusive.

We continue to make progress against our DEI roadmap, which had an initial emphasis on engagement and awareness both at all levels of the organisation. Our DEI Employee Resource Group (ERG) is maturing and the group continues to ensure employees voices are heard. The next step is to use the results of our DEI data & insights surveys to enable us to use tangible information to set strategic direction.

The Company has committed to the Women in Finance Charter with the pledge to make changes to improve gender diversity within the senior levels of the organisation. In 2021 we achieved our first Women in Finance Charter target early and since then have set a further stretching target to achieve gender parity on the Executive Committee by 2025. We continue to focus on our goal of achieving gender balance across the senior levels of the Company.

During the year, we have seen an increase in women in senior roles, showing our progress to achieve gender diversity.

As at 31 March 2024	**Total**	**Male**	**Female**
Board (excl. CEO / CFO)	6	2	4
Executive Committee (incl. CEO / CFO)	8	5	3
All Employees (excl. Executive Committee and Board)	55	26	29

Our employee engagement

We value and regularly seek feedback from our employees through many channels and consultation occurs at all levels, with the aim of ensuring that views are considered, especially when decisions are made that are likely to affect employee interests. All employees are kept informed about the financial and economic performance of the business.

During the year, we have used our strong employer brand and Employment Value Proposition, to effectively attract and retain talented employees. We continued to focus on our desired behaviours that firmly underpin our positive and open culture. As a result, over the year, we have continued to see high levels of employee engagement. In 2023 and 2024, we have attained 'Top Insurance Employer' award and in 2023 a '5-Star DEI Employer' award. In addition, for the first time Flood Re has now achieved 'Great Place to Work' (GPTW) accreditation.

Our employees continue to be involved in shaping the future of Flood Re. Voices are heard through our Great Place to Work and Temperature Check surveys, 'joiner, stayer, leaver' questionnaires, the CHPO programme, or through participating in one of our employee resource groups.

External stakeholder interests

Regard for wider stakeholder interests is addressed in the 'Section 172 (1) Statement and our Stakeholders' in the Strategic Report.

Current Operating Environment

Flood Re has a Hybrid Working Model which seeks to draw on the benefits of both home working and in office cross-team collaboration.

Flood Re acknowledges the economic environment; with effects of higher inflation, cost of living consequences and the impact of natural catastrophe events on the reinsurance market all being recognised. Flood Re has no investment exposure beyond Debt Management Office (DMO) deposits and short-dated UK Gilts and Treasury Bills.

Modern Slavery Act 2015

The Company has a Board-approved Prevention of Modern Slavery and Human Trafficking Policy. The Company has made enquiries of its material outsourced providers and other service providers to ensure that they too have appropriate policies in place.

Flood Re Tax Strategy

The Flood Re Tax Strategy was approved by the Board and published in May 2024. The Tax Strategy complies with the UK tax strategy publication requirements set out in Part 2 of Schedule 19 Finance Act 2016. The Tax Strategy covers the following key areas: tax compliance; engagement with the UK tax authority; tax planning; management of tax risks; and governance.

Flood Re's commercial activities are carried out in a tax compliant manner, only claiming reliefs and incentives where applicable. Flood Re is committed to paying the appropriate amount of tax and maintaining a good relationship and reputation with other stakeholders including the UK Government and regulatory authorities.

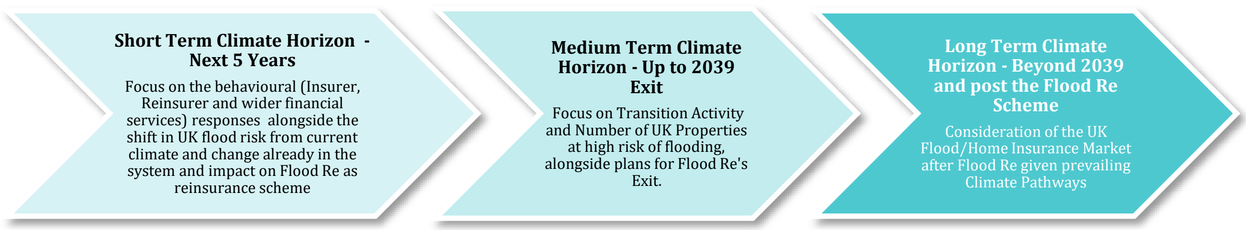
Creditor Payment Policy

The Company is committed to ensuring the payment of all trade creditors within the agreed payment terms.

Climate Change Strategy, Governance and Risk Management

Flood Re was established by the insurance industry and the Government as a direct response to extreme weather events and the resultant impact on the price of home insurance. Flooding poses a serious climate-related risk to the UK. Flood Re believes that the UK needs a long-term approach to both mitigation and adaptation to ensure that both current and increased flood risk resulting from climate change are managed effectively.

Accordingly Flood Re assesses the risks associated with Climate Change over the following time horizons:



In relation to Flood Re's statutory purposes Climate change presents a risk to the insurance industry's ability to achieve a successful, sustainable and affordable Transition in 2039 and beyond. Climate change will increase the number of homes in the UK that are unable to obtain affordable home insurance due to flood risk without the necessary adaptation steps in place. Through its transition activities, Flood Re works closely with third party stakeholders to enable a sustainable and effective insurance market for these homes.

Flood Re's strategy for a successful, sustainable and affordable Transition is set out in its Transition Plan which is kept under review and updated regularly in light of the latest evidence. Working in partnership with others, we believe it is necessary to:

- Reduce the risk of flooding though investment in flood risk management and defences, and that new development should always have flood risk in mind;
- Reduce the damage and costs of flooding by improving flood resilience and resistance measures at a property, community and national level; and
- Achieve an effective insurance market with informed consumers. Each of Flood Re's Quinquennial Reviews will highlight the need for and seek certain changes to the Scheme to further promote the adoption of mitigation and adaption activity.

Flood Re believes that climate change should be factored into flood policy development, including the planning process in relation to developments in areas at risk of flooding.

Flood Re will continue to work with third parties to improve the understanding of flood risk and its modelling, as well as the medium and long-term impact of flooding. This will better inform investment in flood defences and PFR and enable greater understanding of the benefit of mitigation activity.

At an organisational level, Flood Re seeks, wherever possible, to reduce any adverse effect it may have on climate change and will act with climate change in mind to reduce its impact on the environment.

Streamlined Energy & Carbon Reporting (SECR)
Report for the year ended 31 March 2024

Organisational structure

Flood Re is classified as a large unquoted company due to its size in terms of turnover, measured in insurance revenue and Total Assets. It is required to report in accordance with Streamlined Energy & Carbon Reporting ("SECR") legislation.

Environmental indicators

Flood Re's report focuses on the Energy and Carbon indicators mandated by the SECR.

Reporting period

Flood Re reported on SECR data for the first time as at 31 March 2021 with its base year set as 31 March 2020. This will provide a more representative base from which to analyse and compare future annual energy usage and emissions.

Reporting Boundary

The reporting boundary for this Energy and Carbon Report is Flood Re and its outsourced services. This incorporates 100% of the energy use for the Company. Flood Re's energy and carbon footprint covers Scope 1, 2 and selected Scope 3 emissions* from 1 April - 31 March for each reporting year in 2024 and 2023.

Measurement methodology: Energy Performance

Flood Re's own kWh Scope 1 Gas and Scope 2 Electricity energy use is calculated as a percentage of the total office space owned by its managed services provider and is allocated based on the square footage of its occupied space. Scope 1 Transport Energy represents recorded business travel in Km by employees using their own vehicles that has been converted to kWh.

Equivalent kWh energy usage for our outsourced service partners has been allocated on a per capita basis. kWh energy use is calculated using the most up to date conversions factors from the Department for Business, Energy & Industrial Strategy (BEIS), published June 2023.

Energy Performance Results

Energy Use (kWh)	31 March 2024	31 March 2023
Transport Energy	56,419	42,148
Electricity	181,299	184,155
Natural Gas	197,196	244,102
Total	**434,914**	**470,405**

*Usage of transport energy mainly comprised of energy consumption by Flood Re staff during their commute and on business related travels and it excludes any other air travel. Consumption of Electricity and Gas energy are directly from the office rental property and purchased by Flood Re.

Measurement Methodology: Carbon Performance

Scope 3 emissions include travel by land and air, and homeworking. Land and air travel emissions are based on the actual journeys taken in the reporting year, with conversion factors applied to calculate the carbon emissions equivalent.

In estimating the impact of emissions from homeworking on Scope 3 carbon emissions from incremental gas and electricity usage, we have used the UK assumptions and calculations from the Homeworking Emissions whitepaper, published by EcoAct and written in partnership with Lloyds Banking Group and NatWest Group: https://info.eco-act.com

Carbon emissions are calculated in accordance with the Greenhouse Gas (GHG) Protocol, with outputs for Carbon emissions (CO2e) calculated using the most up to date conversions factors from the Department for Business, Energy & Industrial Strategy (BEIS), published June 2023.

Carbon performance results

Carbon dioxide equivalent Emissions (t/Co2e)	31 March 2024	31 March 2023
Scope 1 emissions	54	58
Scope 2 emissions	37	36
Scope 3 emissions	61	55
Total	**152**	**149**

*Scope 1 emissions are direct emissions produced by the burning of fossil fuels by Flood Re. Scope 2 emissions are indirect emissions generated by the electricity consumed and purchased by Flood Re. Scope 3 emissions (limited to business travel and homeworking) are indirect emissions produced by Flood Re activity but owned and controlled by a different emitter.

Intensity Ratio

	31 March 2024	31 March 2023
Reporting boundary t/CO2e/employee	2.5	2.5

Operational trends

The kWh energy usage of kWh 434.9k in the year to 31 March 2024 was lower than the previous reporting year 2023 of kWh 470.4k.

The slight reduction in our carbon emissions per capita and its drivers illustrate well the lack of influence Flood Re has over the emissions from its shared office space. A three-month period in 2023 of fine summer weather led to reduced footfall for the entire building, not just Flood Re's share of the space, and as a result, gas and electric emissions fell significantly in that period.

Outside the office space, a higher ratio of home to office working, driven mainly by increased headcount rather than fewer in-office hours, contributed to increased Scope 3 emissions. Both Scope 2 and Scope 3 increases were driven significantly by increased conversion factors, as opposed to major changes in activity. Levels of travel, predominantly by train, were consistent with prior years. Flights were kept to a minimum, with air travel the last resort when distance and time constraints dictate.

Energy efficiency and management actions

Our partitioned office space, part of a set of offices within one larger building, limits our ability to manage our energy usage. As areas of the whole building have variously been in use or not, it is clear that there is an underlying energy usage required for heating and lighting, and for security and systems maintenance that is unavoidable. In addition, our allocation of the total energy usage varies as occupation throughout the building changes.

The incremental impact of homeworking is also not a simple factor to determine due to complex variables relative to individual circumstances. The incremental energy created by homeworking from shared accommodation rather than independent households can differ considerably, and for individuals from households where a family member or shared occupant is usually present anyway, the incremental energy usage is minimal, whereas for two people usually absent from home during the day, the incremental energy usage could be significant. We have followed the methodology from EcoAct's Homeworking Emissions whitepaper for the year to 31 March 2024 and aim to refine a methodology that better reflects our teams' circumstances once our future working arrangements have been determined.

Flood Re recognises that our ability to manage our limited carbon footprint is less significant than our wider stakeholder influence on flood and property flood resilience adoption and adaptation; we continue to consider both elements of our operations. Given our restricted ability to directly manage the total energy usage arising from Flood Re's activity, going forward the Board will consider options both to offset our carbon emissions, and to assess opportunities for Flood Re to engage with projects that are expected to assist in the reduction of future flood risk, and to reduce carbon emissions.

Impact of climate change on investment risk

Flood Re's investment portfolio comprises of deposits with the UK DMO throughout the year and investments in UK Treasury Bills and Gilts therefore the associated climate change risks around investments are limited.

Flood Re seeks, wherever possible, to reduce any adverse effect it may have on climate change and will act with climate change in mind to reduce its impact on the environment.

Board Members

Bridget Rosewell

Bridget Rosewell was appointed as the Chair of the Board of Directors for Flood Re in August 2023. Bridget is an experienced director, policy maker and economist. She chairs the M6 Toll Company and is a non-executive for the UK Infrastructure Bank, Northumbrian Water Group and AWE. Among other roles, she has been a Commissioner for the National Infrastructure Commission, Senior Independent Director for Network Rail and Chief Economic Adviser to the Greater London Authority.

She was appointed CBE in December 2018 and is also a Fellow of the Institution of Civil Engineers, the Academy of Social Science and the Society of Professional Economists. She writes on finance, risk and uncertainty as well as infrastructure and modelling validation.

Mark Hoban

Mark Hoban was appointed as the first Chair of the Board of Directors for Flood Re in January 2015, and retired from the board effective 30 September 2023. Mark is Chair of Pay.UK. He sits on PwC's Advisory Council. Mark chairs the Financial Services Skills Commission. Mark was the Member of Parliament for Fareham between 2001 and 2015. He was a UK Government Minister between 2010 and 2013 and is a Fellow of the Institute of Chartered Accountants.

Andy Bord

Andy Bord was appointed as Chief Executive Officer (CEO) of Flood Re in February 2017. He was previously CEO of Capita Insurance Services; accountable for multiple businesses – both stand-alone insurance trading entities and those delivering outsourced insurance and medical solutions.

Andy has also held senior leadership roles in high profile consumer-facing businesses including the BGL Group and Vodafone UK.

Stuart Logue

Stuart Logue is Chief Financial Officer (CFO) of Flood Re responsible for the planning, implementation, and management of all aspects of Flood Re's finance, accounting, capital management and reinsurance functions. In addition, Stuart also oversees the actuarial reserving, catastrophe modelling and business insight functions.

Stuart is a member of the Institute of Chartered Accountants of Scotland and has previously worked in senior finance roles within Ageas, Direct Line Group and Royal Bank of Scotland.

Independent Non-Executive Directors

Tony Ballance

Dr Tony Ballance is an independent non-executive director. He is also Chair of the National Forest Company (NFC).

He has extensive Board level experience in strategy, regulation and sustainability in the utility and environmental sectors. He is presently Chief Strategy & Regulation Officer at Cadent Gas Ltd, where he leads the company's work to deliver net zero through their decarbonisation strategy. He was formerly Director of Strategy & Regulation at Severn Trent, has a background as an economic consultant and was Ofwat's Chief Economist. He is also a Trustee of the Soil Association and was previously a Trustee of the National Forest Company between 2015 and 2022.

Judith Eden

Judith Eden is Flood Re's Senior Independent Non-Executive Director and Chair of Flood Re's Remuneration Committee. She is also an Independent Non-Executive Director and Remuneration Committee Chair at Pension Insurance Corporation, Audit Committee Chair at Invesco UK and Senior Independent Director and Audit Committee Chair at ICBC Standard Bank plc. Judith was previously a Managing Director at Morgan Stanley Investment Management (MSIM) and Chief Administrative Officer of MSIM's International Business.

Judith is a Fellow of the Institute of Chartered Accountants of England and Wales (FCA).

Simon Green

Simon Green is Flood Re's Senior Independent Non-Executive Director and Chair of Flood Re's Renumeration Committee. Simon is also a Non-Executive Director of Arthur J Gallagher Holdings (UK) Limited, who joined the Board in 2017. He is also Non-Executive Director of Arthur J Gallagher Insurance Brokers Limited; Arthur J Gallagher (UK) Limited; and, Pen Underwriting Limited. He is a member of the Audit Committee and Chair of the Risk Committee.

Simon has worked at the Bank of England, FSA and FCA, latterly as Director of General Insurance and Protection. He has extensive experience across the financial services industry, prior to his regulatory role he spent 15 years in corporate, investment and retail banking across the UK and Europe.

Jean Sharp

Jean Sharp is an Independent Non-Executive Director at Flood Re and Chair of Flood Re's Audit and Compliance Committee.

She is also an Independent Non-Executive Director and Audit Committee Chair at Personal Assets Trust plc and FBD Holdings plc. She spent over 20 years in financial services with Aviva plc.

Jean is a Chartered Accountant and a former Partner at EY.

Shirel Stedman

Shirel is an Independent Non-Executive Director, a Fellow of the Institution of Civil Engineering and a Chartered Member of the Chartered Institution of Water and Environmental Management. Shirel was the chair of Defra committee the Regional Flood Coast Committee of the River Severn and Wye catchment for 14 years. She was also a Board Member at the Chartered Institute of Water and Environmental Management (CIWEM). Founding her career in civil engineering in the infrastructure sector she is an advocate for enhancing the environment, promoting Net Zero and Biodiversity Net Gain enhanced solutions. Shirel was also Water Managing Director for Royal Haskoining, a Dutch engineering consultancy in the UK, delivering key major flood defence infrastructures projects.

Perry Thomas

Perry Thomas is an Independent Non-Executive Director and Chair of Flood Re's Risk and Capital Committee. He also chairs the Risk and Investment Committee of the British Friendly Society and the Audit and Risk Committee of Assurant Europe. He's an actuary with more than 30 years in financial services in roles including CEO, CRO and Group Chief Actuary. He's held directorships in UK, Bermuda, Ireland, India, South Africa, Malta, and Luxembourg, and been on the Council of the Institute and Faculty of Actuaries. Perry is dyslexic, which he believes can bring a different perspective.

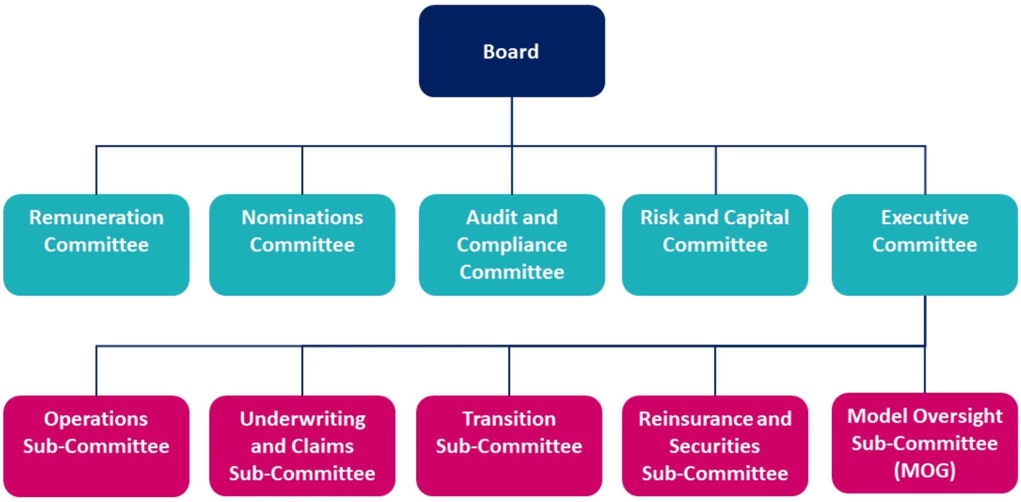
Non-Executive Directors rotation policy

At the seventh Annual General Meeting of Flood Re and at every subsequent Annual General Meeting, one-third of the Non-Executive Directors will be subject to retirement by rotation. Commencing from the 2022 Annual General Meeting, the Non-Executive Directors to retire by rotation will be those who have been longest in office since their last appointment or reappointment. Non-Executive Directors may be reappointed but can only serve for a period of nine years from the date of their original appointment.

Mark Hoban was subject to retirement and reappointment at the 2023 AGM, and retired from the Board effective 30 September 2023, in line with Board rotation requirements. Bridget Rosewell was appointed as Chair of the Board on 1 August 2023.

Judith Eden resigned as SID and Chair of the Remuneration Committee on 8 January 2024, and Simon Green was appointed as SID and Chair of the Remuneration committee on 22 March 2024.

Governance Framework
The Committee structure as at 31 March 2024 is outlined in the diagram below.



The table below shows the composition of the Flood Re Board and Committees (excluding the Executive Committee).

