Flood Re Limited

Annual report and accounts

2024-2025

HC 1019

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FLOOD RE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 31 March 2025

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 2025

COMPANY NAME
Flood Re Limited

DIRECTORS

Bridget Rosewell	Chair
Perry Thomas	Chief Executive Officer
Tony Ballance	Independent Non-Executive Director
Simon Green	Independent Non-Executive Director
Jean Sharp	Independent Non-Executive Director
Shirel Stedman	Independent Non-Executive Director

COMPANY SECRETARY
Harriet Boughton

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AUDITORS
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E14 5EY

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. 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 2025, the annual Levy was £135m (2024: £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 2025, the Liability Limit had adjusted to £2.2bn (2024: £2.1bn at 1 April 2024, CPI uprated). The liability limit is the total amount of cover Flood Re offers to the UK general insurance market. During the last exercise for setting scheme parameters the Liability Limit was reset to £3.2bn with effect from 1 April 2025 for a period of three years adjusting for CPI annually. The new liability limit represents Flood Re's expectation as to the amount of cover the market will require over the next 3-years, accounting for inflation, increased ceding and increased flood risk (on a modelled basis).

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. Substantive 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

- Prior to Flood Re's inception, the average home insurance quote for a householder with a flood claim was about £4,400. As at December 2024, the average was c. £1,100.
- 99% of householders at high risk of flooding can now obtain quotes from 15 or more insurers.
- The ultimate policy count[1] at 31 March 2025 was 346,200 (2024: 288,567).
- The total number of properties that have benefitted from Flood Re since its inception, now stands at over 660,000.
- 30% of the properties ceded to Flood Re in the financial year to 31 March 2025 has not been ceded to the Scheme previously.

Operating with efficiency and financial security

- Flood Re completed its new reinsurance programme which incepted on 1 April 2025. This new programme provides continuous reinsurance cover for a 3-year period at pre-agreed terms, protecting Flood Re's Liability Limit of £3.2bn (the amount of cover Flood Re offers to the UK domestic market).
- £13.5m profit before tax.

[1] The Ultimate Policy Count is the total of the reported policy count to date, and an estimate count of policies incepted but not yet reported.

- £1,011m invested and liquid assets.
- 194% operational capital ratio.

Improving flood resilience

As the economics of providing natural catastrophe insurance change in the UK and around the world, it has become more important than ever to link financial and physical resilience. This year Flood Re continued to adapt ways of working to meet this challenge.

- In March 2025 Flood Re issued the first 'Natural Catastrophe Bond' as part of a new reinsurance programme for 2025-28 (effective from 1 April 2025). This has diversified Flood Re's risk transfer approach and enabled it to access the broader and significant ILS (Insurance Linked Securities) markets for additional reinsurance capacity to support the Scheme.
- Flood Re convened an 'Expert Group' to consider the future of Property Flood Resilience (PFR) at a property level, to understand how the technological and economic factors were changing the business case for such measures. This group demonstrates Flood Re's ability to convene across sectors with representation from the insurance industry, PFR sector, academia, Government, flood modelers and lending. This group informed research that will be published later this year.
- Over 70% of the UK domestic home insurance market has committed to offer the option of Build Back Better to their customers. Build Back Better is a Flood Re initiated Scheme whereby insurers implement flood resilience measures as part of post-flood recovery, up to a value of £10,000.
- The Flood Performance Certificate (FPC) Roadmap was published in June 2024. The FPC framework is designed to enable individual householders to understand their flood risk, reduce it and then demonstrate this protection to others (including insurers and mortgage lenders).
- Flood Re was gifted 'Flo' the Flood Bus by the Scottish Flood Forum in January 2025. Flo is a mobile vehicle dedicated to helping communities understand PFR and how to better protect their homes and businesses.

Strategic Report
For the year ended 31 March 2025

The Directors present their Strategic Report on the Company for the year ended 31 March 2025.

Chair's statement

The past year has been a powerful reminder of the importance of Flood Re. Communities across the UK have endured devastating floods, from the relentless storms of last winter to flash flooding. Homes have been left uninhabitable and lives disrupted. Internationally, we have seen the rising human and financial cost of extreme weather, reinforcing the urgency of our mission.

Flood Re has always been more than a reinsurance vehicle, it is a critical component of the UK's flood resilience strategy, ensuring that homeowners in flood-prone areas can access affordable cover. This is the final year of Flood Re's first decade of operations. For most of this period, the Scheme has operated in remarkably benign conditions: experiencing relatively low levels of flooding[2], low inflation, a UK home insurance market that was both highly competitive and generally profitable, with abundant natural catastrophe reinsurance capacity available from international markets. As we look forward to our next decade the conditions in which the Scheme operates are changing rapidly: the last two years has seen unprecedented claims inflation, the number of floods has increased (though only to levels we would consider typical in previous decades) and climate change-driven events around the world have fundamentally altered the risk appetite of reinsurance. The costs and terms on which reinsurance is now available fundamentally alter the economics of the Scheme. The challenge for the Scheme is to continue to ensure home insurance remains available and affordable despite these changing conditions.

As the risks evolve, so must we. The Board has remained steadfast in guiding Flood Re's strategic direction, balancing affordability with long-term financial sustainability. The last 12 months have been pivotal in making it ever clearer that there will be a need to reshape the Scheme to ensure that it continues to deliver for those who need it most.

A Scheme entering a new phase

The figures published in this year's Annual Report and Accounts represent the final year of operations under our 2022-25 Reinsurance programme. The new Scheme parameters that commenced in April 2025 represents a new financial reality for Flood Re. More policies are being ceded to the Scheme, increasing our levels of exposure and underscoring the significance of Flood Re to the wider UK insurance market.

At the same time, we are operating in an increasingly challenging and costly global reinsurance market, requiring careful financial planning to secure our long-term viability. Our liability limit has increased from £2.2bn to £3.2bn and securing this additional cover from global reinsurance markets has increased our reinsurance costs significantly. In addition to this, the amount of risk we retain for our own account has increased from circa £130m to £347m.

In response to these pressures, we are taking decisive action. The issuance of our first catastrophe bond was a major financial innovation, diversifying our risk transfer capacity to the ILS markets and enhancing our financial resilience. This is key for the Scheme to respond to the consequences of global

[2] Compared to the 25-yr average

climate risks, by strengthening our ability to manage financial risks through a diversified mix of reinsurance and major alternative risk transfer mechanisms and markets.

Addressing the challenges ahead

Whilst this strengthens the Scheme, we must acknowledge the fundamental challenges ahead. Climate change is accelerating the frequency and severity of floods, with their nature also becoming more unpredictable due to increasing levels of surface water flooding. The reinsurance market is evolving in the face of these pressures. Whilst we have managed to secure sufficient capacity to support the increase in our liability limit from 1 April 2025, the Scheme will need to be in a position to be able to consider increasing its net retention further and consider further reforms to maintain a positive and sustainable footing through to 2039.

Our ability to provide affordable insurance is intrinsically linked to government policy on flood defence infrastructure. Rising cost pressures mean that difficult choices will need to be made. We will continue working closely with UK government, which recognises the urgency of these issues, to ensure that policy decisions support long-term flood resilience. At the current time, global reinsurance providers believe that the physical risks of flooding will increase faster than the construction of flood defence infrastructure. The need for speed in delivering meaningful flood defence change has never been greater, which is why we welcome the two announcements on flood defence investment that have been made during the past year; firstly, the announcement of £2.65bn in investment across 2024/25 and 2025/26 and then £4.2bn in spending from 2026/27 through to 2028/29.

At the same time, we must continue to work collaboratively and perhaps more intensively with the wider insurance industry to maintain and accelerate a sustainable equilibrium. Flood Re was never intended to be the default insurer for all at-risk homes; rather, it was designed to facilitate the transition to a risk reflective market where wider insurability was achieved through greater resilience. We must ensure that we continue to hold the most appropriate share of policies – supporting those who need us most whilst maintaining the Scheme's financial strength.