Name	Board	Remuneration Committee	Nominations Committee	Risk and Capital Committee	Audit and Compliance Committee
Mark Hoban[2]	CHAIR	Member (INED)	CHAIR	Member (INED)	Attendee
Bridget Rosewell[1]	CHAIR	Member (INED)	CHAIR	Member (INED)	Attendee
Andy Bord	Member (CEO and ED)	Attendee	Attendee	Attendee	Attendee
Judith Eden[3]	Member (SID)	CHAIR	Member (INED)	Member (INED)	Member (INED)
Simon Green[4]	Member (SID)	CHAIR	Member (INED)	Member (INED)	Member (INED)
Stuart Logue	Member (CFO and ED)	X	X	Attendee	Attendee
Jean Sharp	Member (INED)	Member (INED)	Member (INED)	Member (INED)	CHAIR
Shirel Stedman	Member (INED)	Member (INED)	Member (INED)	Member (INED)	Member (INED)
Perry Thomas	Member (INED)	Member (INED)	Member (INED)	CHAIR	Member (INED)

CHAIR = Chair of the Board or Committee, SID = Senior Independent Non-Executive Director, INED = Independent Non-Executive Director, CFO = Chief Financial Officer, CEO = Chief Executive Officer, ED = Executive Director

[1] Bridget Rosewell was appointed to the Board on 1 August 2023.
[2] Mark Hoban resigned from the Board effective 30 September 2023.
[3] Judith Eden resigned as SID and Chair of the Remuneration Committee on 8 January 2024.
[4] Simon Green was appointed as SID and Chair of the Remuneration committee on 22 March 2024.

Committee attendance record

The table below shows the Committee attendance record for the year ended 31 March 2024 (attended/eligible).

Name	Board	Remuneration Committee	Nominations Committee	Risk and Capital Committee	Audit and Compliance Committee
Total number of meetings	**5**	**2**	**2**	**4**	**5**
Directors					
Mark Hoban[1]	3/3	1/1	1/1	2/2	3/3
Bridget Rosewell[2]	3/3	1/1	1/1	2/2	2/2
Andy Bord	5/5	2/2	2/2	4/4	5/5
Judith Eden	5/5	2/2	2/2	4/4	5/5
Simon Green	5/5	2/2	2/2	4/4	5/5
Stuart Logue	5/5	X	X	4/4	5/5
Jean Sharp	5/5	2/2	2/2	4/4	5/5
Shirel Stedman	5/5	2/2	2/2	4/4	5/5
Perry Thomas	5/5	2/2	2/2	4/4	5/5

[1]Mark Hoban left during the year and had full attendance at all meetings during his time on the Board.
[2]Bridget Rosewell joined during the year and had full attendance at all meetings since she joined the Board.

Board
The Flood Re Board maintains overall responsibility for the governance of the Company, setting strategic aims and providing the leadership to put them into effect within the scope of Flood Re's Articles and the powers that the Company has been granted under the Water Act 2014, the Flood Reinsurance (Scheme Funding and Administration) Regulations 2015 and the Flood Reinsurance (Scheme and Scheme Administrator Designation) Regulations 2015 (collectively 'the Regulations'). The Board also oversees the running of the following Committees:

Remuneration Committee
Flood Re's Remuneration Committee is responsible for setting the remuneration of the Executive Directors and other members of the Executive Committee as well as overseeing Flood Re's overall Remuneration Policy. Fees for the Chair and other Independent Non-Executive Directors are determined annually by the Remuneration Committee and approved by the Board. The Committee oversees the delivery of remuneration across Flood Re, including bonus structure and alignment to the Flood Re desired behaviours and objectives.

Nominations Committee
The Nominations Committee reviews the structure, size, and composition (including the skills, knowledge, experience, and diversity) required of the Board and makes recommendations to the Board regarding any changes. The Committee continues to actively monitor succession planning for Directors and other Senior Executives across the organisation.

The Board, on the recommendation of the Nominations Committee, appointed Bridget Rosewell as Chair of Flood Re with effect from 1 August 2023. After nine years of service, Mark Hoban retired as Chairman on 30 September 2023.

Judith Edith has now formalised her intention to retire from the Board at the July 2024 AGM after an eight year term. With effect from 9 January 2024, Simon Green was appointment to take over Senior Independent Director (SID) and Remuneration Committee Chair responsibilities and a new independent Non-Executive Director will join the Board in June 2024.

Risk and Capital Committee (RCC)

The RCC is responsible for the oversight of the Scheme's risk management framework and capital adequacy; ensuring that all risks to the Company are identified, assessed, and monitored in line with the risk appetite and relevant policies. During the year, the RCC has continued to focus in particular on setting Flood Re's Scheme Parameters (Liability Limit, Levy 1 and Loss Limit) at appropriate levels for the next 3-year cycle commencing in 2025/26 and monitoring and managing risks and potential opportunities to further the objectives of the Scheme following the major flood events of 2023/24.

Audit and Compliance Committee (ACC)

The ACC is responsible for acting independently from Flood Re's Executive Committee to ensure that the interests of Members and stakeholders are properly protected in relation to financial reporting and internal control. The ACC has oversight of the internal and external audit arrangements and the management and monitoring of Flood Re's capital position. The ACC also oversees legal, regulatory and compliance matters. It also ensures that public money is handled and reported in line with Governmental requirements for the prudent stewardship of financial resources. The ACC Chair is the whistle-blowers' champion for Flood Re.

The Committee also has oversight of Flood Re's adoption of International Financial Reporting Standard 17: Insurance Contracts, which is effective from 1 April 2023.

Executive Committee (ExCo)

The ExCo is responsible for the day-to-day running of the Company and oversees the running of its Sub-Committees. There are five Sub-Committees in total:
- Reinsurance and Securities Sub-Committees: responsible for oversight on reinsurance counterparties and related activities
- Operations Sub-Committee: responsible for Flood Re's operational activities
- Underwriting and Claims Sub-Committee: responsible for oversight of underwriting activities
- Transition Sub-Committee: responsible for Flood Re's successful, sustainable, and affordable transition in 2039 and beyond

Model Oversight Group

The Model Oversight Group is responsible for overseeing the ongoing appropriateness of the Partial Internal Model Design and Operations.

Executive Committee

Andy Bord and Stuart Logue are joined by:

Maxwell Bero
Maxwell Bero is Chief Internal Auditor. He is a member of the Audit and Risk Committee and a member of the Group Treasury Committee. Max is responsible for providing assurance over the design and operating effectiveness of the internal control environment, information systems and governance processes. Maxwell has more than 15 years' experience in assurance and financial control covering insurance, reinsurance, and asset management. Max is a Fellow of the Institute of Chartered Accountants (England & Wales). In January 2024, Max was appointed to the Board of BPHA Housing Association as a Non-Executive Director.

Harriet Boughton
Harriet Boughton is General Counsel and Head of Compliance, responsible for overseeing the firm's legal and compliance framework and embedding best practice corporate governance across the organisation. Harriet is also responsible for regulatory and public administrative matters. She has also led the Company's Quinquennial Review and flood resilient garden projects. She is Flood Re's Data Protection Officer. Harriet joined Flood Re from a Lloyd's Managing Agency where she initiated its in-house legal function and, as Head of Legal and Compliance, was central to its successful regulatory authorisation.

Daniel Byrne
Daniel Byrne is Chief Risk Officer for Flood Re. He is responsible for overseeing, co-ordinating and facilitating the Scheme's risk management framework. Prior to joining Flood Re, Daniel worked in the group Enterprise Risk Management function of AIG Europe where his responsibilities included leading the delivery of the entity's regulatory stress testing and delivering AIG Group's first Global Own Risk and Solvency Assessment (ORSA) Report. Preceding this, Daniel worked at the UK Financial Services Authority, implementing Solvency II.

Jenny Cooper
Jenny Cooper is Director of Human Resources and takes the lead in developing, delivering, and implementing Flood Re's people strategy. Jenny is a member of the Chartered Institute of Personnel and Development and has over 25 years of Human Resources experience. Before joining Flood Re Jenny had worked in financial services for many years, with her prior role being a Senior HR position at the Bank of Montreal, Global Asset Management.

Dermot Kehoe
Dermot Kehoe is Communications and Transition Director, responsible for leading all Flood Re's communications activity. He also leads Flood Re's strategy to transitioning the market to affordable, risk reflective pricing. Dermot has extensive experience in strategic communications, public policy and journalism including at the NHS, Home Office, Channel 4, and the BBC.

Andrea Santolalla
Andrea Santolalla is Director of Operations overseeing Claims and Underwriting Operations; Change Management; Data, IT and Information Security and Outsourcing and Vendor Management. Andrea was previously COO of Hiscox Special Risks and has 18 years' international experience in (re)insurance and banking spanning operations, risk management, compliance, and insurance supervision.

Directors' remuneration

The Remuneration Committee is responsible for setting the remuneration of the Executive Directors and overseeing Flood Re's overall Remuneration Policy.

The table below shows the Executive Directors' total remuneration figure for the financial years ended 31 March 2024 and 2023.

Name	Year	Salary £	Taxable benefit £	Bonus £	Pension £	Pension allowance £	Total £
Andy Bord	**2024**	**422,100**	**-**	**126,630**	**22,000**	**22,321**	**593,051**
	2023	402,000	-	100,098	-	42,210	544,308
Stuart Logue	**2024**	**300,000**	**3,090**	**81,900**	**10,000**	**21,500**	**416,490**
	2023	279,760	3,259	73,857	4,000	25,281	386,157

Pension allowances represent 10.5% of base salary. Pension allowances are only paid by the Company when lifetime or annual allowances are exceeded. Executive Directors were eligible to join the pension scheme from 1 January 2016.

The table below shows the Independent Non-Executive Directors' fee structure for the years ended 31 March 2024 and 2023. The Board reviewed the Independent Non-Executive Directors' fees during the year in accordance with the Remuneration Policy.

Name	**Year**	**Total Fees £**
Bridget Rosewell	**2024**	**93,933**
	2023	-
Judith Eden	**2024**	**53,000**
	2023	50,000
Simon Green	**2024**	**53,000**
	2023	50,000
Paul Leinster	**2024**	-
	2023	50,000
Jean Sharp*	**2024**	**63,000**
	2023	60,000
Shirel Stedman	**2024**	**53,000**
	2023	10,641
Perry Thomas*	**2024**	**63,000**
	2023	60,000
Mark Hoban	**2024**	**75,000**
	2023	150,000

* Includes up to £10,000 allowance for chairing Board Sub-Committees.
Bridget Rosewell was appointed as Chair of the Board on 1 August 2023
Mark Hoban resigned from the Board effective 30 September 2023.
Judith Eden resigned as SID and Chair of the Remuneration Committee on 8 January 2024.
Paul Leinster resigned on 31 March 2023
Shirel Stedman was appointed as Non-Executive Director on 16 January 2023.
Simon Green was appointed as SID and Chair of the Remuneration committee on 22 March 2024.

Directors' indemnity

The Directors and Officers of the Company have the benefit of insurance that provides suitable cover in respect of legal actions that could potentially be brought against them.

Remuneration Policy

The Remuneration Committee meets twice a year: in February to set policy decisions, approve the renewal of staff benefit schemes if appropriate, and to set the budget for pay increases, and in May to accept or amend recommendations for pay and bonuses from the CEO.

Flood Re's Remuneration Policy and practices reflect its objectives of good corporate governance and sustained, long-term value to industry participants, status as a public body, and the need to attract and retain talent with suitable experience. The Remuneration Policy and practices also aim to promote robust and effective risk management. Flood Re's Remuneration Policy applies to all employees.

The Remuneration Policy is owned by the Remuneration Committee. It is reviewed by the Remuneration Committee at least annually and sent to the Board for approval. This helps ensure it remains appropriate and relevant. The general principles of the Remuneration Policy are as follows:

- Flood Re provides total remuneration packages delivered through fixed and variable pay components. Fixed remuneration is determined based on the role and position of the individual employee and reflects the need to meet the threshold conditions set by Regulators, parameters of the Framework Agreement, and to attract individuals with the requisite experience and expertise to operate in a highly regulated environment. Factors affecting this will include professional experience, responsibility, job complexity, and local market conditions.

- Performance-based bonuses are in place and are intended to motivate and reward high performers who significantly contribute to the Company's achievements and results and out-perform their individual objectives, including behaviours, and those set for the Company as a whole. The performance-based bonus is in the form of a cash settlement capped at a maximum of 30% of base salary (dependent on the role and seniority of the employee within the organisation). Given the unique ownership of Flood Re there are no shares nor share options included in the performance-based bonus.

- Flood Re offers all employees access to a Defined Contribution Group Personal Pension Plan.

- The Company aims to provide total remuneration packages that reward performance in a way that is consistent with the Company's values and culture and is appropriate for its ownership structure.

The Remuneration Committee determines the performance-based remuneration of the Executive Committee along with the performance-based remuneration pool available for allocation by the CEO to all other staff.

Fees for the Chair and other Independent Non-Executive Directors are determined annually by the Remuneration Committee and approved by the Board.

The Chair and other Independent Non-Executive Directors are not eligible to participate in annual bonus plans, the employee benefit schemes or the pension scheme. Their pay rates are determined annually, taking into account inflation, by the Remuneration Committee and approved by the Board after taking advice from the CEO. The Remuneration Committee takes into account the time commitment, the responsibilities and complexities of their roles, as well as the rates paid by other comparable organisations within the insurance industry and the wider financial services sector, by undertaking external benchmarking activities.
Flood Re has collaborated with government to agree pay governance controls as part of a new Framework Agreement which will become effective during the financial year 2024-2025.

Whistleblowing

The Board reviewed the annual Whistleblowing Report during the year. Flood Re continues to meet its regulatory requirements in relation to the operation and effectiveness of its systems and controls for managing the disclosure of reportable concerns by whistle blowers.

Going concern

Flood Re has reviewed its Going Concern status over a three-year financial planning period from 1 April 2024, and a five-year operational planning period. Management has considered both stresses to Flood Re's solvency position and to its operations to confirm its ability to remain a going concern in financial strength and operational resilience.

The Company's solvency position and reinsurance protection gives it an ability to withstand multiple severe flood events over the financial planning period afforded by a combination of its material levels of eligible own funds (1127% of its solvency capital requirement, and 238% of its Operational Capital requirement), which has been increased from £175m to £330m in consideration of the new reinsurance programme from 1 April 2025). A number of parameters and features of the Scheme limit the level of gross and net loss which Flood Re can impact each year (in particular the Liability Limit, Levy I, and the maximum net retention). The only scenarios identified which cause sufficient stress to the Scheme to lead to pressure on our capital requirement, are extreme multi-year stresses, materially beyond the 1 in 200 level. These scenarios require combinations of extreme flood losses and defaults of the Company's major outwards reinsurance counterparties and even in these most remote of scenarios, Flood Re retains the ability to use its Levy II contingent funding to recapitalise and hence remain a going concern.

During the past year we have seen continued macro-economic pressures easing slightly, despite a continued higher inflationary and interest rate environment, with continued pressure on the cost of living. Reinsurance markets have fared better, with return to profit in some areas including Property RI. Flood Re continues to be financially resilient Even with the series of large flood events, the Scheme's solvency continued to strengthen, demonstrating the effectiveness of its financial structure.

The company's liquidity risk and its ability to settle liabilities were considered as part of this review, including the sensitivity of its claims reserves to key actuarial assumptions, and the impact of extreme stress scenarios to technical reserves. This did not give rise to any concerns over liquidity.

Management concludes that in all scenarios during the planning periods, the Company will remain a going concern and be able to meet its solvency and liquidity requirements.

It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these Financial Statements. Please refer to Note 2.2 in the Notes to the Financial Statements.

Dividends

The Company did not pay or propose any dividends during the year ended 31 March 2024 (2023: £nil).

Political donations

The Company did not make any political donations during the year ended 31 March 2024 (2023: £nil).

Financial instruments

Financial instruments comprise cash, short-term deposits, and investments in UK Treasury Gilts and Treasury Bills. Risks associated with financial instruments are addressed in Note 4 in the Notes to the Financial Statements.

Risk framework

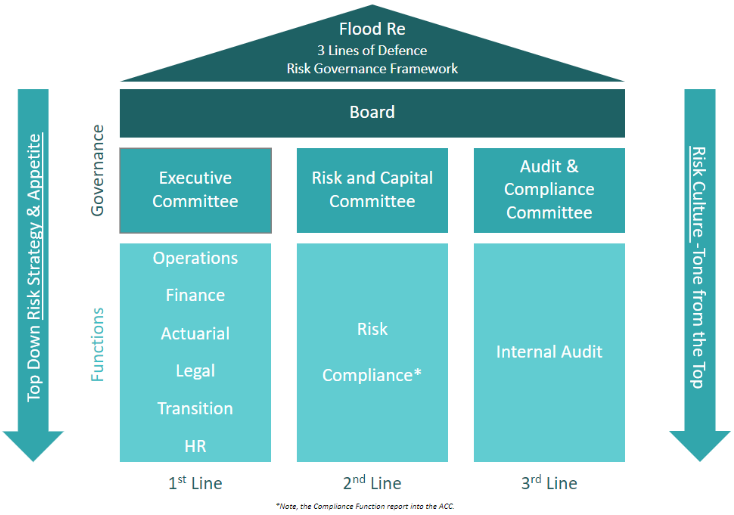
Overview of risk

Flood Re defines risk as the possibility of incurring misfortune or loss across a range of areas from financial loss to reputational damage. In principle, a risk is expressed by the combination of the probability (likelihood) of an event and its impact. Uncertainty occurs where it is not possible to assess the probability and/or impact with sufficiently reliable accuracy. Flood Re classifies risks into six overarching areas (Strategic risk, Insurance risk, Credit risk, Market risk, Liquidity risk and Operational risk). Flood Re's principal risks and how they are managed or mitigated are set out in Note 4 of the Notes to the Financial Statements.

Risk governance and culture

Ultimate responsibility for risk management within Flood Re lies with the Board. Critical to this is the tone it sets with respect to Risk Culture. The Board's responsibility for risk management is discharged through Flood Re's Committee structure (see Directors' report – governance framework).

Flood Re uses the UK financial industry's standard three lines of defence approach to managing risks:



The first line of defence is undertaken by the Executive Team and majority of staff at Flood Re. Its responsibility is to identify and manage risks (mainly through operating mitigating controls), generate and review risk information, and to take appropriate action where necessary to maintain Flood Re's risk exposure within risk appetite. The first line of defence reports to the Executive Committee and the Risk function on its management of current and forward-looking risks and challenges.

The second line of defence is carried out by the Risk function, led by the Chief Risk Officer and the Legal and Compliance function led by the General Counsel.

The Risk function is responsible for providing risk advice, facilitating and co-ordinating first line risk activity, monitoring risks and providing independent commentary, oversight, and challenge of the management of risks. The Risk Function is also responsible for delivering an annual cycle of Internal Model validation. The Risk function reports to the Risk and Capital Committee ("RCC").

The Legal and Compliance function forms an independent part of the second line of defence and is responsible for implementing a governance framework across the Company, compliance monitoring, regulatory disclosure and monitoring potential Legal and Compliance risk arising from the activities of Flood Re's outsourced service providers. The Legal and Compliance function reports to the Audit and Compliance Committee ("ACC").

The third line of defence is performed by the Internal Audit function which evaluates the effectiveness of the design and operation of Flood Re's control environment and reports to the ACC. Its responsibility is to evaluate whether the controls and risk information determined as required by the first line of defence (in conjunction with the second line) are adequate and effective in mitigating risk to the Board-agreed risk appetite levels.

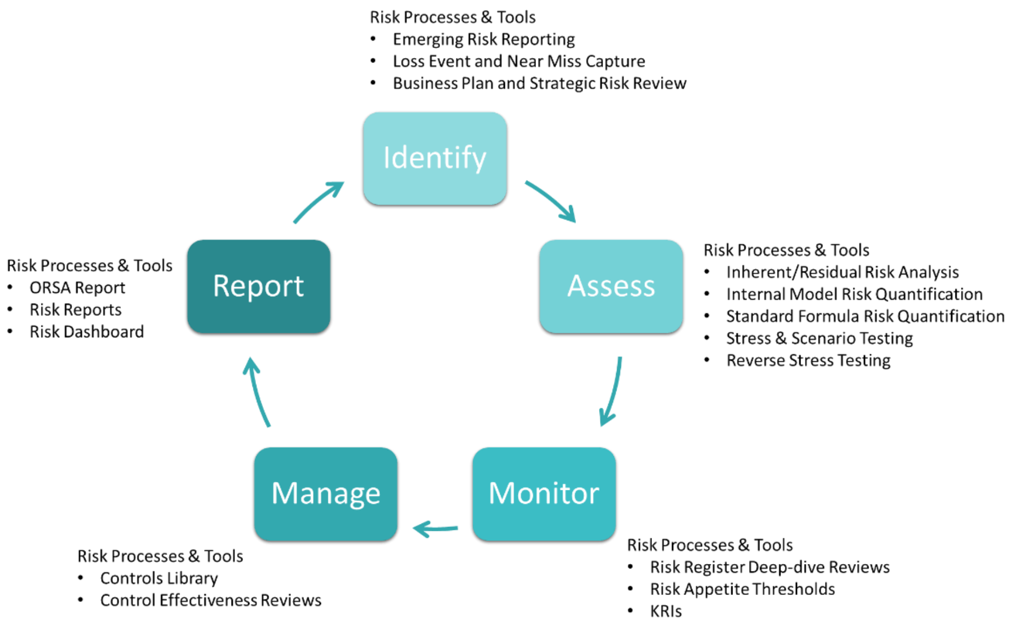
It is the responsibility of each of the three lines of defence to ensure the delivery of Flood Re's complete risk management system.

Risk management system

The following diagram sets out the major risk management tools and procedures that make up Flood Re's risk management system.

Each of the processes and tools utilised in the risk management system – in particular the internal model, risk appetite framework and stress and scenario testing – feed into Flood Re's wider business strategy and decision-making processes.

Recent examples of these elements of the risk management system being used for major strategic decisions and direction include (a) Assessing the solvency and wider financial implications of the updated Scheme parameters selected for the three years commencing 2025/26 (Loss Limit, Liability Limit and Levy 1), (b) Reflecting on the risks and challenges facing the next cycle of reinsurance procurement and options available to manage Flood Re's gross exposure and (c) Highlighting and ongoing monitoring of the risks to Flood Re's 2039 Transition Vision and communication of these through the July 2023 Transition Plan.



Risk register

Flood Re operates a live risk register containing all identified and emerging risks at a given date.

Each risk on the register is subject to an assessment of both its likelihood (of occurrence) and impact (given occurrence). Flood Re monitors changes in its risk profile against a set of Key Risk Indicators (KRIs) and Board-approved risk appetite metrics on an ongoing basis.

Each risk is allocated to a risk owner. Risk owners ensure risks are managed in accordance with the Risk Management Policy and within the relevant risk appetite metrics. The management of each risk is aligned to one or more of the following types of actions: transfer, avoid, reduce, or accept.

Key Control effectiveness reviews are used to monitor the design and performance of key risk controls. Regular risk management information (e.g. position versus appetite, KRIs) is reported to each risk owner to ensure that risks are being monitored. A CRO report summarises this activity and is delivered to the RCC on a quarterly basis.

Statement of Directors' responsibilities

The directors are responsible for preparing the annual report and the Financial Statements in accordance with applicable United Kingdom 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 UK-adopted international accounting standards (IFRS).

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 of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company financial position and financial performance
- state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website, floodre.co.uk.

FLOODRE

Directors' Report
For the year ended 31 March 2024

Directors:

The Directors of the Company during the year ended 31 March 2024 were:

Mark Hoban	Chair (Resigned 30 September 2023)
Bridget Rosewell	Chair (Appointed 1 August 2023)
Andy Bord	Chief Executive Officer
Judith Eden	Independent Non-Executive Director
Stuart Logue	Chief Financial Officer
Jean Sharp	Independent Non-Executive Director
Shirel Stedman	Independent Non-Executive Director
Perry Thomas	Independent Non-Executive Director
Simon Green	Independent Non-Executive Director

Company Secretary
Harriet Boughton

Independent auditor
The Auditor, Ernst & Young LLP, has been re-appointed to office during the period.

Disclosure of information to Auditors
Each of the persons who is a Director at the date of this report confirms that:

1. As far as each of them is aware, there is no information relevant to the audit of the Company's Financial Statements for the year ended 31 March 2024 of which the Auditors are unaware.
2. The Director has taken all steps that he/she ought to have taken in his/her duty as a Director in order to make him/herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

By Order of the Board
For and on behalf of Flood Re Limited

…………………………
Andy Bord
Director

Date: 4 July 2024
Registered Office: 75 King William Street, London EC4N 7BE

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF FLOOD RE LIMITED

Opinion

We have audited the financial statements of Flood Re Limited for the year ended 31 March 2024 which comprise the Statement of Profit or Loss, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 25 (except for those sections marked as unaudited in note 5), including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.
In our opinion, the financial statements:

- give a true and fair view of the company’s affairs as at 31 March 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 are independent of the 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.

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

Conclusions relating to going concern

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

- Performing a walkthrough of the Company’s financial close process, in which we confirmed our understanding of management’s Going Concern assessment process;
- Obtaining and reviewing management’s going concern assessment, which covers three years from the balance sheet date;
- Evaluating the Company’s ability to withstand extreme adverse scenarios in light of its solvency position, reinsurance protection and levying powers conferred upon it by statute;
- Reviewing the Company’s going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting 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 company's ability to continue as a going concern for a period of three years from 1 April 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	• Reinsurance inward contracts liabilities – valuation of loss component • Reinsurance inward contracts liabilities – valuation of liability for incurred claims • Transition to IFRS 17
Materiality	• Overall materiality of £12.9m (2023: £13.5m) which represents 1.9% of equity (2023: 2% of equity as previously stated).

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Climate change

Stakeholders are increasingly interested in how climate change will impact companies. The Company has determined that currently there is no material impact from climate change on its operations and financial position. The Company recognises that flooding poses a serious, growing climate-related risk and it is focused on the risk faced by the insurance industry in the short, medium and long term and the ability of this industry to achieve a sustainable and affordable transition post the termination of the scheme. This is explained in the Strategic Report and the Directors' Report, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

In planning and performing our audit we assessed the potential impacts of climate change on the company's business and any consequential material impact on its financial statements.

Our audit effort in considering climate change was focused on challenging management's risk assessment of the impact of physical and transition risks and the resulting conclusion that there was no material impact from climate change.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Reinsurance inward contracts liabilities – Valuation of Loss Component *Refer to the Accounting policy 2.10, critical accounting judgement 3(b); and Note 16 of the Financial Statements.* Under IFRS 17, entities are required to recognise a loss component in liability for remaining coverage for onerous contracts. This includes bound but not incepted (BBNI) contracts. The loss component is calculated as the excess of expected net cashflow, determined by	We gained an understanding of the process for estimating the loss component and assessed the design effectiveness of key controls within the Company's processes. We understood and evaluated management's methodology for valuing the loss component, and challenged key assumptions and judgements used in the setting the level of BBNI premium and loss ratio selected based on our market knowledge and industry data where available.	Based upon our work performed, we have concluded that the valuation of loss component is within a reasonable range of best estimates.

discounting the future cashflows. It involves significant judgement and assumptions and therefore there is a risk that inappropriate assumptions are made. The key risk areas are: 1) Inaccurate forecasts of BBNI premium volumes. 2) Inaccurate/inappropriate loss ratios being applied.	Using our actuaries, we have also checked that the methodology of amortising the prior year's loss component is appropriate, and the amount being amortised is reasonable, including the interest on the loss component. Our actuaries have also verified that the methodology and assumptions used are consistently applied.	
Reinsurance inward contracts liabilities – Valuation of Liability for Incurred Claims *Refer to the Accounting policy 2.9, critical accounting judgement 3(a); and Note 16 of the Financial Statements.* In the calculation for claims reserves, the best estimate liability are inherently uncertain and subjective by nature and therefore more susceptible to fraud or error than most other financial statement balances. There is a risk that inappropriate reserve projections are made, whether from the use of inaccurate underlying data, invalid or inappropriate statistical modelling techniques, or the use of unreasonable assumptions. This could lead to reserves falling outside a reasonable range of possible estimates and a misstatement in the financial statements. We believe the specific key risks in relation to this to be as follows:	We gained an understanding of the process for estimating the liability for incurred claims and assessed the design effectiveness of key controls within the Company's processes. We understood and evaluated management's methodology for valuing the liability for incurred claims against market practice, and challenged key assumptions and judgements used in the setting the level of reserves over the incurred claims based on our market knowledge and industry data where available. Using our actuaries, we considered the sufficiency of the reserves held with reference to inflation. We performed testing of the accuracy and completeness of the data used in valuing the insurance contract liabilities, reconciling key inputs into the	Based upon our work performed, we have concluded that the valuation of the liability for incurred claims is within a range of reasonable best estimates.

i) Inaccurate/inappropriate assumptions related to the selection of payment/development patterns for claims; ii) Inaccurate/inappropriate loss ratios being applied; iii) Inaccurate/inappropriate assumptions with regards to catastrophe loading resulting in under recognition of the best estimate liability.	actuarial valuation to source systems. Our actuaries have reviewed the loss ratio assumptions in calculating the best estimates, including assumptions relating to catastrophe loadings. Our actuaries have also independently calculated a best estimate using our own payment patterns and loss ratios; established a range of reasonable best estimates, and compared to management's best estimate.	
Transition to IFRS 17 *Refer to the IFRS 17 transition disclosures included in Note 2.1 of the Financial Statements* The transition to IFRS 17, effective for annual reporting periods beginning on or after 1 January 2023, has resulted in changes to the reporting processes and to the financial statements. This transition, which includes a number of key judgements, has required substantial focus during our audit. We have focused on a number of transition areas, with the following being key areas of focus: i) Methodology – The risk of management's methodology not being in accordance with accounting standards and policies.	To obtain sufficient audit evidence to conclude on the appropriateness of the initial application of IFRS 17, we have performed the following procedures: • Obtained and challenged management's methodology papers for compliance with IFRS 17 and subsequently assessed management's implementation of their methodology. • Tested management's IFRS 17 disclosures in the financial statements in relation to transition and restated comparative periods. • Tested the IFRS 4 to IFRS 17 bridge for the years ending 31 March 2024, 31 March 2023, and 1 April 2022.	Through the procedures performed, we have determined that management have appropriately implemented the IFRS 17 insurance accounting standard within their financial reporting and this is reflected within the financial statements in all material respects.

ii) Financial statement disclosures – The risk of disclosures in relation to the application of IFRS 17 being insufficient or inappropriate.		

In the prior year, our auditor's report included a key audit matter in relation to the valuation of insurance contract liabilities – IBNR and Premium Deficiency Provision. In the current year, key audit matters have been revised in order to align to our assessment of risks of material misstatement under IFRS 17.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality
The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £12.9 million (2023: £13.5 million), which is 1.9% (2023: 2% as previously presented) of equity. We consider the main stakeholders to be government, insurers and regulators. Given the focus of stakeholders is the Company's solvency and ability to settle claims appropriately, we have determined equity as the most appropriate basis for setting our materiality.

Performance materiality
The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2023: 75%) of our planning materiality, namely £9.6m (2023: £10.1m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Reporting threshold
An amount below which identified misstatements are considered as being clearly trivial.

We have reported to the directors all uncorrected audit differences in excess of £300k (2023: £677k). The reporting threshold is normally set at 5% of planning materiality. The results of the Company consolidate into the financial statements of the Department for Environment, Food & Rural Affairs (DEFRA). The auditors of DEFRA have set the reporting threshold as £300k. For the purposes of our statutory audit, our reporting threshold would be higher if we set it at 5% of planning materiality. However, to ensure consistency between both the statutory and group reporting we have determined that any uncorrected audit differences in excess of £300k are to be reported as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 set out on page 36, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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.

Explanation as to what extent the audit was considered 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 irregularities, including fraud. 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 or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are applicability of direct laws and regulations related to elements of company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included The Water Act 2014 and the permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

- We understood how Flood Re Limited is complying with those frameworks by making enquires of management, internal audit, and those responsible for legal and compliance matters; reviewing correspondence between the Company and UK regulatory bodies; reviewing minutes of Committees; and gaining an understanding of the Company's approach to governance, demonstrated by the Board's approval of the Company's governance framework and the Board's review of the Company's risk management framework and internal control
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud; and considering areas of significant judgement, complex transactions, performance targets and external pressures and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk, including the testing of top-side journals, which were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations; making enquiries with regards to the policies that have been established to prevent non-compliance with laws and regulations by officers and employees; inquiring about the Company's methods of enforcing and monitoring compliance with such policies; and inspecting significant correspondence with the FCA and PRA.
- The Company operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

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

Other matters we are required to address

- Following the recommendation from the audit committee we were appointed by the company on 20 April 2016 to audit the financial statements for the year ending 31 March 2016 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is 9 years, covering the years ending 31 March 2016 to present.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.

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

Auditor's Report
For the year ended 31 March 2024

Use of our report

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

Ernst & Young LLP

Edward Jervis (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
4 July 2024

FLOODRE

Statement of Profit or Loss
as at 31 March 2024

	Note	2024 £000s	2023 [1] *Restated* £000s
Insurance revenue		53,279	48,658
Insurance service expense		(275,791)	(90,423)
Insurance service result before reinsurance outward contracts	9	**(222,512)**	**(41,765)**
Allocation of reinsurance premiums		(67,928)	(63,126)
Amounts recoverable from reinsurers for incurred claims		150,329	57,090
Net income/(expense) from reinsurance outward contracts	9	**82,401**	**(6,036)**
Insurance service result		**(140,111)**	**(47,801)**
Interest income from debt instruments		33,751	3,198
Interest on cash and short-term deposits		6,076	10,544
Total investment income	8	**39,827**	**13,742**
Insurance finance expenses for reinsurance inward contracts	8	(4,996)	(1,262)
Insurance finance income for reinsurance outward contracts	8	2,140	478
Net insurance financial result		**(103,140)**	**(34,843)**
Levy income	7	135,000	135,000
Finance costs		(82)	(57)
Other income and expense	10	(8,023)	(7,934)
Profit before tax		23,755	92,166
Income tax expense	13	(7,164)	(16,454)
Profit for the year		**16,591**	**75,712**

All the Company's operations are continuing.

[1] Refer to Note 2 which shows the opening balance sheet ("OBS") and prior year comparatives ("PYC") positions and equity adjustments on adoption of IFRS 17.

The Notes on pages 53 to 107 are an integral part of the Financial Statements.

FLOODRE

Statement of Other Comprehensive Income
as at 31 March 2024

Other comprehensive income			
		2024	**2023** *Restated*
		£000s	**£000s**
Profit for the year		**16,591**	**75,712**
Other Comprehensive Income (OCI) to be reclassified to profit or loss in subsequent periods			
Gain/(loss) on debt instruments at fair value through other comprehensive income	18	770	(167)
Debt instruments at fair value through other comprehensive income		**770**	**(167)**
Deferred tax on unrealised (gains) / losses	13	(183)	42
Total other comprehensive income		**587**	**(125)**
Total Comprehensive income		**17,178**	**75,587**

All the Company's operations are continuing.

The Notes on pages 53 to 107 are an integral part of the Financial Statements.

FLOODRE

Statement of Financial Position
as at 31 March 2024

	Note	31 March 2024 £000	31 March 2023 *Restated* £000	1 Apr 2022 *Restated* £000
Assets				
Intangible assets	14	5,682	4,797	-
Property, Plant and Equipment	15	2,491	4,039	2,984
Deferred tax asset	13	-	11,078	6,637
Reinsurance outward contracts assets	16	232,798	111,363	76,332
Other receivables	17	5,585	3,346	927
Debt instruments at fair value through other comprehensive income	18	343,643	498,066	17,916
Current tax asset		21,294	1,170	-
Cash and short-term deposits	19	556,157	273,575	672,946
Total assets		**1,167,650**	**907,434**	**777,742**
Equity				
Retained earnings		660,906	644,315	568,603
Fair value reserve		422	(165)	(40)
Total equity		**661,328**	**644,150**	**568,563**
Liabilities				
Reinsurance inward contracts liabilities	16	474,276	230,222	181,265
Deferred tax liabilities	13	147	-	11
Current tax liabilities		-	-	2,228
Lease Liabilities	20	2,097	3,579	2,722
Other payables	21	29,802	29,483	22,953
Total liabilities		**506,322**	**263,284**	**209,179**
Total equity and liabilities		**1,167,650**	**907,434**	**777,742**

The Notes on pages 53 to 107 are an integral part of the Financial Statements. The Financial Statements on pages 48 to 107 were authorised for issue by the Board of Directors on **4 July 2024** and were signed on its behalf by:

………………………………….

Andy Bord
Chief Executive Officer
Company registered number: 08670444

………………………………….

Stuart Logue
Chief Financial Officer

FLOODRE

Statement of Changes in Equity
for the year ended 31 March 2024

	Fair value reserve £000s	Retained earnings £000s	Total equity £000s
Balance as at 31 March 2022 as previously reported	**(40)**	**588,514**	**588,474**
Impact of initial application of IFRS 17 [1]	-	(19,911)	(19,911)
Restated balance as at 1 April 2022	**(40)**	**568,603**	**568,563**
Profit for the year	-	75,712	75,712
Other comprehensive loss	(125)	-	(125)
Restated balance as at 31 March 2023	**(165)**	**644,315**	**644,150**
Profit for the year	-	16,591	16,591
Other comprehensive income	587	-	587
Total comprehensive income	**587**	**16,591**	**17,178**
Balance as at 31 March 2024	**422**	**660,906**	**661,328**

[1] Refer to Note 2 which shows the opening balance sheet ("OBS") and prior year comparatives (“PYC”) positions and equity adjustments on adoption of IFRS 17.

The Notes on pages 53 to 107 are an integral part of the Financial Statements.

FLOODRE

Statement of Cash Flows
for the year ended 31 March 2024

	Note	2024	2023
			Restated
	Note	£000	£000
Operating activities			
Profit before tax		23,755	92,166
Adjustments for:			
Depreciation	15	1,501	1,363
Amortisation	14	769	
Interest on cash and short-term deposits	8	(6,076)	(10,544)
Interest income from debt instruments	8	(33,751)	(3,198)
Changes in operating assets and liabilities			
(Increase)/decrease in reinsurance inward contracts liabilities		244,054	48,957
(Increase)/decrease in reinsurance outward contracts assets		(121,435)	(35,031)
(Increase)/decrease in other receivables		(105)	(64)
Increase/(decrease) in other payables		319	6,528
Cash generated from operations		**109,031**	**100,177**
UK Corporation taxes paid		(16,246)	(24,260)
Net interest received		4,965	8,480
Net cash flows from operating activities		**97,750**	**84,397**
Investing activities			
Purchases of intangible assets	14	(1,654)	(4,797)
Purchases of property, plant and equipment	15	(23)	-
Net disposals/(purchases) of deposits placed with a duration greater than three months	19	(299,100)	397,900
Purchase of debt instruments	18	(1,008,705)	(495,410)
Proceeds from maturity of debt instruments	18	1,196,626	18,000
Net cash flows from investing activities		**(112,856)**	**(84,307)**
Financing activities			
Payment of principal portion of lease liabilities	20	(1,412)	(1,561)
Net cash flows from financing activities		**(1,412)**	**(1,561)**
Net decrease in cash and cash equivalents		(16,518)	(1,471)
Cash and cash equivalents at 1 April		25,775	27,246
Cash and cash equivalents at 31 March	19	**9,257**	**25,775**

The Notes on pages 53 to 107 are an integral part of the Financial Statements.