Evolving beyond insurance

Whilst changes to the Scheme's parameters are necessary, they are not sufficient on their own. Flood Re must play a leadership role in advocating for policies and behaviours that drive long-term flood resilience.

First, we need wider recognition that future insurability is a vital public policy outcome, which is under threat at home and internationally. Without concerted effort, insurance gaps will become one of the primary mechanisms through which climate change leads to financial instability, with significant implications for households and businesses. Government investment in flood defences must match the scale of the challenge. The data is clear: prevention is more cost-effective than recovery. We welcome the new government's focus on resilience and will continue to push for increased infrastructure funding in the forthcoming Spending Review.

Second, households must take greater ownership of their own flood risk. It is a fact that some properties make multiple claims year after year, increasing pressure on the Scheme. PFR measures – such as flood doors, raised electrics and permeable surfaces – should be a fundamental requirement, not an afterthought. Evidence shows that adaptation significantly reduces long-term costs. Our Build Back Better (BBB) initiative is a key part of this effort, empowering homeowners to rebuild more resiliently after a flood. By encouraging insurers to offer BBB as part of their policies, we are making future resilience a practical option for thousands of flood-affected households. Choices like paving over gardens or failing to install flood protections have real consequences. This is why raising public awareness is crucial. A perfect example is the Flood Resilient Garden, now permanently rehomed at Howbery Park after its showcase at last year's Chelsea Flower Show. Designed to inspire and educate, the garden demonstrates how flood-proofing measures can be seamlessly integrated into green spaces using sustainable and recycled materials. Visitors leave with practical ideas for reducing their flood risk – a reminder that every homeowner has a role to play in building a more resilient future.

Looking ahead

Despite the challenges ahead, I remain optimistic. Flood Re is globally recognised as a success story – one that other countries seek to replicate. We are working from a position of strength, with a clear vision for the future and strong relationships across government and the insurance industry.

We are moving on to next stage in the evolution of Property Flood Resilience (PFR) with Flood Performance Certificate (FPC), a system for measuring the effectiveness of flood resilience measures installed in individual homes. FPCs will serve as a vital tool to help householders understand and reduce their flood risk, whilst also demonstrating their level of protection to others. By addressing physical risks in this way, we can also support people in managing financial risks. This innovation is part of the progress that we have already begun and will continue to develop. Achieving meaningful reductions in flood risk will require ongoing political engagement, as well as empowering and supporting householders.

The Bonfield Review into PFR, recently commissioned by the Government, presents a crucial opportunity to drive this forward. It must deliver a step change in resilience policy, fostering more ambitious, co-ordinated and widely adopted measures to protect properties. We also recognise that eliminating flooding risks entirely is not possible for every property. That's why resilience must be at the core of our approach – ensuring that homes remain insurable and mortgageable, even in the face of ongoing risks. With the right level of engagement and decisive action, we can build a safer, more flood-resilient future for communities across the country.

I would like to express my gratitude to our stakeholders, partners and the Flood Re team for their dedication and hard work over the past year. In particular, I welcome Perry Thomas as our new CEO, bringing fresh leadership at a crucial time for the Scheme.

The road ahead will require innovation, collaboration and difficult decisions. Our mission remains clear: ensuring that flood-prone households can access affordable insurance whilst driving the UK towards a more resilient future. By acting decisively today, we can secure the long-term success of Flood Re and continue to protect those who need us most.

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

Date: 25 June 2025

CEO statement

I am pleased to share my first statement as CEO of Flood Re. Having previously served as a Non-Executive Director and Chair of the Risk & Capital Committee since 2022, I am well aware of the hugely important role that Flood Re plays for communities up and down the country, and of the opportunities and challenges ahead.

This year, we have continued to fulfil our core mission: ensuring affordable flood insurance for UK households. As we navigate a landscape of rising reinsurance costs, climate-driven challenges and economic pressures, we have strengthened our financial position, enhanced operational resilience and taken critical steps to secure the Scheme's long-term sustainability. However, we have now entered a pivotal phase, as the "golden decade" of relative stability comes to an end. The increasing cost of global reinsurance requires a careful balance between risk exposure, risk retention and risk transfer costs. Our focus remains on driving innovation, adapting to market shifts and reinforcing our role in the UK's flood resilience strategy.