Notes to the Financial Statements
for the year ended 31 March 2024

1. General information

Flood Re Limited ('Flood Re' or 'the Company') is the Scheme Administrator for the Flood Reinsurance Scheme ('the Scheme') and is principally engaged in the provision of flood peril reinsurance cover within the UK.

The Scheme is a joint initiative between the UK insurance industry and the UK Government to make domestic flood insurance more affordable and available to households in high flood risk areas. The Scheme was established by the Water Act 2014 and is expected to be in place for a total of 25 years while the industry transitions to risk-reflective pricing.

The Company is a mutual reinsurer and was incorporated in August 2013 as a private UK company limited by guarantee. The Company was authorised by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) on 1 April 2016 and commenced underwriting on 4 April 2016. In 2021/22 the Company was formally designated as a public body (central government) by the Office for National Statistics and the classifications became public on 23 December 2021. The Registered Office is located at 75 King William Street, London, EC4N 7BE.

2. Material accounting policy

The material accounting policies applied in the preparation of these Financial Statements are set out below. These accounting policies have been applied consistently throughout the current and, where applicable, the prior financial year.

2.1 Changes in accounting policy and disclosures

New and amended standards adopted by the Company

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Other than disclosed below, the new and amended standards and interpretations does not have impact on the Company's financial statements.

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods beginning on or after 1 January 2023. Flood Re applied the standard at the 31 March 2024 year end, with the transition date at 1 April 2022.

The Company applied IFRS 17 to all types of reinsurance inward and outward contracts and proposes an approach to measuring insurance contract liabilities that is based on the expected present value of future cash flows. The adoption of IFRS 17 produced a material impact on the Company's Financial Statements and disclosures. The key impacts are highlighted in the following sections.

IFRS 17: Insurance contracts

The Company has restated comparative information for 31 March 2022 and 31 March 2023. The nature of the changes in accounting policies can be summarised, as follows:

A. Nature of Change

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts. The scope of IFRS 17 is similar to IFRS 4 and the definition of "significant insurance risk" does not change, therefore Flood Re's product and reinsurance inward and outward contracts under IFRS 4 remain same for the scope of IFRS 17. Areas of differences between IFRS 4 and IFRS 17, such as the separation of non-insurance components, are not relevant to Flood Re.

Levy 1 cash inflows represent income to Flood Re. However, the cashflows are not within the scope of IFRS 17 and, therefore, do not make up part of IFRS 17 fulfilment cashflows. Flood Re does not carry out specific acquisition activity meaning acquisition cashflows are expected to be immaterial.

IFRS 17 establishes specific principles for the recognition and measurement of reinsurance inward and outward contracts by the Company. Under IFRS 17, the Company's reinsurance inward contracts and reinsurance outward contracts are all eligible to be measured by applying the Premium Allocation Approach (PAA). The measurement principles of the PAA differ from the approach used by the Company under IFRS 4 in the following key areas:

- The carrying amount of the liability for remaining coverage (LFRC) excluding the loss component (LFRC ex-LC) or asset for remaining coverage (AFRC) excluding the loss-recovery component (AFRC ex-LRC) comprised of premiums relating to the contracts in-force within the boundary of one year from the beginning of the relevant accounting period plus and balances brought forward from the previous accounting period (if any).
- The LFRC reflects premiums received less amounts recognised in revenue for insurance services provided.
- Measurement of the LFRC does not include an adjustment for the time value of money because premiums are received on average within 1 month after the due date, and overall, below the 12 month thresholds required under IFRS 17.
- Measurement of the LFRC does not include an adjustment for non-financial risks. Management considers in its evaluation that non-financial risk relating to LFRC is extremely low.
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not- reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk (refer to note 3(c)). The liability includes the Company's obligation to pay all incurred insurance expenses.
- Measurement of the LFRC (reflecting premiums received for reinsurance inward contracts) is adjusted to include a loss-component to reflect the expected onerous contract losses on Flood Re's bound but not incepted (BBNI) contracts.
- Measurement of the AFRC (reflecting reinsurance outward premiums paid for reinsurance outward contracts) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

B. Changes to presentation and disclosure

For presentation in the statement of financial position, the Company aggregates reinsurance inward and outward contracts, respectively and presents separately:

- Reinsurance inward contracts issued that are assets
- Reinsurance inward contracts issued that are liabilities
- Reinsurance outward contracts held that are liabilities
- Reinsurance outward contracts that are assets

The Company, by its nature, does not incur any material expenditure to acquire new business from cedants e.g. brokerage fees, therefore we do not recognise insurance acquisition costs.

The line-item descriptions in the statement of profit or loss and other comprehensive income have changed significantly for IFRS 17 presentation purposes.

Previously, the Company reported the following line items:

- Gross written premiums
- Net written premiums
- Changes in premium reserves
- Gross insurance claims
- Net insurance claims

IFRS 17, however, requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses
- Income or expenses from reinsurance outward contracts

C. Transition

On the transition date at 1 April 2022, Flood Re:

- Has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied on a fully retrospective basis
- Has derecognised any existing balances that would not exist had IFRS 17 always applied
- Recognised any resulting net difference in equity

The following table sets out the impact of adopting IFRS 17 on the statement of financial position, to illustrate the impact of replacing IFRS 4.

A reconciliation between the carrying amounts under IFRS 4 and the balances reported under IFRS 17 as at the initial application date of 1 April 2023 is as follows:

Restatement of statement of financial position and changes in equity

For the year ended 31 March 2023, the company has restated the comparative amounts previously classified as insurance contract liabilities and liabilities ceded to reinsurers.

The adjustments to the prior year comparative amounts in the financial positions are set out below:

Transition disclosures – IFRS 17 showing impact on financial positions due to restatement

Impact on Statement of Financial position as at 31 March 2023

	As previously stated £000	Reclassification and Measurement £000	As restated £000
Assets			
Intangible assets	4,797	-	4,797
Property, Plant and Equipment	4,039	-	4,039
Deferred tax asset	38	11,040	11,078
Reinsurers' share of contract liabilities	81,047	(81,047)	-
Reinsurance outward contract assets	-	111,363	111,363
Reinsurance receivables	18,898	(18,898)	-
Other receivables	3,346	-	3,346
Debt instruments at fair value through other comprehensive income	498,066	-	498,066
Current tax asset	1,170	-	1,170
Cash and short-term deposits	273,575	-	273,575
Net impact on total assets	**884,976**	**22,458**	**907,434**
Equity			
Retained reserves	677,431	(33,116)	644,315
Fair value reserves	(165)	-	(165)
Net impact on total equities	**677,266**	**(33,116)**	**644,150**
Liabilities			
Insurance contract liabilities	140,884	(140,884)	-
Reinsurance inward contract liabilities	-	230,222	230,222
Deferred commission income	3,991	(3,991)	-
Reinsurance payables	29,698	(29,698)	-
Lease liabilities	3,579	-	3,579
Other payables	29,558	(75)	29,483
Net impact on total liabilities	**207,710**	**55,574**	**263,284**
Net impact on total liabilities and equities	**884,976**	**22,458**	**907,434**

As at 31 March 2023, the Company re-classified reinsurance commission income under IFRS 4 to reinsurance commission received as part of claims recovery cashflows and reinsurance premium discount under IFRS 17 as discussed in Note 2.9(f). All other changes pertain to measurement of its previously recognised reinsurance contracts. The impact of adopting IFRS 17 on income/deferred tax is set out in Note 13.

Impact on Statement of Financial position as at 31 March 2022

	As previously stated £000	Reclassification and Measurement £000	As restated £000
Assets			
Intangible assets	-	-	-
Property, Plant and Equipment	2,984	-	2,984
Deferred tax asset	-	6,637	6,637
Reinsurers' share of contract liabilities	78,020	(78,020)	-
Reinsurance outward contract assets	-	76,332	76,332
Reinsurance receivables	16,491	(16,491)	
Other receivables	927	-	927
Debt instruments at fair value through other comprehensive income	17,916	-	17,916
Current tax asset	-	-	-
Cash and short-term deposits	672,946	-	672,946
Net impact on total assets	**789,284**	**(11,542)**	**777,742**
Equity			
Retained reserves	588,514	(19,911)	568,603
Fair value reserves	(40)	-	(40)
Net impact on total equities	**588,474**	**(19,911)**	**568,563**
Liabilities			
Insurance contract liabilities	128,271	(128,271)	-
Reinsurance inward contract liabilities	-	181,265	181,265
Deferred commission income	5,305	(5,305)	-
Reinsurance payables	39,240	(39,240)	-
Deferred tax liabilities	11	-	11
Current tax liabilities	2,228	-	2,228
Lease liabilities	2,722	-	2,722
Other payables	23,033	(80)	22,953
Net impact on total liabilities	**200,810**	**8,369**	**209,179**
Net impact on total liabilities and equities	**789,284**	**(11,542)**	**777,742**

As at 31 March 2023, the Company re-classified reinsurance commission income under IFRS 4 to reinsurance commission received as part of claims recovery cashflows and reinsurance premium discount under IFRS 17 as discussed in Note 2.9(f). All other changes pertain to measurement of its previously recognised reinsurance contracts. The impact of adopting IFRS 17 on income/deferred tax is set out in Note 13.

D. *Impact of Change*

The following considerations have been assessed in finalising the IFRS 17 requirements for Flood Re:

- Flood Re's mandate as a reinsurer of a single line of business remains unchanged.
- All policies ceded by insurers under reinsurance inwards contracts issued and underwritten by Flood Re are onerous on a modelled basis.
- The implications of the IFRS 17 contract boundary, contracts aggregation and recognition rules, plus an additional year of bound but not incepted (BBNI) reinsurance inwards cover obligations, and the corresponding reinsurance outwards are recognised.
- Consequently, Flood Re has created and maintains loss component provisions for the reinsurance inwards (i.e., reinsurance inward contracts or reinsurance contracts issued) business, and a loss-recovery component for reinsurance outwards (reinsurance outward contracts or reinsurance contracts held).
- The loss component and loss-recovery components will unwind against future gross claims and corresponding recoveries respectively, in line with the run off of the relevant contracts using a systematic allocation approach.
- The loss component is the projected net cashflow of premium inflows less reinsurance inward contracts, i.e., modelled discounted claims, premiums ceded to reinsurers, and attributable expenses.
- The AFRC is the modelled value of reinsurance recoveries as a percentage of the losses recognised.
- As the coverage period is more than 12 months, management has determined that Flood Re is eligible to apply the PAA measurement model to all insurance cashflows. For both inwards and outwards reinsurance groups of contracts that are underwritten on a risk attaching basis, Flood Re has applied the PAA model in the measurement of the LFRC and AFRC. The justification for this is that in a quantitative assessment of the LFRC using the PAA model v. GMM model, Flood Re found no material differences between the estimate of the LFRC and AFRC of the contracts reinsured between the two approaches.
- Reinsurance outward contracts that are underwritten on a loss occurring basis are automatically eligible on the basis that their coverage period is exactly 12 month.
- The measurement of the liability for incurred claims (LFIC) is the same under both GMM and PAA approaches.
- The LFIC is discounted using an appropriate risk adjusted rate. The LFRC is undiscounted as premiums have a collection cycle of less than twelve months. The discounting approach adopted in IFRS 17 is explained in Note 3 (c).
- The Risk Adjustment for non-financial risk is calculated separately and is subject to discounting. The Risk Adjustment for non-financial risk approach adopted in IFRS 17 is explained in Note 3 (c).

2.2 Basis of preparation

The Financial Statements have been prepared in accordance with UK-adopted International Accounting Standards (IFRS).

The Financial Statements have been prepared on a historical cost basis, except for those financial assets and liabilities that have been measured at fair value. Unless otherwise noted, the Financial Statements are presented in pounds sterling rounded to the nearest thousand.

Flood Re has reviewed its Going Concern status over a three-year financial planning period from 1 April 2024, and a five-year operational planning period. Management has considered both stresses to Flood Re's solvency position and to its operations to confirm its ability to remain a going concern in financial strength and operational resilience.

The Company's solvency position and reinsurance protection gives it an ability to withstand multiple severe flood events over the financial planning period afforded by a combination of its material levels of eligible own funds (1127% of its solvency capital requirement, and 238% of its Operational Capital requirement, which has been increased from £175m to £330m in consideration of the new reinsurance programme from 1 April 2025) . A number of parameters and features of the Scheme limit the level of gross and net loss which Flood Re can impact each year (in particular the Liability Limit, Levy I, and the maximum net retention). The only scenarios identified which cause sufficient stress to the Scheme to lead to pressure on our capital requirement, are extreme multi-year stresses, materially beyond the 1 in 200 level. These scenarios require combinations of extreme flood losses and defaults of the Company's major outwards reinsurance counterparties, and even in the most remote of scenarios Flood Re retains the ability to use its Levy II contingent funding to recapitalise and hence remain a going concern.

During the past year we have seen continued macro-economic pressures easing slightly, despite a continued higher inflationary and interest rate environment, with continued pressure on the cost of living. Reinsurance markets have fared better, with return to profit in some areas including Property RI. Flood Re continues to be financially resilient. Even with the series of large flood events, the Scheme's solvency continued to strengthen, demonstrating the effectiveness of its financial structure.

The company's liquidity risk and its ability to settle liabilities were considered as part of this review, including the sensitivity of its claims reserves to key actuarial assumptions, and the impact of extreme stress scenarios to technical reserves. This did not give rise to any concerns over liquidity.

Management concludes that in all scenarios during the planning periods, the Company will remain a going concern and be able to meet its solvency and liquidity requirements.

It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these Financial Statements for a period of 3 years from 1 April 2023.

The preparation of Financial Statements in accordance with UK-adopted International Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 3.

Financial assets and liabilities are offset and the net amount is reported in the Statement of Financial Position only when there is a legally-enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liability simultaneously.

Flood Re recognises the economic environment with effects of higher inflation, cost of living consequences and the impact of natural catastrophe events on the reinsurance market all being recognised. Flood Re has no investment exposure beyond Debt Management Office (DMO) deposits and short-dated UK Gilts and Treasury Bills.

The Company presents its Statement of Financial Position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the respective Notes.

2.3 Consolidation

The Company is a solo entity with no parent, subsidiary or associated undertakings. There is no requirement to prepare consolidated Financial Statements.

In accordance with the UK Government Resources and Accounts Act 2000 (Estimates and Accruals) (Amendment) Order 2015, the information contained in the Company's Annual Report and Accounts is consolidated into the Annual Report and Accounts of the Department for Environment, Food and Rural Affairs ("Defra").

2.4 Reinsurance inward and outward contracts classification

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder, are classified as insurance contracts. The Company has reviewed the nature of the inwards and outwards reinsurance business it transacts, and all relevant contracts are treated as insurance contracts for the purposes of these Financial Statements.

2.5 Foreign currency translation

The Company's functional and presentational currency is pounds sterling; this is the currency in which the majority of the Company's transactions are denominated.

2.6 Intangible assets

Intangible assets developed internally are measured at cost on initial recognition. The direct cost incurred to create, produce and develop IT software application is the value recognised at the day the asset is successfully implemented. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses, if appropriate.

The economic lives of the intangible assets are determined by considering factors such as usage of the asset, the length of the contractual obligation to the software provider, potential obsolescence and the period of control over the assets. Finite life intangibles are amortised over their estimated useful lives of the assets as stated below, on a straight-line basis:

IT Software applications (internally developed)	5 years

Development costs
Development expenditures on an individual project are recognised as an intangible asset when the following criteria are met:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sell
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Amortisation of the asset begins when development is complete, and the asset is available for use. During the period of development, the asset is tested for impairment annually. Amortisation in respect of the Bordereaux Management System (BMS) intangible asset has been recognised during the year 2023-24.

Intangible Assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where evidence of such impairment is observed, an impairment charge will be recognised in the Statement of Profit or Loss. An impairment charge is recognised as the difference between carrying amount of the asset less its recoverable value, being the higher of an asset's fair value less costs of disposal or its value in use. For the purpose of impairment testing, the recoverable amount is determined on an individual asset basis.

Intangible Assets are reviewed each reporting period for possible reversal of the impairment. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets are derecognised either on disposal or when no future economic benefits are expected from its use or disposal.

Gains or losses arising from derecognition of an intangible asset comprise the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

2.7 Property, plant and equipment

Property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Assets are depreciated on a straight-line basis over the useful lives of the following asset classes:

Furniture, fixtures and fittings	2 years
Computer equipment	2 years
Right of use assets	Over the life of the lease

The assets' residual values, useful lives and method of depreciation are reviewed and adjusted, if appropriate, at each financial year-end date.

An impairment review is performed when there is an indication of impairment. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the Statement of Profit or Loss.

An item of property and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss in the year the asset is de-recognised.

The Company only recognises property, plant and equipment on individual items purchased with a valuation in excess of £10,000.

2.8 Financial assets and liabilities

(a) Initial recognition and measurement

Financial assets are classified at initial recognition, and are subsequently measured, at amortised cost or at fair value, gains and losses are either recognised entirely in profit or loss (fair value through profit or loss, FVTPL), or recognised in other comprehensive income (fair value through other comprehensive income, FVOCI). All assets measured at amortised cost and FVOCI debt instruments are subject to impairment assessment. For debt instruments the FVOCI classification is mandatory for certain assets unless the fair value option is elected.

The classification of financial assets at initial recognition depends on the financial assets' contractual cash flow characteristics and the Company's business model for managing them.

For a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

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

The Company applies IFRS 9 for debt instruments measured at FVOCI when both of the following conditions are met: (a) The instrument is held within a business model, the objective of which is both collecting contractual cash flows and selling financial assets (b) The contractual terms of the financial asset meet the SPPI test. Debt instruments in this category are those that are intended to be held to collect contractual cash flows and which may be sold in response to needs for liquidity or in response to changes in market conditions.

These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the financial asset. All transaction costs directly attributable to the acquisition are also included in the financial cost of the financial asset for amortised cost and FVOCI.

Financial assets measured at amortised cost are included in Note 17: Other receivables; Note 19: Cash and short-term deposits and Financial assets measured at fair value through other comprehensive income is included in Note 18: Debt instruments measured at fair value through other comprehensive income.

Financial liabilities are classified, at initial recognition, as loans and borrowings, and payables, as appropriate.

Financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs; and are included in Note 21: Other payables.

(b) Subsequent measurement

Financial assets classified as FVTPL are re-measured at fair value. The fair values of financial assets are based on the quoted bid prices. Changes in fair value are recorded in fair value gains and losses in the period in which they arise. Interest is accrued and presented in interest on cash and short-term deposits.

Financial assets at amortised cost are subsequently measured using the effective interest rate method (EIR) and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets classified as FVOCI are subsequently re-measured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. The interest income on FVOCI debt instruments is recognised in profit or loss in the same manner as for financial assets measured at amortised cost and is calculated using the effective interest rate basis. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement. Financial assets measured at FVOCI are included in the impairment calculations and impairment is recognised in profit or loss after unwinding impact in OCI.

After initial recognition, financial liabilities are subsequently measured at amortised cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

(c) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires.

(d) Impairment of financial assets

The Company assesses the expected credit losses (ECLs) associated with its financial assets measured at amortised cost and at fair value through other comprehensive income. The impairment methodology depends upon whether there has been a significant increase in credit risk.

The Company recognises a loss allowance for ECLs on financial assets not held at fair value through profit or loss. These comprise trade and other receivables and cash and short-term deposits carried at amortised cost and debt instruments at fair value through other comprehensive income. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit or loss upon derecognition of the asset.

ECLs are recognised in a two-stage model based on the level of credit risk is applied to financial assets.

- For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months, a 12-month ECL is recognised, and interest income is calculated on the gross carrying amount of the asset.
- For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default, a lifetime ECL is recognised, and interest income is calculated on the gross carrying amount of the asset.

For trade and other receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

For balances held at bank and short-term deposits and in UK Treasury Gilt and Treasury Bills investments, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether these instruments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company monitors the credit rating of the instrument issuer from external sources. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The financial assets comprise of treasury gilts and bills issued by the UK government as part of the wider investment portfolio that were purchased during the year. The UK Treasury gilts portfolio is graded as AA.

When applying the low credit risk simplification, the Company's policy is to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from Standard & Poors (S&P) or equivalent both to determine whether the financial asset has significantly increased in credit risk and to estimate ECLs.

2.9 Reinsurance inward and outward contracts accounting treatment

Under IFRS 17, Flood Re's reinsurance inward contracts are aggregated into groups for measurement purposes. Flood Re offers a single product of flood risk cover i.e., one portfolio comprising contracts subject to similar risks and that are managed together.

Only one group of contracts is relevant in every annual cohort as required in the standard. In relation to reinsurance outward contracts held by Flood Re, each contract type i.e., quota share, risk excess of loss, aggregate excess of loss represent distinct portfolio under IFRS 17 aggregation rules. Each portfolio represents a distinct group of contracts.

(a) Contract boundaries

IFRS 17 requires that the measurement of a group of contracts includes all future cash flows within the boundary of each contract in the group.
The boundary of a reinsurance inward contract is primarily dependent on the rights and obligations of the contracting parties and the ability of (re)insurers to assess and price the risks or benefits in a reinsurance inward contract. The contract boundary definition also recognises the contracting parties' ability to exercise the unilateral right to terminate insurance contracts unconditionally.

For reinsurance inwards contracts at initial recognition:

- In relation to reinsurance inward contracts at initial recognition, Flood Re has the right to terminate a contract by providing twelve months' notice to the Cedants.
- This is a unilateral right that is not constrained by the reinsurance inwards contract or by law. Consequently, it was concluded that Flood Re's contract boundary is twelve months.

For reinsurance outwards contracts at initial recognition:

- Flood Re has the unilateral right to cancel or replace its reinsurance outward contracts by the end of each underwriting year (i.e., from 1 April to 31 March in the following year), based on a fixed notice period of three months before the risk or underwriting-year ends.
- These cancellation provisions in Flood Re's reinsurance outward contracts provide sufficient evidence to conclude that the contract boundary is no more than twelve months.
- The quota share contract (proportional reinsurance) has a coverage period of 24 months, which matches the coverage period of Flood Re's reinsurance inward contracts on a risk attaching basis. Flood Re's XL contracts are 'losses occurring' and therefore have a coverage period of twelve months.

After initial recognition, subsequent recognition of the group of contracts boundaries will remain at twelve months for reinsurance inwards and outwards, reflecting the contract boundary assessment at initial recognition, unless the substantive rights and obligations in the contracts are changed. If this change occurs, IFRS 17 requires Flood Re to reassess the contract boundary.

(b) Reinsurance inward contracts - initial measurement

The contract boundary for risk-attaching flood risk for inwards business i.e., reinsurance inward contracts, is 12 months with an overall coverage period of up to 24 months. This outcome is based on the contractual obligation, mutually held with insurers, to provide 12 months termination notification before cancelling any of the rolling flood risk reinsurance contracts agreed with insurers in the market.

In accordance with its statutory obligation to provide affordable flood risk cover, Flood Re charges premiums on policies ceded by insurers (Cedants) based on council tax bands rather than true risk reflective pricing. This means that the inward contracts issued by Flood Re are onerous, particularly on a modelled basis. Consequently, IFRS 17 requires that Flood Re recognises a loss component up front for business falling within the future 12 months on a bound but not incepted (BBNI) basis.

At initial measurement of issued reinsurance inward contracts under the PAA model, IFRS 17 requires Flood Re to make the assumption that none of the contracts issued are onerous, unless facts and circumstances indicate otherwise. Flood Re's statutory pricing strategy, supported by actuarial modelling outcomes provide the required "facts and circumstances" to recognise the reinsurance inward contracts on an onerous basis.

The fulfilment cashflows at initial recognition of these contracts therefore includes the valuation of bound but not incurred (BBNI) contracts, including their estimated loss component over the next 12 months (i.e., the contract boundary with a coverage period of 24 months). Accordingly, for IFRS 17 purposes, Flood Re's accounts are always expected to include an additional period of 12 months of future reinsurance inward business at any valuation date, including at the end of any financial year compared to IFRS 4.

Flood Re calculates the loss component as the difference between the LFRC calculated using a method consistent with the General Measurement Model (GMM) and the LFRC under the PAA at initial recognition.

(c) Reinsurance outward contracts - initial measurement

The loss-recovery component is established at initial recognition by multiplying:

- The loss component recognised on the inwards insurance contracts (based on expectation of future losses in the actuarial projections); and
- The percentage of claims on the underlying insurance contracts Flood Re expects to recover from the group of reinsurance outward contracts.

The recognition of the loss-recovery component requires that the group of reinsurance outward contracts be 'in place' or 'entered into' as at or before the benefit for the reinsurance is made i.e. prior to the valuation date or reporting date. This group of reinsurance outward contracts is considered relative to the underlying inward contracts (i.e. the ceded policies). Hence, this group of reinsurance outward contracts is considered to be 'entered into' when the loss component is recognised.

For quota share (QS) reinsurance contracts, the recognition date aligns with the recognition date of the underlying groups of reinsurance inward contracts under the PAA method. Flood Re recognises the QS contracts when the onerous group of corresponding reinsurance inward contracts, including the loss component, is recognised. For a non-proportional group of reinsurance outward contracts (i.e., the excess of loss reinsurance contracts), the recognition date is when the coverage period begins.

(d) Reinsurance inward and outward contracts – subsequent measurement

The subsequent measurement of the loss component and the loss-recovery component is not specifically prescribed by the IFRS 17 standard. Flood Re determines the loss component at subsequent measurement for an existing group of reinsurance inward contracts by recalculating the difference between the carrying amount of LFRC for PAA (i.e., premium received) and the fulfilment cashflows as if they were calculated under GMM. Specifically, the loss component recognised in each financial year which is measured at the unit of account level is amortised based on a systematic allocation over the coverage period of the group of contracts. The loss recovery component, which is derived by multiplying the loss component and expected reinsurance recovery ratio, is amortised on the same basis. Consequently, the loss component and the loss-recovery component recognised at initial measurement will be derecognised in orderly pattern as actual cash inflows and outflows materialise. Given that the loss recovery component is derived from loss component based on the reinsurance recovery ratio, it is always lower than the loss component.

The subsequent measurement of the liability for remaining coverage (excluding the loss component) of reinsurance inward contracts represents the unexpired risk or unearned premium received from cedants. Equally the subsequent measurement of the liability for remaining coverage (excluding the loss recovery component) of reinsurance outward contracts represents the unexpired risk or unearned premium paid to reinsurers.

(e) Presentation

IFRS 17 has significantly changed how Flood Re's reinsurance inward and outward contracts are presented and disclosed in the financial statements. Under IFRS 17, portfolios of reinsurance inward contracts that are assets and those that are liabilities, and portfolios of reinsurance outward contracts that are assets and those that are liabilities, are presented separately in the statement of financial position.

(f) Income and expense from reinsurance outward contracts

As required by IFRS 17, Flood Re has recognised and measured income and expenses from groups of reinsurance outward contracts separately, and as follows:

- The amounts recovered from reinsurers for the period; and
- Premiums incurred net of fixed commission received.

These balances combined provide a net amount that equates to gain, or loss on outward reinsurance for the financial year.

Reinsurers on Flood Re's Quota Share pay either a flat commission; or a linear sliding scale commission based on the incurred loss ratio. For those reinsurers paying a flat commission Flood Re is guaranteed commission at that flat fixed rate irrespective of what the incurred loss ratio is. All commission received on a flat rate is treated as fixed. Commission received greater than the minimum is treated a variable, as this element is driven by the profitability of the reinsured risk period.

Under IFRS 17 Flood Re treats fixed commission as a discount on quota share premium payable, therefore it is deducted from premium and the net premium is disclosed. Variable commission is treated and disclosed as claims recovery cash inflow.

(g) Discounting the liability for incurred claims

In applying the PAA to reinsurance contracts, Flood Re has applied discounting to the cashflows required to calculate the liability (and asset) for incurred claims and the projected BBNI cashflows, or for calculating the loss component and loss-recovery component.

(h) Disaggregate the change in the risk adjustment for non-financial risk

Flood Re does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change in the insurance service result.

(i) Disaggregate insurance finance income between Statement of Profit or Loss and OCI

Entities are required to make an accounting policy choice as to whether to disaggregate insurance finance income or expenses for the period between Statement of Profit or Loss and Other Comprehensive Income, with the choice available at the level of portfolios of insurance contracts. Flood Re does not disaggregate insurance finance income or expense amounts to OCI.

2.10 Loss component

The liability for onerous contracts known as the loss component is part of the of the LFRC. Requirements for the measurement of the liability of the remaining coverage of onerous contracts under the PAA measurement method is similar to the measurement of fulfilment cashflows using the general model if insurance contracts are onerous.

Despite the loss component being a separate and distinct disclosure item, it is derived from the LFRC fulfilment cashflows corresponding to the BBNI portion of the LFRC (excluding the loss component). It represents the 'top up' of the LFRC as follows:

- At initial recognition, or when contracts subsequently become onerous, by calculating an increase in the LFRC (specifically the loss component of LFRC) for the expected excess outflow
- Where the loss component is reversed, the change in the LFRC, either positive or negative, will be recognised in Profit or Loss

Therefore, the carrying value of the LFRC (excluding the loss component) will be relevant for each group (e.g., annual cohort) at each reporting date, both at initial recognition and in subsequent reporting periods. This requires us to determine and maintain both insurance revenue earned and premium receipt records in accordance with the groups of contracts formed at initial recognition. Accordingly, by the end of the coverage period of each group of contracts, the carrying value of the loss component is reduced to zero.

Under the IFRS 17 PAA model, the measurement of the LFRC, excluding the loss component cashflows, is not required to be subjected to present value calculations. However, when measuring loss component and loss-recovery component discounting is applied to the projected cashflows. Similarly, for LFIC using PAA, Flood Re discounts the cashflows that are expected to occur more than one year after the date on which the claims are incurred. The LFIC measurement also includes an explicit risk adjustment for non-financial risk.

2.11 Loss-recovery component

Flood Re recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group. In addition, the Company establishes a loss-recovery component within the AFRC for a group of reinsurance outward contracts held to mitigate the expected losses incurred on underlying contracts, through reinsurance recoveries.

A loss-recovery component is subsequently reduced to zero at the end of the coverage period in line with the treatment applied to the onerous group of underlying insurance contracts, to reflect that the loss-recovery component cannot exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance outward contracts.

2.12 Cash and short-term deposits

Cash and short-term deposits comprise cash at bank, and short-term deposits invested with the DMO, with a maturity of three months or less, or with a maturity up to six months where they are not subject to a significant risk of change in value. The treatment of deposits for the purposes of the Statement of Cash Flows separates deposits placed for three months or less and those placed for durations above three months, for the purposes of identifying Cash and cash equivalents.

2.13 Current and deferred income tax

The tax expense for the period comprises current and deferred tax.

(a) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income respectively and not in the statement of profit or loss.

(b) Deferred tax

Deferred tax is provided using the liability method in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

A net deferred tax asset is recognised as recoverable only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying temporary differences can be deducted.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally-enforceable right exists to set off current tax assets against current tax liabilities.

Deferred tax is measured on an undiscounted basis.

Current and deferred taxes are recognised as income tax benefits or expenses in the income statement except for tax related to the fair value remeasurement of debt instruments at fair value through OCI, which are charged or credited to OCI. These are subsequently reclassified from OCI to the income statement together with the respective deferred loss or gain.

2.14 Leases

The Company assesses whether a contract is or contains a lease at the inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. In calculating this, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments)

- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation, impairment losses and adjusted for any re-measurement of lease liabilities.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented within property, plant and equipment in the statement of financial position.
An impairment review is performed whenever there is an indication of impairment. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss.

2.15 Other payables

Trade and other payables are recognised when services are rendered. They are initially recognised at fair value and then subsequently held at amortised cost.

Trade and other payables comprise accruals and deferred income and include Levy I payments received in advance of the invoice date.

2.16 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset only if the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.17 Contingent liabilities

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation but either an outflow of resources is not probable, or the amount cannot be reliably estimated.

2.18 Revenue recognition

(a) Insurance service revenue

The insurance service revenue for the period is the amount of expected premium receipts allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate. For the period presented, all revenue has been recognised on the basis of the passage of time.

(b) Levy income

Levy income is payable by UK household insurers in proportion to their respective market shares as required under Statute. There is no service delivery obligation that the Company is required to fulfil in relation to the Levy. Levy income is recognised when it is due on 1 April of each year and is payable quarterly and measured at amortised cost of the consideration received or receivable.

(c) Interest on cash and short-term deposits

Interest on cash and short-term deposits consists of interest income from deposits, less expenses and charges. Interest is recognised when earned and is accrued using the effective interest rate method.

(d) Investment income

Investment income consists of interest income from all interest-bearing financial instruments. Investment income is recognised when earned and is accrued using the effective interest rate method.

2.19 Expenses recognition

(a) Insurance finance income or expense for reinsurance inward contracts

Flood Re's Insurance finance income comprises the change in the carrying amount of the Company's group of reinsurance inward contracts relating to LFIC cashflows and projected cashflows relating to the loss component calculation (i.e., typically relating to insurance liabilities). We note that a change relating to a net reinsurance inward contracts liability position could also generate additional finance income.

These changes arise from:

- the effect of the time value of money and changes in the time value of money (discounting)
- the effect of changes in assumptions that relate to financial risk.
- changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

Such changes are presented as insurance finance income or expenses.

(b) Reinsurance finance income or expense for reinsurance outward contracts

Insurance finance expenses comprise the change in the carrying amount of the group of reinsurance outward contracts relating to the AFIC cashflows and projected cashflows relating to the loss-recovery component calculation (i.e. typically reinsurance assets) arising from discounting. These changes arise from the effect of the time value of money and changes in the time value of money together with changes in financial risk assumptions.

Flood Re does not disaggregate insurance finance income or expense amount presented in the Statement of Profit or Loss and in other comprehensive income.

(c) Finance costs

Interest paid is recognised in the Statement of Profit or Loss as it accrues and is calculated using the effective interest rate method. Accrued interest is included within the carrying value of the interest-bearing financial liability.

Cash transfer and transaction fees attached to purchase of gilt investments and payment of annual broker fee and charges are accrued as investment expenses and is charged as finance costs, whereas interest income is credited to finance income.

(d) Employee benefits

Short-term employee benefits, including salaries, accrued bonuses, pension contributions and social security costs, are recognised on an undiscounted basis over the period in which employees provide the services to which the payments relate.

The Company recognises a bonus accrual where contractually obliged or where there is a past practice that has created a constructive obligation.

The Company pays contributions to an independently-administered defined contribution pension fund. The Company has no further payment obligations once the contributions have been paid.

Termination benefits are recognised when approved by the Remuneration Committee and the Company is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of a compulsory redundancy.

3. Critical accounting estimates and judgements

The preparation of Flood Re's Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future reporting periods.

The key assumptions concerning the future and other key sources of estimation and uncertainty at the reporting date – which could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year - relate to the valuation of insurance contract liabilities, specifically the LFIC and LC within the LFRC. Sensitivities are disclosed in Note 4 and the valuations are disclosed in Note 16. The most critical elements of estimating the insurance contract liabilities are as follows:

(a) Liability for incurred claims – estimate of undiscounted future cashflows

The Company's most critical accounting estimate is the estimation of the ultimate liability arising from claims made under reinsurance inward contracts.

Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims, incurred but not yet reported (IBNR), at the reporting date in respect of inwards reinsurance contracts. It can take a period of time before the ultimate claims cost can be established with certainty.

The ultimate cost of outstanding claims is estimated using standard actuarial techniques, supplemented with bespoke methods where appropriate.

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. As Flood Re does not have a relative long period of history, management has incorporated the Bornhuetter-Ferguson method for attritional claim development.

Estimating the ultimate cost of losses resulting from catastrophic events is inherently difficult due to the uncertainty of catastrophe claims. As a result of this uncertainty, it is often harder to determine the future development of these claims with the same degree of reliability as with other types of claim. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future: for example to reflect one-off occurrences (including changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims from the range of outcomes, taking account of all the uncertainties involved.

Further details are disclosed in Note 16.

(b) Liability for remaining coverage – estimate of loss component

Due to the fact that the inwards reinsurance contracts which Flood Re underwrites are, by design, onerous and due to the extent of the contract boundary, it is necessary to estimate the ultimate cost of business for which the Company could be committed to underwrite and establish a liability for this amount.

Estimates need to be made (amongst other, less critical estimates) of the expected volume of business that will be ceded to Flood Re over the subsequent twelve months and, in addition, an estimate must be made of the expected claims that will arise from this future business in order to establish the loss component. There are additional judgements being incorporated for when applying loss ratios to calculate the loss components.

Historical trends coupled with judgments regarding cedent behaviour are used to estimate the future business expected to be ceded to Flood Re. Similarly, historical trends are used to estimate the claims that will arise from this business. Due to the inherent volatility of claims, especially those from catastrophe events, a significant amount of judgment is needed in order to estimate claims since, by definition, the claims will relate to events which have not yet occurred.

Further details are disclosed in Note 16.

(c) Other estimates without a significant risk of material adjustment

Discount rates

For the calculation of SII technical provisions, Flood Re uses the Sterling-denominated risk-free yield curves prescribed by the Bank of England, currently based on EIOPA methodology, for deriving risk-free rates based on observable current market prices. In order to leverage the existing SII process, Flood Re applied the IFRS 17 bottom-up method for deriving yield curves, with the SII risk-free rate as the liquid risk-free rate. Specifically Flood Re has applied the SONIA forward rates equivalent of the SII risk-free rates to derive the present value of liability for incurred claims, the loss component and loss-recovery component. Currently the illiquidity premium has been determined to be nil therefore the risk-free rate is equivalent to the bottom up rate relevant to IFRS 17 valuation.

Claims liabilities are typically classified as illiquid because the policyholder has to wait until a claim is settled to receive a payment. In Flood Re's case, claims are on average settled within 12-18 months of being incurred for inwards treaties.

The assessment of the nil illiquidity premium is appropriate and is further supported by the fact that Flood Re's liabilities are short tailed as is the nature of Flood Risk. Moreover, all liabilities are in a single currency, and as such it is appropriate not to adjust the risk free yield curve for an illiquidity premium. The size of an illiquidity adjustment to the risk-free yield curve would need to be significant to have a material impact on the discounting benefit under IFRS 17, therefore, under the bottom up approach, the current SII risk free yield curves, with no adjustment for illiquidity premiums has been agreed as appropriate for discounting IFRS 17 liabilities.

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid AAA-rated sovereign securities of the insurance contract liabilities. The illiquidity premium is determined by reference to observable market rates, however this is currently zero as Flood Re's cashflows are short-tailed.

Discount rates applied for discounting of future cash flows are listed below:

		1 Year	3 Years	5 Years	10 Years
2022-23	GBP	0.98%	0.95%	0.92%	0.85%
2023-24	GBP	0.98%	0.94%	0.91%	0.83%

Risk adjustment for non-financial risk

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

The Company has estimated the risk adjustment on LFIC using a confidence level (probability of sufficiency) approach at the 75-85th percentile range. That is, the Company has assessed its indifference to uncertainty for its product (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 75-85th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

The risk profile of inwards claims is highly skewed and as a result, the mean of the expected gross claims cashflows is consistent with the 79th percentile gross claims outcome. By default, the mean of the LFRC inwards gross claims cashflows already provide sufficiency to the 75-85% percentile range targeted by management for earned business. It was concluded that Flood Re do not require a margin for inwards claims risk beyond the mean expected cashflows for unearned business. And the outwards contracts do not present any material downside risk beyond the potential for reinsurance default already materially captured within the best estimate of the liability cashflows. Management concluded that no additional risk adjustment is required on LFRC outwards business.

4. Risk

4.1 Insurance risk

(a) Premium risk

Premium risk is defined as the risk of loss or of adverse change in the value of insurance liabilities due to inadequate pricing assumptions.

The premium the Company charges is not reflective of the underlying risk that the Company assumes. The Company's principal objective is to enable the continued availability of affordable flood cover for households at risk of flooding and to manage a transition to a market with risk-reflective pricing over a 25-year period. Accordingly, the Company's premium risk strategy is to charge insurers a subsidised fixed rate that is set according to the council tax band associated with the insured property.

The premiums the Company charges have been set at a level that is:

- Below the maximum the Company can charge its cedants
- Below the level that would be charged for properties with the highest risk if prices fully reflected those risks; this provides a subsidy for those properties judged to be at risk and improves affordability
- Still sufficiently high to ensure that insurers only cede those properties at high risk; this ensures that the industry retains a significant portion of household flood risk that can affordably and profitably be covered in the open market

The Company expects that assumed premium will not be sufficient to cover the estimated mean cost of claims. The cost of the subsidy provided through the premium charged is met by a Levy raised from all insurers writing home insurance in the UK. The Levy for the first six years of the Scheme was set at £180m per annum. From 1 April 2022 for the following three years, this was decreased to £135m. The outwards reinsurance programme is structured hand in hand with the setting of Levy 1 every three years to manage Flood Re's Solvency and Loss Limit Risk Appetites.

(b) Reserve risk

Reserve risk is defined as the risk of loss or of adverse change in the value of insurance liabilities due to the actual future costs of claims differing from expectations based on reserving assumptions. This is influenced by the frequency of claims, the severity of claims, the timing of actual claims payments and the development of the claims over a period of time.

Overview

The Company provides reinsurance protection for a single risk (property damage) and a single peril (flood) within the UK. Claims are linked to weather and other events that cause floods. The responsibility for settling flood claims remains with the direct insurer. The maximum loss payable by the Company is limited to the sum insured less a £250 policy deductible or end consumer policy deductible, if larger. The Company monitors flood risk exposure on a per risk and on an aggregate sum insured basis and performs exposure modelling on at least a quarterly basis or on the occurrence of an event.

Given the relatively high cost of flood claims compared with the size of typical household claims, most flood claims will have been assessed by a loss adjuster before being notified to the Company. Furthermore, using strict claims review policies, performing regular detailed reviews of claims handling procedures and the frequent investigation of possible fraudulent claims also help reduce the risk exposure of the Company. The Company enforces a policy of actively managing and promptly pursuing claims to reduce its exposure to unpredictable future developments that can negatively impact the business.

Claims settlement period

Claims are typically settled within two years. Claims bordereaux are received on a monthly basis and the Company is required to pay a claim within 30 days once the underlying claim has been settled by the cedant.

Reserving methodology and assumptions

The liability for incurred claims are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not.

A risk adjustment is held, with the level being a management judgement rather than an actuarial judgement. The Board has an appetite for a probability of sufficiency between 75% and 85%. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims and in accordance with the related reinsurance contracts.

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim inflation factors and claim numbers for each accident year.

Uncertainty

Qualitative judgements are used to assess the extent to which past trends may not apply in the future. There will be uncertainty around:

- The number of flood-affected properties ceded to the Company
- The portfolio mix of business impacting average premium and average claims cost assumptions, for example:
    - Split of business by council tax band
    - Type of policy (buildings only, contents only or combined cover).
- Variability in the actual claims pay-out patterns
- Delays in notification of claims to the Company
- Assessment of the level of claims costs, including aspects such as additional living expenses
- The post-loss amplification impact on claims and inflationary pressures, as households experience increased building materials, contents and repair costs
- Recoverability of amounts due under the outwards reinsurance programme

Sensitivity

The Company is most sensitive to the assumptions utilised in the estimation of insurance claims liabilities, which comprise attritional, large and catastrophic flood events, impacting the gross loss ratio. Scenario analysis is used to assess the sensitivity to changes in key assumptions and the resulting gross loss ratios. The use of scenario analysis helps to illustrate the potential financial impact of assumptions varying from expectations where there is little or no historical data and in turn this is used to inform the risk adjustment.

The following analysis is designed to consider reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions were changed on an individual basis.

This analysis sets out the material impact on the net profit of the business, driven by the impact on the Insurance service result. Our analysis of the impact for all non-insurance related cashflows suggests they would not materially alter the outcome of this analysis, particularly as the interest rate on our investments in Gilts and Treasury Bills are locked in at issuance, and would be materially unaffected by inflation rates given their short term nature.

	2024 Change in gross claim reserves £000	**2024 Change in net claim reserves £000**	**2023 Change in gross claim reserves £000**	**2023 Change in net claim reserves £000**
10% increase in gross loss reserves	52,534	11,492	29,118	14,018
10% decrease in gross loss reserves	(52,534)	(11,493)	(29,118)	(15,095)
Additional inflation of 5%	26,267	5,746	14,559	7,546
Reduce inflation by 2.5%	(12,813)	(2,803)	(7,102)	(3,682)

Large losses

The Company defines a large loss as an individual claim in excess of £0.4m. Large losses may exhibit different characteristics to attritional claims and are subject to separate actuarial reserving analysis. During the year ended 31 March 2024, the Company had incurred 47 large losses (2023: 28 large losses) in all years.

Loss development

In setting liability for incurred claims, the Company considers the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the required confidence in the adequacy of the provisions is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherent in the estimation process, the actual overall liabilities for incurred claims may not always turn out to have been in surplus. The table below shows the development of ultimate claim cost, calculated on an accident year basis and gross of outward reinsurance protection purchased.

Claims development table

Gross of reinsurance inward contracts **Accident year ending 31 March**	**2018** **£000**	**2019** **£000**	**2020** **£000**	**2021** **£000**	**2022** **£000**	**2023** **£000**	**2024** **£000**
At the end of accident year	7,999	10,317	8,915	95,607	56,288	34,267	**218,521**
One year later	9,556	13,835	70,828	106,450	60,492	**35,146**	
Two years later	10,385	15,567	38,966	101,549	**61,465**		
Three years later	10,434	15,552	34,472	**101,983**			
Four years later	10,366	15,553	**30,812**				
Five years later	10,395	**15,563**					
Six years later	**10,365**						
Gross claims and other directly attributable expenses paid	**(10,365)**	**(15,456)**	**(28,360)**	**(93,509)**	**(52,615)**	**(20,519)**	**(14,201)**
- Claims liabilities							238,830
- Effect of discounting - cumulative							(7,473)
- Gross cumulative claims liabilities after discounting							**231,357**
- Risk adjustment margin for non-financial risk							**22,893**
Liabilities for incurred claims - gross of reinsurance							**254,250**

Reinsurance outward contracts Accident year ending 31 March	2018 £000	2019 £000	2020 £000	2021 £000	2022 £000	2023 £000	2024 £000
At the end of accident year	(9,714)	(13,416)	2,390	(43,476)	(29,350)	(15,718)	**(91,105)**
One year later	(14,441)	(14,989)	(26,473)	(42,798)	(43,824)	**(21,108)**	
Two years later	(14,734)	(18,830)	(11,296)	(42,242)	**(48,413)**		
Three years later	(14,736)	(19,313)	(9,216)	**(46,872)**			
Four years later	(14,719)	(19,321)	**(9,059)**				
Five years later	(14,734)	**(19,325)**					
Six years later	**(14,718)**						
Claims and other directly attributable expenses paid	**14,718**	**19,278**	**6,631**	**40,080**	**42,438**	**13,090**	**4,744**
- Total claims liabilities							(109,621)
- Effect of discounting							1,810
- Effect of risk of reinsurers non-performance							1,079
- Cumulative claims liabilities							**(106,732)**
- Risk adjustment margin for non-financial risk							**(12,553)**
Incurred claims - outward reinsurance							**(119,285)**

Net of reinsurance inward and outward Accident year ending 31 March	2018 £000	2019 £000	2020 £000	2021 £000	2022 £000	2023 £000	2024 £000
At the end of accident year	(1,715)	(3,100)	11,305	61,926	35,460	23,344	**127,416**
One year later	(4,885)	(1,154)	44,355	63,652	16,668	**14,038**	
Two years later	(4,349)	(3,263)	27,671	59,307	**13,052**		
Three years later	(4,302)	(3,761)	25,256	**55,111**			
Four years later	(4,352)	(3,769)	**21,754**				
Five years later	(4,339)	**(3,762)**					
Six years later	**(4,354)**						
Claims and other directly attributable expenses paid	**4,354**	**3,822**	**(21,729)**	**(53,429)**	**(10,177)**	**(7,430)**	**(9,457)**
- Claims liabilities							129,209
- Effect of discounting - cumulative							(5,663)
- Effect of risk of reinsurers non-performance							1,079
- Net cumulative claims liabilities after discounting and risk adjustment							**124,625**
- Risk adjustment margin for non-financial risk							**10,340**
Liabilities for incurred claims - net of reinsurance							**134,965**

Catastrophe risk

The Company's most significant insurance risk exposure is to losses arising from infrequent, high severity catastrophe flood events. The Company relies on probabilistic catastrophe risk modelling to assess their claims potential.

The table below shows the probable maximum loss, on a prospective basis, for different levels of severity of catastrophe loss years. The estimates allow for new business as well as run-off of existing liabilities for the portfolio as at 31 March 2024. Between Year End 2023 and Year End 2024, there has been no change in the Company's view of flood risk. Therefore, the movement between the dates only reflects the change in the Company's exposure.

	2024 Estimated gross claims £000	2024 Estimated net claims £000	2023 Estimated gross claims £000	2023 Estimated net claims £000
1 in 50 year or 2% probability	1,091,022	120,292	912,265	118,236
1 in 200 year or 0.5% probability	2,102,716	131,926	1,733,429	127,679
1 in 250 year or 0.4% probability	2,208,683	133,144	1,897,541	129,566

Flood occurrence in the UK varies significantly year on year, due to the inherent volatility in the peril. The year ending 31 March 2024 was more active for catastrophe flood events than the prior year. Storm Babet caused significant flooding in October 2023 and was followed in January 2024 by Storm Henk which caused further flooding, although of lower severity.

The Company uses both its own and commercially available proprietary risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable, or that claims arising from an un-modelled event are greater than those arising from a modelled event. A further element of Flood Re's assessment of Catastrophe flood risk is understanding the near-term impact of climate change on UK flood risk, which the Company considers alongside its periodic review of available flood models as it constructs an in-house view of risk.

(c) Risk mitigation

The Company purchases reinsurance as part of its overall risk mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis and is the Company's primary mechanism for managing and mitigating insurance risk.

The Company Scheme document establishes the requirement for the Company to set an annual aggregate loss amount ('Liability Limit'). The Liability Limit for the year ended 31 March 2024 was £2.1bn (2023: £1.9bn). Each financial year, the amount of the Liability Limit is adjusted for the change in the Consumer Price Index in the prior calendar year. During the last annual QQR process the Liability Limit was adjusted and reset to £1.9bn for 2022/23 with effect from 1 April 2022 for a period of three years. If claims were to exceed the Liability Limit, relevant insurers would continue to be liable to policyholders in accordance with the terms of the insurance policy sold.

Flood Re requires that the outwards reinsurance purchased protect the full Liability Limit. Furthermore, HM Government requires that Flood Re protect itself from an annual accounting loss above £100m in any one accounting period. To provide for both of these requirements Flood Re has purchased an extensive reinsurance programme.

Amounts recoverable from reinsurers are estimated in a manner consistent with the liability for incurred claims and in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded reinsurance, to the extent that any reinsurer is unable or unwilling to meet its obligations assumed under such reinsurance agreements.

4.2 Market risk

(a) Interest rate risk

Interest rate risk is the risk that the fair market value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. An increase in interest rates will result in a decrease in the market value of fixed rate debt securities and vice versa.

The Company has limited exposure to interest rate risk due to the short-term nature of its assets and liabilities. Insurance contract liabilities are subject to discounting and are not interest bearing. As a consequence, investment income will vary in line with the prevailing interest rate environment.

(b) UK Government Bond holdings

As at 31 March 2024, the Company holds financial instruments in UK Government bonds and Treasury bills, classified as at fair value through other comprehensive income in its investment portfolio (see liquidity risk in relation to cash and short-term deposits).

Market concentration risk

Concentration risk is the risk of a financial loss arising from a lack of diversification in the investment portfolio or from a large exposure to any single issuer or sector.

The Company has a conservative market risk strategy that prioritises capital preservation over investment return. The investment mandate agreed between the Company, UK Government and the insurance industry restricts the type of holdings that may be invested in. The Company only invests in UK Government-backed securities (Gilts, Treasury notes and UK Government-backed liquidity funds).

Through its designation as a Public Body, the Company has access to and uses the UK Debt Management Office (DMO) for investment purposes. As at 31 March 2024, the Company has £546.9m (2023: £259.8m) of short-term deposits invested with the DMO, representing 61% (2023: 34%) of its total invested assets portfolio including debt instruments.

(c) Equity risk, property risk, corporate credit spread risk and foreign currency risk

The Company does not currently have any risk appetite or exposure to equity risk, property risk, corporate credit spread risk or foreign currency risk. Other than immaterial sundry expenses, all transactions are settled in pounds sterling.

4.3 Liquidity risk

The Company defines liquidity risk as the risk of not being able to meet current and future financial obligations as and when they fall due, or only being able to do so at excessive cost.

The Company must always maintain sufficient liquidity to support its cedants by settling claims quickly. The Company generates cash inflows from Levy I, premium and investment income and is exposed to significant cash outflows arising from reinsurance costs, claims costs mitigated by reinsurance recoveries, and operating expenses.

The Company monitors its liquidity and future cash flow requirements on a regular basis and maintains a highly liquid, quality investment portfolio. There is uncertainty around the timing and severity of claims costs and so the maturity profile of the Company's invested assets is aligned to the short-term nature of the business which has short tail claims in which liabilities are generally incurred and settled within one to two years.

For the period ending 31 March 2025, the Company anticipates the generation of positive cash flows, absent large flood event costs.

As at 31 March 2024, the Company has liquid assets of £842.9m, made up of cash, DMO and treasury bills (2023: £725.8m), representing 72% (2023: 80% restated) of its total equity and liabilities and 1276% (2023: 1114%) of the Solvency Capital Requirement (SCR).

4.4 Counterparty credit risk

The Company defines Counterparty credit risk as the risk of not recovering money owed to the Company by third parties. The Company's maximum exposure to credit risk is the gross carrying value of its Levy receivables, reinsurance premium receivables, reinsurance outward recoveries, trade and other receivables, debt instruments at fair value through other comprehensive income and cash and short-term deposits.
The Company uses issuer credit ratings provided by external credit rating agencies to monitor the ongoing creditworthiness of its counterparties, together with other publicly available data and market information.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Reinsurance counterparties require a minimum credit rating of A- (S&P equivalent) or provide equivalent collateralisation. Flood Re's Credit Risk Appetite Statements set out the maximum single counterparty exposure aligned to their credit ratings. These risk appetites seek to balance RI Counterparty credit risk with pricing and placement risks.

Cedants submit premium bordereaux and settlement is due 30 days thereafter. Levy income has a statutory basis and is due quarterly in advance. The level of aged debtor balances is monitored monthly.

(a) Credit rating

The table below shows the credit rating by financial asset type as at 31 March 2024.

	Note	AA £000	A £000	NR £000	Total £000
Other receivables	17	4,790	-	795	**5,585**
Debt instruments at fair value through other comprehensive income	18	343,643	-	-	**343,643**
Cash and short-term deposits	19	546,900	9,257	-	**556,157**
Total		**895,333**	**9,257**	**795**	**905,385**
		99%	1%	0%	100%

The table below shows the credit rating by financial asset type as at 31 March 2023.

	Note	AA £000	A £000	NR £000	Total £000
Other receivables	17	2,654	-	692	**3,346**
Debt instruments at fair value through other comprehensive income	18	498,066	-	-	**498,066**
Cash and short-term deposits	19	259,800	13,775	-	**273,575**
Total		**760,520**	**13,775**	**692**	**774,987**
%		98%	2%	0%	100%

(b) **Age analysis**

The table below shows the aged debtor analysis by asset type as at 31 March 2024.

31 March 2024	Note	Not yet due £000	30 days £000	90 days £000	Total £000
Other receivables	17	5,585	-	-	**5,585**
Debt instruments at fair value through other comprehensive income	18	343,643	-	-	**343,643**
Cash and short-term deposits	19	556,157	-	-	**556,157**
Total		**905,385**			**905,385**
%		100%	0%	0%	100%

As at 31 March 2024 the Company has received £26.9m (2023: £25.9m) of the 2024 Levy in advance (see Note 21).

The table below shows the aged debtor analysis by asset type as at 31 March 2023

31 March 2023	Note	Not yet due £000	30 days £000	90 days £000	Total £000
Other receivables	17	3,346	-	-	**3,346**
Debt instruments at fair value through other comprehensive income	18	498,066	-	-	**498,066**
Cash and short-term deposits	19	273,575	-	-	**273,575**
Total		**774,987**	**-**	**-**	**774,987**
%		**100%**	**0%**	**0%**	**100%**

(c) Impaired financial assets

Other receivables in Note 17 are in line with Accounting Policy per Note 2.8(d), the Company applies a simplified approach in calculating ECLs in relation to trade and other receivables. The identified impairment loss was immaterial.

The Company held cash deposits with a UK financial institution and short-term deposits with the UK Debt Management Office as detailed in Note 19 totalling £556.1m at 31 March 2024 (31 March 2023: £273.5m). During the period 2023/24 the Company invested in debt instruments as detailed in Note

18 totalling £343.6m at 31 March 2023 (31 March 2023: 498.1m). All these have low credit risk, based on the external credit ratings of the counterparties.

The Company therefore applies the low credit risk simplification and measures ECLs on cash and short-term deposits and debt instruments at fair value through other comprehensive income on a 12-month basis. The Company concluded that the provision for expected credit losses on these balances was not material to the financial statements.

4.5 Operational risk

The Company defines operational risk as the risk of financial loss due to inadequate or failed internal processes, people and systems, or from external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company manages operational risks to minimise financial losses, and risks to its reputation and industry standing.

The Company's business strategy actively looks to a number of operational outsourcing arrangements, some of which are regarded as critical or important to the running of the business (Material Outsourcers), as opposed to developing the functionality in-house. Flood Re's handful of material outsourcer's deliver services and systems including the Property Data Hub (PDH), Work Place IT and our Bordereau Management System. The Company continues to use Guy Carpenter to provide support in relation to catastrophe modelling, geo-coding and capital modelling.

The relationship with, and management of, the outsourced service providers is a key component of the Company's operational risk profile. The Company's operational risk policies and procedures set out how various operational risks are managed, within Board-approved risk appetite statements, throughout the Company. Other key operational risks the company seeks to actively manage include; Information Security/Cyber, Inappropriate Cedant Behaviour and data quality/model risks. The Operations Sub-Committee has responsibility for the day-to-day oversight and governance of outsourcing performance and the wider operational risk profile of the firm.

5. Capital management

(a) Capital objectives

The principal objectives of the Company's capital management framework are:

- Preservation of capital to ensure the long-term financial stability of the Company
- Policyholder protection through maintenance of capital margins in excess of regulatory capital requirements
- Maintenance of an appropriate Standard and Poor's financial strength credit rating of A (stable)

(b) Sources of capital

The Company is a company limited by guarantee and has no issued share capital. For the purposes of the Company's capital management, capital includes:

- Retained profits (Tier I basic own funds)
- Mutual Members accounts (Tier 1 restricted basic own funds)
- Uncalled Levy II income (Tier 2 ancillary own funds)
- Deferred tax assets (Tier 3 basic own funds)

Solvency II own-fund items are classified into three tiers. The classification depends on whether they are basic own fund or ancillary own fund items. Ancillary own funds are commitments to provide capital items to an insurer which, if called, would be available to absorb losses and therefore qualify as basic own funds.

The Company charges cedants subsidised fixed-rate premiums. To meet the costs of this subsidy, Levy I income is raised in aggregate from all insurers writing home insurance in the UK. The Levy has a statutory basis and provides the Company with a guaranteed income stream. This income stream allows the Company to protect its capital base by purchasing reinsurance protection and also to build up a surplus of funds during low loss occurrence years so that it can withstand large catastrophic loss events.

The Company can issue a compulsory call for additional funding from the industry through a Levy II top up mechanism. Levy II contributions received from the Ordinary Members of the Company are initially recognised in a mutual member account (MMA) within equity. Levy II contributions received from non-Members are treated as income in accordance with Levy I. Ordinary Members of the Company are potentially eligible for their Levy II contributions to be returned, subject to Board and Prudential Regulatory Authority approval.

(c) Capital adequacy

The table below shows the Company's available capital for the years ending 31 March 2024 and 2023. The Company has complied at all times with the regulatory Minimum Capital Requirements and the Solvency Capital Requirements.

		2024 £000 *Unaudited*	2023 £000 *Unaudited* ***Restated***
Basic own funds (Tier 1 unrestricted)	A	711,384	655,750
Deferred tax assets (Tier 3)	B	-	-
Total basic own funds		**711,384**	**655,750**
Ancillary own funds (Tier 2) – 50% of the SCR	C	33,024	32,574
Available own funds	A+B+C	**744,408**	**688,324**
Eligible own funds	A+C	**744,410**	**688,324**
Solvency Capital Requirement (SCR)		66,047	65,148
Minimum Capital Requirement (MCR)		16,512	16,287
Ratio of eligible own funds to meet the SCR		1127%	1057%
Ratio of basic own funds to meet the MCR		4308%	4026%

Reconciliation of equity to basic own funds	**2024** **£000**	**2023** **£000** ***Restated***
Equity on an IFRS 17 basis	661,328	644,150
Adjustments in respect of:		
Decrease in valuation of assets	(7,186)	(19,068)
Increase in valuation of technical provisions	74,934	45,318
(Increase)/decrease in the valuation of other liabilities	(17,692)	(14,650)
Total basic own funds	**711,384**	**655,750**

The Flood Re Partial Internal Model ("PIM") was approved by the PRA for use to determine the regulatory Solvency Capital Requirement ("SCR") from 1 April 2020. Since its approval Flood Re PIM has had three Major Model Changes (MMC) with the last change approved as at 30 March 2023.

Following the approval of Flood Re's partial internal model, supervisory assessment is no longer required. Additionally, in line with market practice, the outputs of the partial internal model (and other elements which are partially derived from the model) are not subject to audit and consequently are marked "unaudited".

(d) Partial Internal Model (PIM)

As at 31 March 2024, the SCR of £66.0m (2023: £65.1m) was calculated using the Partial Internal Model, which was approved for use from 1 April 2020 onwards to determine the regulatory SCR. Flood Re now has a PIM as defined in Article 112 of Directive 2009/138/EC to calculate the regulatory SCR. In particular, this means that Flood Re's SCR is composed of:

- Internally-modelled elements, using stochastic and deterministic parameters and methods specifically for:
- Premium and catastrophe risk
- Reserve risk
- Counterparty credit risk and
- Operational risk
- Market Risk calculated using prescribed deterministic parameters and/or methods, as per the Standard Formula
- A Standard Formula correlation approach for the aggregation of risk elements

Flood Re model different risk areas separately and then aggregate the modelled outputs to create the Company's overall SCR; this aggregation takes any relationships that exist between different risk types or risk areas into account.

Before building its model, Flood Re assessed its business needs and used objective criteria to determine which risk criteria should be included. Flood Re's Risk Register was also mapped to the Company's proposed model scope to ensure all relevant and quantifiable risks were captured.

The key uses of the model include**:**

- Assessing current and projected capital requirements
- Business planning and future financial projections, including the impacts of proposed QQR changes to the Scheme
- Reviewing the structure and effectiveness of the reinsurance programme
- Monitoring risk appetite
- Cash flow analysis
- Input to the Own Risk and Solvency Assessment (ORSA)
- Informing investment decisions and management of liquidity

(e) Ancillary own-funds

The PRA has approved that the Company may utilise up to 50% of the SCR, capped at a monetary amount of £75m, as a method by which uncalled Levy II may be recognised as ancillary own fund items. Initial approval covered the period 29 March 2019 to 31 March 2022, and in 2021/22 the approval was extended for a further 5 years to 31 March 2027. The minimum frequency of the recalculation of ancillary own funds is every three months.

(f) Eligibility and limits applicable to own funds

The Company must ensure that it has enough capital of sufficient quality to meet the SCR and MCR eligibility requirements.

The Company must be able to meet at least 50% of its SCR with its Tier 1 own funds, of which only 20% can be restricted. A maximum of 15% of the SCR may be met by Tier 3 Capital. A maximum of 50% of the SCR may be met by Tier 2 and Tier 3 capital.

The Company's Minimum Capital Requirements must be met with a minimum of:

- 80% of basic Tier 1 own funds

- 20% of basic Tier 2 own funds

As at 31 March 2024 and 2023, 100% of the SCR and MCR requirements are met with unrestricted Tier 1 own funds.

(g) Dividend distributions

There is no requirement for the Company to redistribute to its Ordinary Members the accumulated surplus held in the Mutual Membership Account (MMA). The Company may repay Mutual Members balances that relate to previous Levy II calls from the industry provided that:

- The accumulated surplus capital is in excess of the SCR requirements
- A period of five years has elapsed since the original Levy II call was made
- The PRA approves the distribution to Ordinary Members

The Company has not called nor received any Levy II contributions during the years ended 31 March 2024 and 2023. The accumulated MMA as at 31 March 2024 is £nil (2023: £nil) and there are no foreseeable dividend distributions.

6. Segment information

The Company does not report information in segments as 100% of business relates to UK-based flood peril reinsurance.

7. Levy income

The Flood Reinsurance (Scheme Funding and Administration) Regulations 2015 and The Flood Reinsurance (Scheme and Scheme Administrator Designation) Regulations 2015 (collectively 'the Regulations') enable the Company, among other matters, to raise an annual insurance industry Levy I.

The Levy I is set out in the Regulations and is payable by UK household insurers. From 1 April 2022 the Levy I reduced to £135m, therefore Levy I income for the year ended 31 March 2024 was £135m (2023: £135m).

The Company could also issue a compulsory call for additional funding from UK household insurers through a Levy II top up mechanism. Levy II contributions received from the Ordinary Members of the Company are initially recognised in a mutual member account within equity. Levy II contributions received from non-members are treated as income in accordance with Levy I.

No Levy II has been raised during the life of the Scheme.

8. Investment income and net insurance financial result

The table below presents an analysis of total investment income and reinsurance finance result recognised in profit or loss and other comprehensive income in the period:

31 March 2024	Reinsurance related		Non-Reinsurance	Total
	Inward	Outward	related	
	£000s	£000s	£000s	£000s
Income recognised in the profit or loss:				
Interest accreted to insurance contracts using current financial assumptions	(5,033)	2,198	-	(2,835)
Due to changes in interest rates and other financial assumptions	37	(58)	-	(21)
Net interest from debt investments calculated using the effective interest method	-	-	1,023	1,023
Decline of discounts from debt investments	-	-	32,728	32,728
Net interest income from DMO	-	-	5,427	5,427
Interest income from savings account	-	-	649	649
Total amounts recognised in the profit or loss	(4,996)	2,140	39,827	36,971
Amounts recognised in OCI	-	-	-	-
Total investment income	**(4,996)**	**2,140**	**39,827**	**36,971**

During the year, the Company invested in short-term deposits with the DMO and earned total net interest income of £6.1m (2023 £10.5m).

31 March 2023	Reinsurance related		Non-Reinsurance	Total
	Inward	Outward	related	
	£000s	£000s	£000s	£000s
Income recognised in the profit or loss:				
Interest accreted to insurance contracts using current financial assumptions	(1,451)	569	-	(882)
Due to changes in interest rates and other financial assumptions	189	(91)	-	98
Net Interest from debt investments calculated using the effective interest method	-	-	292	292

Decline of discounts from debt investments	-	-	2,906	2,906
Net interest income from DMO	-	-	10,366	10,366
Interest income from savings account	-	-	178	178
Total amounts recognised in the profit or loss	(1,262)	478	13,742	12,958
Amounts recognised in OCI	-	-	-	-
Total investment income	**(1,262)**	**478**	**13,742**	**12,958**

9. Insurance service result

The breakdown of insurance service expenses is presented below:

	2024 £000	2023 £000
Insurance revenue	53,279	48,658
Total revenue from reinsurance inward contracts	**53,279**	**48,658**
Insurance service expenses		
Incurred claims and other directly attributable expenses	(134,230)	5,929
Changes relate to past service - adjustments to the LFIC	3,283	8,445
Losses on onerous contracts and reversal of those losses	(144,844)	(104,797)
Total insurance service expenses from reinsurance inward contracts	**(275,791)**	**(90,423)**
Total insurance service result from reinsurance inward contracts	**(222,512)**	**(41,765)**

Net income/(expenses) from reinsurance outward contracts	**2024 £000s**	**2023 £000s**
Allocation of reinsurance premiums	(67,928)	(63,126)
Income on initial recognition of onerous reinsurance inward contracts	78,870	50,303
Reversals of a loss-recovery component	(46,243)	(19,855)
Effect of changes in the risk of reinsurers non-performance	723	846
Claims and other insurance service expenses recovered	100,943	16,103
Changes relate to adjustments to incurred claims and premiums recovered	16,036	9,693
Total insurance service result from outward contracts	**82,401**	**(6,036)**
Net insurance service result	**(140,111)**	**(47,801)**

10. Other operating and administrative expenses

	Note	2024 £000	2023 £000
Service contracts including outsourcing		2,052	4,665
Employee benefits expense	11	8,020	6,901
Other staff costs		760	1,001
Office costs		62	63
IT costs		1,948	1,680
Amortisation of Intangible Assets	14	769	-
Depreciation of Fixed Assets	15	1,501	1,363
Consultancy and other third-party costs		2,015	1,476
Legal, rating agency, regulatory and audit		1,367	1,078
Capital model fees and validation		285	168
PR and communications		708	454
Allocation of attributable expenses		(11,464)	(10,915)
Total other operating and administrative expenses		**8,023**	**7,934**

11. Employee benefits expense

	2024 £000	2023 £000
Wages and salaries	6,645	5,744
Social security costs	846	744
Employer pension contributions	529	413
Total employee benefits expense	**8,020**	**6,901**
Average number of permanent staff for the year	60	56
Number of permanent staff employed at the end of year	64	60

12. Auditor's Remuneration

	2024 £000	2023 £000
Fees payable for the audit of the financial statements	675	377
Total Auditor's remuneration	**675**	**377**

The final audit fees for the period to 31 March 2023 totalled £445k, of which £68k was subsequently paid in 2024.

13. Taxation

UK corporation tax charge	2024 £000	2023 £000 *Restated*
Profit before tax	23,755	92,166
Change in accounting basis for 2023	-	17,607
	23,755	109,773
Income tax charge at a rate of 25% (2023: 19%)	5,939	20,857
Disallowed expenses	15	14
Capital allowances	(16)	(8)
Change in accounting basis for corporation tax at 1 April 2023	(11,040)	-
Deferred tax asset on accounting basis change	-	(4,402)
Tax rate differential on carry back corporation tax loss for the year ended 31 March 2024 to 31 March 2023	1,224	-
Deferred tax asset brought forward at 1 April 2023 written off	11,040	-
Deferred tax on timing differences	2	(7)
Income tax expense per Statement of Profit or loss	**7,164**	**16,454**

	2024 £000	2023 £000
Net gain/(loss) on debt instruments at fair value through other comprehensive income	770	(167)
Income tax charge at a rate of 25% (2023: 19%)	(183)	42
Deferred tax on unrealised gains and losses	**(183)**	**42**

The adoption of IFRS 17 accounting resulted in the establishment of a deferred tax asset to recognise the change between IFRS 4 and IFRS 17. For corporation tax purposes, this difference is deemed to take place on the first day of the accounting period following the adjustment. This change in accounting basis resulted in an accumulated corporation tax loss for the year ended 31 March 2024. It is expected that this loss will be carried back to recover part of the corporation tax incurred in the year ended 31 March 2023, giving rise to an income tax expense for the period of £7,164k made up of a deferred tax asset utilisation expense of £11,040k and a loss carry back corporation tax repayable of £3,876k. In order to disclose the complete deferred tax impact of the change of accounting basis for the year ended 31 March 2023, the 17,607k has been removed from the prior period restated profit before tax to give rise to an accounting basis change reconciliation item at the deferred tax rate of 25%, being £4,402 (as opposed to only the rate change impact of £1,056k).

(A) Deferred tax	2024	2023
	£000	£000
Deferred tax provision as temporary differences		
Deferred tax to 31 March 2024 OCI profile	-	42
Deferred tax to 31 March 2025 OCI profile	(141)	-
Deferred tax to 31 March 2024 depreciation profile	-	(4)
Deferred tax to 31 March 2025 depreciation profile	(2)	-
Deferred tax to 31 March 2026 depreciation profile	(2)	-
Total deferred tax (liabilities)/assets	**(145)**	**38**

The UK corporation tax rate for the current financial year increased to 25% effective from 1 April 2023 that had been enacted in Finance Act 2021. Deferred tax balances have been calculated with reference to the enacted rate.

(B) Deferred tax on restatements of prior year profits

	31 March 2023	1 April 2022
	£000	£000
Impact on retained earnings due to IFRS 17		26,548
Restated profits before tax	44,160	
Deferred tax calculated @25%	11,040	6,637
Total deferred tax	**11,040**	**6,637**

The tax rate applied to deferred tax assets is the rate that is expected to apply when the temporary difference reverses. In respect of Flood Re Limited, IFRS 4 remained the statutory basis for corporation tax purposes until 31 March 2023. The timing differences established at 31 March 2023 could not be utilised until IFRS 17 was the basis for corporation tax, which for Flood Re Limited is the year ended 31 March 2024. The tax rate to be applied to the deferred tax asset at 1 April 2022 and 31 March 2023 is 25%.

14. Intangible assets

	Software
	£000
At Cost	
Opening balance as at 1 April 2023	4,797
Additions	1,654
Closing balance as at 31 March 2024	**6,451**
Accumulated amortisation	
Opening balance as at 1 April 2023	-
Amortisation charge	769
Closing balance as at 31 March 2024	**769**
Carrying amount at 31 March 2024	**5,682**

	Software
	£000

At Cost and carrying amount	
Opening balance as at 1 April 2022	-
Additions	4,797
Closing balance as at 31 March 2023	**4,797**

Intangible assets consist solely of internally generated software. The development costs that are separable from, and not integral to the relevant hardware have been recognised as assets in accordance with IAS 38. The BMS and IAB IFRS 17 system were recognised as assets during the financial year 2022-23. The BMS system went live as at 1 April 2023, with amortization commencing at that date. The IAB system went live as at 31 March 2024, with amortisation commencing from that date. The amortization charge for the year, therefore, relates solely to the BMS system.

15. Property, Plant and Equipment

	Computer Equipment £000	Right of Use Assets Property £000	Right of Use Assets Software £000	Office equipment £000	Total PPE £000
At Cost					
Opening balance as at 1 April 2023	52	2,142	2,455	73	4,722
Additions	-	-	-	23	23
Disposals	-	(70)	-	-	(70)
Closing balance as at 31 March 2024	**52**	**2,072**	**2,455**	**96**	**4,675**
Accumulated Depreciation					
Opening balance as at 1 April 2023	52	268	305	58	683
Depreciation charge	-	1,027	459	15	1,501
Depreciation on disposals	-	-	-	-	-
Closing balance as at 31 March 2024	**52**	**1,295**	**764**	**73**	**2,184**
Carrying amount at 31 March 2024	**-**	**777**	**1,691**	**23**	**2,491**

Additions in the year comprised audio visual equipment.

	Computer equipment £000	Right of Use Assets Property £000	Right of Use Assets Software £000	Office equipment £000	Total PPE £000
At Cost					
Opening balance as at 1 April 2022	52	1,902	2,286	73	4,313
Additions	-	2,142	276	-	2,418
Disposals	-	(1,902)	(107)	-	(2,009)
Closing balance as at 31 March 2023	**52**	**2,142**	**2,455**	**73**	**4,722**
Accumulated Depreciation					
Opening balance as at 1 April 2022	52	1,189	67	21	1,329
Depreciation charge	-	981	345	37	1,363
Depreciation on disposals	-	(1,902)	(107)	-	(2,009)
Closing balance as at 31 March 2023	**52**	**268**	**305**	**58**	**683**
Carrying amount at 31 March 2023	**-**	**1,874**	**2,150**	**15**	**4,039**

16. Reinsurance inward and outward contracts

The breakdown of groups of reinsurance inward contracts and reinsurance outward contracts, that are in an asset position and those in a liability position is set out in the table below:

	31 March 2024			31 March 2023		
	Assets £000	Liabilities £000	Net £000	Assets £000	Liabilities £000	Net £000
Reinsurance outward contracts assets	232,798	-	**232,798**	111,363	-	**111,363**
Reinsurance inward contracts liabilities	-	474,276	**474,276**	-	230,222	**230,222**

(a) Roll-forward of net asset or liability for insurance contracts issued showing the LFRC and the LFIC.

Reconciliation of reinsurance inward contracts

31 March 2024 **Reconciliation by Liability type**	**LFRC** **Excluding Loss Component** **£000**	**LFRC** **Loss Component** **£000**	**LIC** **Present Value FCF** **£000**	**LIC** **Risk Adjustment** **£000**	**Total** **£000**
Opening balance					
Opening reinsurance inward contracts liabilities	19,108	146,275	59,473	5,366	230,222
Net opening balance	**19,108**	**146,275**	**59,473**	**5,366**	**230,222**
Insurance service result					
<u>Insurance revenue</u>					
Revenue from reinsurance inward contracts	(53,279)	-	-	-	(53,279)
Total insurance revenue	**(53,279)**	**-**	**-**	**-**	**(53,279)**
<u>Insurance service expenses</u>					
Claims and other insurance service expenses incurred in the period;					
Claims and other insurance service expenses, IBNR and RBNP	-	-	211,184	19,386	230,570
Reinsurance inward contracts;					
Changes in the LRC allocated to loss component	-	(96,340)	-	-	(96,340)
Claims and other insurance service expenses from reinsurance inward contracts	**-**	**(96,340)**	**211,184**	**19,386**	**134,230**
Onerous groups of reinsurance inward contracts originated;					
- reinsurance inward contracts	-	144,844	-	-	144,844
Changes that relate to past service - adjustments to the LIC	-	-	(1,428)	(1,855)	(3,283)
Total insurance service expenses	**-**	**48,504**	**209,756**	**17,531**	**275,791**
Total insurance service result	**(53,279)**	**48,504**	**209,756**	**17,531**	**222,512**

Net finance income or expenses from reinsurance inward contracts;					
- Interest accreted	-	4,086	947	-	5,033
- Effect of changes in interest rates and other financial assumptions	-	-	(33)	(4)	(37)
Net finance income or expenses from reinsurance inward contracts	**-**	**4,086**	**914**	**(4)**	**4,996**
Of which:					
-recognised in profit or loss	*-*	*4,086*	*914*	*(4)*	*4,996*
-recognised in other comprehensive income	*-*	*-*	*-*	*-*	*-*
Total changes in the statement of profit and loss and other comprehensive income	**(53,279)**	**52,590**	**210,670**	**17,527**	**227,508**
Cash flows					
Claims and other insurance service expenses paid	-	-	(38,785)	-	(38,785)
Premiums received, including (i) overdue premiums or (ii) premiums paid in advance	55,331	-	-	-	55,331
Total cash flows	**55,331**	**-**	**(38,785)**	**-**	**16,546**
Closing balance					
Closing reinsurance inward contracts liabilities	21,160	198,865	231,358	22,893	474,276
Net closing balance	**21,160**	**198,865**	**231,358**	**22,893**	**474,276**

31 March 2023	**LFRC**	**LFRC**	**LIC**	**LIC**	
Reconciliation by Liability type	**Ex. Loss Comp**	**Loss Comp**	**Present Value FCF**	**Risk Adjust**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Opening balance					
Opening reinsurance inward contracts liabilities	17,927	81,803	74,819	6,716	181,265
Net opening balance	**17,927**	**81,803**	**74,819**	**6,716**	**181,265**
Insurance service result					
Insurance revenue					
Revenue from reinsurance inward contracts	(48,658)	-	-	-	(48,658)
Total insurance revenue	**(48,658)**	**-**	**-**	**-**	**(48,658)**
<u>**Insurance service expenses**</u>					
Claims and other insurance service expenses incurred in the period;					
Claims and other insurance service expenses, IBNR and RBNP	-	-	33,538	1,897	35,435
Reinsurance inward contracts;					
Changes in the LRC allocated to loss component	-	(41,365)	-	-	(41,365)

Claims and other insurance service expenses from reinsurance inward contracts	**-**	**(41,365)**	**33,538**	**1,897**	**(5,930)**
Onerous groups of reinsurance inward contracts;	-	104,797	-	-	104,797
- reinsurance inward contracts					
Changes that relate to past service - adjustments to the LIC					
- adjustments to the RBNP, IBNR and others	-	-	(5,225)	(3,219)	(8,444)
Total insurance service expenses	**-**	**63,432**	**28,313**	**(1,322)**	**90,423**
Total insurance service result	**(48,658)**	**63,432**	**28,313**	**(1,322)**	**41,765**
Net finance income or expenses from reinsurance inward contracts;					
- Interest accreted	-	1,040	411	-	1,451
- Effect of changes in interest rates and other financial assumptions	-	-	(161)	(28)	(189)
- Effects of changes in policyholder loan financial assumptions	-	-	-	-	-
Net finance income or expenses from reinsurance inward contracts	**-**	**1,040**	**250**	**(28)**	**1,262**
Of which:					
-recognised in profit or loss	*-*	*1,040*	*250*	*(28)*	*1,262*
-recognised in other comprehensive income	*-*	*-*	*-*	*-*	*-*
Total changes in the statement of profit and loss and other comprehensive income	**(48,658)**	**64,472**	**28,563**	**(1,350)**	**43,027**
Cash flows					
Claims and other insurance service expenses paid	-	-	(43,909)	-	(43,909)
Premiums received, including (i) overdue premiums or (ii) premiums paid in advance	49,839	-	-	-	49,839
Total cash flows	**49,839**	**-**	**(43,909)**	**-**	**5,930**
Closing balance					
Closing reinsurance inward contracts liabilities	19,108	146,275	59,473	5,366	230,222
Closing reinsurance inward contracts assets	-	-	-	-	-
Net closing balance	**19,108**	**146,275**	**59,473**	**5,366**	**230,222**

(b)Roll-forward of net asset or liability for reinsurance outward contracts showing the assets for remaining coverage and the amounts recoverable on incurred claims.

Reconciliation of reinsurance outward contracts

31 March 2024 **Reconciliation by Liability type**	**AFRC** **Excluding LRC**	**AFRC** **Loss Recover Component**	**Recoverable on Inc. Claim** **Present Value FCF**	**Recoverable on Inc. Claim** **Risk Adjustment**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Opening balance					
Opening reinsurance outward contracts assets	(8,782)	(70,212)	(29,769)	(2,600)	(111,363)
Opening reinsurance outward contracts liabilities	-	-	-	-	-
Net opening balance	**(8,782)**	**(70,212)**	**(29,769)**	**(2,600)**	**(111,363)**
Allocation of reinsurance premiums					
reinsurance outward contracts	67,928	-	-	-	67,928
Total Allocation of reinsurance premiums	**67,928**	**-**	**-**	**-**	**67,928**
Increase in reinsurance outward contracts assets from contracts recognised:					
- underlying reinsurance inward contracts	-	(78,870)	-	-	(78,870)
Total Increase in reinsurance outward contracts assets from contracts recognised	**-**	**(78,870)**	**-**	**-**	**(78,870**
Reversals of recoveries of losses from reinsurance outward contracts					
Underlying reinsurance inward contracts measured under the PAA					
Changes in the LRC allocated to loss component reversal	-	46,243	-	-	46,243
Total reversals of recoveries of losses from reinsurance contracts result from changes in the LRC	**-**	**46,243**	**-**	**-**	**46,243**
Claims and other insurance service expenses recoverable from reinsurers	-	-	(93,062)	(7,881)	(100,943)
Changes that relate to past service - adjustments to the incurred claims assets:					
Adjustments to the reinsurance outward contracts assets for incurred claims	**-**	**-**	(13,956)	(2,080)	(16,036)
Changes relate to future service - FCF of reinsurance outward contracts:					
Effect of changes in the risk of reinsurers non-performance	-	-	(723)	-	(723)

Notes to the Financial Statements
for the year ended 31 March 2024

Net income (expenses) from reinsurance outward contracts	**67,928**	**(32,627)**	**(107,741)**	**(9,961)**	**(82,401)**
Net finance income or expenses from reinsurance outward contracts					
Interest accreted	-	(1,961)	(236)	-	(2,197)
Effect of changes in interest rates and other financial assumptions	-	-	49	8	57
Total Net finance income or expenses from reinsurance outward contracts	**-**	**(1,961)**	**(187)**	**8**	**(2,140)**
of which:					
recognised in profit or loss	*-*	*(1,961)*	*(187)*	*8*	*(2,140)*
Total changes in the statement of profit and loss and other comprehensive income	**67,928**	**(34,588)**	**(107,928)**	**(9,953)**	**(84,541)**
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid					
- reinsurance premiums paid	(67,859)		-	-	(67,859)
- other cash flows	-	-	-	-	-
Total premiums paid net of ceding commissions and other directly attributable expenses paid	**(67,859)**	**-**	**-**	**-**	**(67,859)**
Recoveries from reinsurance					
- claims and benefits recoveries	-	-	34,749	-	34,749
- other recoveries	-	-	(3,784)	-	(3,784)
Total cash flow	**(67,859)**	**-**	**30,965**	**-**	**(36,894)**
Net closing balance					
Closing RI outward contracts assets	(8,713)	(104,800)	(106,732)	(12,553)	(232,798)
Net closing balance	**(8.713)**	**(104,800)**	**(106,732)**	**(12,553)**	**(232,798)**

31 March 2023	AFRC	AFRC	Recoverable on Inc. Claim	Recoverable on Inc. Claim	
Reconciliation by Liability type	**Excluding LRC**	**Loss Recovery Component**	**Present Value FCF**	**Risk Adjustment**	**Total**
	£000ss	**£000s**	**£000s**	**£000s**	**£000s**
Opening balance					
Opening reinsurance outward contracts assets	(9,334)	(39,265)	(24,377)	(3,356)	(76,332)
Net opening balance	**(9,334)**	**(39,265)**	**(24,377)**	**(3,356)**	**(76,332)**
Allocation of reinsurance premiums					
reinsurance outward contracts	63,126	-	-	-	63,126
Total Allocation of reinsurance premiums	**63,126**	**-**	**-**	**-**	**63,126**
Increase in reinsurance outward contracts assets from contracts recognised:					
- underlying reinsurance inward contracts	-	(50,303)	-	-	(50,303)
Total Increase in reinsurance outward contracts assets from contracts recognised	**-**	**(50,303)**	**-**	**-**	**(50,303)**
Reversals of recoveries of losses from reinsurance outward contracts					
Underlying reinsurance inward contracts measured under the PAA					
Changes in the LRC allocated to loss component reversal	-	19,855	-	-	19,855
Total reversals of recoveries of losses from reinsurance contracts result from changes in the LRC	**-**	**19,855**	**-**	**-**	**19,855**
Claims and other insurance service expenses recoverable from reinsurers	-	-	(15,400)	(703)	(16,103)
Changes that relate to past service - adjustments to the incurred claims assets:					
Adjustments to the reinsurance outward contracts assets for incurred claims	**-**	**-**	(11,109)	1,416	(9,693)
Changes relate to future service - FCF of reinsurance outward contracts:					
Effect of changes in the risk of reinsurers non-performance	-	-	(846)	-	(846)
Net income (expenses) from reinsurance outward contracts	**63,126**	**(30,448)**	**(27,355)**	**713**	**6,036**
Net finance income or expenses from reinsurance outward contracts					
Interest accreted	-	(499)	(70)	-	(569)
Effect of changes in interest rates and other financial assumptions	-	-	49	43	92

Total Net finance income or expenses from reinsurance outward contracts	**-**	**(499)**	**(21)**	**43**	**(477)**
of which:					
recognised in profit or loss	*-*	*(499)*	*(21)*	*43*	*(477)*
Total changes in the statement of profit and loss and other comprehensive income	**63,126**	**(30,947)**	**(27,376)**	**756**	**5,559**
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid					
- reinsurance premiums paid	(62,574)	-	-	-	(62,574)
- other cash flows	-	-	-	-	-
Total premiums paid net of ceding commissions and other directly attributable expenses paid	**(62,574)**	**-**	**-**	**-**	**(62,574)**
Recoveries from reinsurance					
- claims and benefits recoveries	-	-	25,586	-	25,586
- other recoveries	-	-	(3,602)	-	(3,602)
Total cash flow	**(62,574)**	**-**	**21,984**	**-**	**(40,590)**
Closing RI outward contracts assets	(8,782)	(70,212)	(29,769)	(2,600)	(111,363)
Net closing balance	**(8,782)**	**(70,212)**	**(29,769)**	**(2,600)**	**(111,363)**

17. Other receivables

	2024	2023
	£000	£000
Prepayments	790	688
Accrued interest	4,787	2,653
Other	8	5
Total other receivables	**5,585**	**3,346**
Current	5,585	3,346
Non-current	-	-

The carrying amounts disclosed above approximate fair value at the reporting date.

18. Debt instruments at fair value through other comprehensive income

	2024	2023
	£000	£000
Balance as at 1 April	**498,066**	**17,916**
Additions at cost	1,008,705	495,411
Proceeds upon maturity	(1,196,626)	(18,000)
Gain / (loss) on fair valuation of investments	770	(167)
Decline in discounts from debt instruments	32,728	2,906
Closing balance as at 31 March	**343,643**	**498,066**
Current assets	312,609	473,076
Non-current assets	31,034	24,990

The fair value hierarchy defines Level 1 as fair values measured using quoted prices (unadjusted) in active markets for identical instruments. During the year, £343.6m of debt instruments were recognised in Level 1. The debt instruments portfolio as at 31 March 2024 comprised of £56.8m UK Treasury gilts and £286.9m UK Treasury bills, all invested during the year, of which £312.6m will mature within the next 12 months and the remaining balance of £31.0m in less than 24 months.

19. Cash and short-term deposits

	2024	2023
	£000	£000
Cash at bank	9,257	13,775
Short-term deposits with a duration of less than 3 months on placement	-	12,000
Cash and cash equivalents	**9,257**	**25,775**
Short-term deposits with a duration of more than 3 months on placement	546,900	247,800
Total cash and short-term deposits	**556,157**	**273,575**

Short-term deposits invested with the DMO vary in maturity between one day and a maximum of six months. The carrying amounts disclosed above approximate fair value at the reporting date.

20. Lease arrangements

The Company has two categories of leases: the first includes the rental of office spaces in London and Cheltenham, and the second relates to the leased elements of various IT infrastructure assets, including the Bordereaux Management System, Property Data Hub, the General Ledger, and the IFRS 17 reporting module.

	2024	2023
	£000	£000
Opening balance as at 1 April	3,579	2,722
Lease liability recognised during the year	-	2,418
Revaluation of license fee at renewal	(70)	-
Lease payments	(1,494)	(1,618)
Interest payable	82	57
Closing balance as at 31 March	**2,097**	**3,579**

Maturity analysis of lease liability

	2024	2023
	£000	£000
Year 1	1,243	1,454
Year 2	411	1,295
Year 3	417	411
Year 4	26	418
More than 5 years	-	1
Total lease payments	**2,097**	**3,579**

No new liabilities were recognised during the year. The lease payments for the extension of the license fee for Landmark office lease was revalued to reflect the change in interest rates applicable at the time of renewal.

21. Other payables

	2024	2023
	£000	£000
Levy receipts in advance	26,911	25,872
Accruals and deferred income	2,647	3,387
Staff costs	229	224
VAT payable	15	-
Total other payables	**29,802**	**29,483**
Current	29,802	29,483

The carrying amounts disclosed above approximated fair value at the reporting date.

22. Related party transactions

(a) Compensation of Key Management personnel

The Company enters into transactions with Key Management personnel. Key Management personnel include the Directors and Non-Executive Directors. There are only two Directors entitled to the Company pension scheme. The summary of the compensation of Key Management personnel for the year is as follows:

	2024	2023
	£000	£000
Short-term employee benefits	1,384	1,286
Pension allowance	44	67
Post-employment pension and medical benefits	35	7
Total Directors' emoluments	**1,463**	**1,360**

(b) Compensation of highest-paid Director

	2024	2023
	£000	£000
Short-term employee benefits	549	502
Pension allowance	44	42
Total compensation of the highest-paid Director	**593**	**544**

(c) Department of Environment, Food and Rural Affairs

In accordance with the UK Government Resources and Accounts Act 2000 (Estimates and Accruals) (Amendment) Order 2015, the Company is consolidated into the Department for Environment, Food and Rural Affairs' Annual Report and Accounts. In 2021/22 the Company was formally designated as a public body (central government) by the Office for National Statistics and the classification became public on 23 December 2021 in line with the expectation of it being a public body since inception.

(d) Directors and Officers shared with other entities

In the normal course of its operations, the Company has entered into transactions with companies whose directors and officers include directors or non-executive directors of the Company. All such transactions entered into were completed on market terms.

Bridget Rosewell is the Chair of the Board of Directors for Flood Re and chairs the M6 Toll Company. In addition, Bridget is a non-executive director of the UK Infrastructure Bank, Northumbrian Water Group and AWE. She was appointed CBE in December 2018 and is also a Fellow of the Institution of Civil Engineers, the Academy of Social Science and the Society of Professional Economists.

Mark Hoban was the first Chair of the Board of Directors for Flood Re, and retired from the board effective 30 September 2023. Mark is Chair of Pay.UK. He sits on PwC's Advisory Council. Mark chairs the Financial Services Skills Commission. Mark was the Member of Parliament for Fareham between 2001 and 2015. He was a UK Government Minister between 2010 and 2013 and is a Fellow of the Institute of Chartered Accountants.

Tony Ballance is an independent non-executive director. He is also Chair of the National Forest Company (NFC). He is presently Chief Strategy & Regulation Officer at Cadent Gas Ltd. He has a background as an economic consultant and was Ofwat's Chief Economist. He is also a Trustee of the Soil Association.

Simon Green is an Independent Non-Executive Director and is also a Non-Executive Director of Arthur J. Gallagher, Chair of the Risk Committee and Chair of Pen Underwriting Limited. His career was in banking and financial services regulation as a senior regulator at the Bank of England, FSA and FCA.

Perry Thomas is an Independent Non-Executive Director, and Chair of Risk and Capital Committee in Flood Re. Perry held directorships in the UK, Bermuda, Ireland, India, South Africa, Malta and Luxembourg, and was on the Council of the Institute and Faculty of Actuaries. He is a Non-Executive Director with PlanetWatchers and the British Friendly Society Limited. He also chairs the Risk & Investment Committee of the British Friendly Society.

Jean Sharp is an Independent Non-Executive Director, and Chair of the Audit and Compliance Committee in Flood Re. She is also an Independent Non-Executive Director at Personal Assets Trust plc and FBD Holding plc (an Irish insurance group). She spent over 20 years in financial services with Aviva plc and is a former partner with EY. She is a chartered accountant.

Shirel Stedman is an Independent Non-Executive Director. She is a fellow chartered member of the Institution of Civil Engineers (FICE) and a board member at the Chartered Institute of Water and Environmental Management (CIWEM), responsible for the governance and oversight of the institution. She currently works at the Ministry of Defence as Global Head of Growth, leading the development of hydrographic data.

23. Ordinary Members

The Company is limited by guarantee and has 36 guarantors (Ordinary Members) who undertake to contribute not more than £1.00 in the event that the Company is wound up while they are a Member or within one year of them ceasing to be a Member. The Ordinary Members as at 31 March 2024 are:

- Acromas Insurance Company Limited
- Admiral Insurance (Gibraltar) Limited
- Ageas Insurance Limited
- AIG UK Limited
- Allianz Insurance plc
- Amlin SE
- Aviva Insurance Limited
- Axa Insurance UK plc
- Baptist Insurance Company PLC (The)
- Canopius Managing Agents Limited for and on behalf of Syndicate 4444
- Catlin Underwriting Agencies Ltd - XL London Market
- China Taiping Insurance (UK) Co Limited
- CIS General Insurance Limited
- Cornish Mutual Assurance Co Limited (The)
- Covea Insurance plc
- Direct Line Group
- Ecclesiastical Insurance Office plc
- Fairmead Insurance Limited

- Gresham Insurance Company Limited
- Haven Insurance Company Limited
- HDI Global Speciality SE
- Highway Insurance Company Limited
- Hiscox Insurance Co Ltd
- Liverpool Victoria Insurance Company Limited
- Lloyds Bank General Insurance Holdings Limited
- Methodist Insurance plc
- Ms Amlin Underwriting Limited
- National Farmers' Union Mutual Insurance Society Limited (The)
- Ocaso S.A., Compania de Seguros y Reaseguros
- Royal & Sun Alliance Insurance Ltd
- St Andrews Insurance plc
- Tesco Underwriting Limited
- UIA Insurance Limited
- XL Catlin Insurance Company (UK) Limited
- XL Insurance Company SE
- Zurich Insurance plc

In addition, the Secretary of State for Environment, Food and Rural Affairs is a Special Member of the Company.

Through its normal course of business, a number of transactions are by necessity undertaken by the Company with its Ordinary Members:

- Levy income: underwriters of UK household insurance business are required to contribute to the Company annual Levy in proportion to their relevant underwriting profiles
- Gross written premium and associated claims: if signed up to the Company's standard inwards reinsurance contract, underwriters of UK household insurance business may cede the associated flood peril in relation to their inwards policies to the Company
- Outwards reinsurance ceded premium and associated technical balances: the Company places its outwards reinsurance programme on the global reinsurance market through the UK Government's public procurement process
- Commercial insurance: Ordinary Members participate on the commercial insurance coverage purchased by the Company.

All transactions are entered into on arm's length terms and are considered by Company management to be market sensitive.

For the years ended 31 March 2024 and 2023, the following three Ordinary Members individually account for 10% or more of the voting rights of Ordinary Members:

- Aviva Insurance Limited
- Lloyds Bank General Insurance Holdings Limited
- Royal & Sun Alliance Insurance Ltd

The above Ordinary Members write UK household insurance business and contribute to the Levy I income and gross written premium assumed by the Company and may also provide commercial insurance services.

24. Contingencies and commitments

(a) Legal proceedings and regulations

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal action proceedings, Company management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position. There are currently no live legal proceedings against the company.

The Company is also subject to insurance Solvency II regulations and has complied with all the Solvency II regulations. There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

(b) Capital commitments

The Company has no capital commitments at the reporting date.

(c) Contractual commitments excluding leases

	2024 £000	2023 £000
Service contracts	1,232	1,534
Staff contractual commitments	3,083	2,942
Other financial commitments	1,021	1,035
Total commitments	**5,336**	**5,511**
Due within one year	5,336	5,511
Due later than one year but not later than five years	-	-
Total commitments	**5,336**	**5,511**

All other contractual commitments have cancellation clauses of one year or less.

25. Events after the reporting period

There are no events after the reporting period that would materially alter our assessment of risk, going concern, recognition of income or expenses, or the valuation of assets and liabilities as at the financial year ended 31 March 2024.

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