Strong operational performance

Flood Re continues to play a vital role in protecting UK households, with nearly 350,000 homes reinsured through Flood Re this year. Our financial position remains strong, with a profit before tax of £13.5m (2024: £23.8m) and eligible own funds (unaudited) of £835.3m (2024: £744.4m). Claims reached £159.6m (2024: £211.2m).

Policy ceding has grown by about 20% over the last financial year, reinforcing Flood Re's essential role in the UK's flood defence framework. However, rising reinsurance costs present an increasing financial challenge going forward.

Strengthening financial sustainability and innovation amidst market challenges

Given the wider financial climate, we have had to take steps to strengthen the Scheme's financial resilience. Flood Re remains financially strong despite external pressures, thanks to disciplined resource management and a focus on long-term stability. The increased reinsurance costs create financial strain, but our strong cash flow has helped mitigate these pressures. A key milestone in our risk management strategy was the successful completion of our first catastrophe bond in March 2025 and the bond is effective from 1 April 2025, which diversifies our risk exposure and further strengthens the Scheme's financial position.

However, the volume of risk being ceded to Flood Re is rising significantly. Our latest reinsurance procurement process was particularly challenging, requiring costly alternative solutions that added approximately £100 million to reinsurance costs for 2025/26 - costs that could not be fully offset by levies and premiums. With these pressures intensifying, we must remain vigilant in managing risk exposure whilst ensuring that the Scheme continues to fulfil its mission.

We also need to recognise that any moves to expand the Scheme further would come at significant cost, ultimately impacting policyholders through higher premiums – and, as such, require full discussion and collaboration.

Flood Re has a decade of success in reducing household flood risk premiums, making flood insurance more affordable and accessible. However, the context in which we have operated over the past 12 months has changed, and in February 2025, we took proactive steps to ensure the long-term sustainability of the Scheme by implementing a mid-year premium increase for the first time that will take effect from 1 October 2025. Whilst we remain committed to keeping premium increases to a minimum, the pressures that we face have intensified, making modest adjustments necessary to manage risk inflow responsibly.

Flood Re has consistently shielded the market from broader industry price hikes, maintaining stability for homeowners and minimising cost pressures for our cedants. We continue to monitor insurance affordability closely and only adjust premiums when required. Despite the mid-year premium increase, our inward premiums remain below the levels that were set by Parliament in 2016. However, our ability to hold down premiums in real terms is being severely tested by inflation, increased ceding and increasing costs of reinsurance. Further premium adjustments are likely to preserve the financial health of the Scheme and ensure that Flood Re remains a reliable support for those at risk of flooding for years to come.

Alongside financial stability, we continue to invest in long-term resilience. Our Build Back Better (BBB) initiative continues to grow, with 12 major insurance providers onboard who account for over 70% of the UK's residential property insurance market. By helping homeowners rebuild with greater resilience, BBB is a crucial step towards long-term flood protection. As we scale this initiative, our goal is to embed it as a mainstream solution for flood-affected households, complementing wider efforts to mitigate flood risk at a national level.

The road ahead: challenges and opportunities

Flood Re is commencing its tenth year of operations – a period in which the Scheme has operated in very favourable conditions with a benign flooding environment, ample reinsurance capacity and a home insurance market that is profitable. However, it is clear that these three conditions will not hold for the next decade.

We must therefore prepare for what comes next. Strengthening resilience remains at the heart of our strategy, requiring continued collaboration with government, insurers and communities. The issuance of Flood Re's first catastrophe bond "Vision 2039" shows the steps that we are taking to innovate, and we must continue to evolve to further enhance the Scheme's long-term stability.

Investment in flood defences and adaptation measures is crucial. With extreme weather events becoming more frequent and severe, protecting UK communities must be a shared priority. Whilst Flood Re plays a vital role in making insurance more affordable, the most effective long-term solution is reducing flood risk itself. We will continue to work closely with policymakers to advocate for greater funding in resilience infrastructure and ensure that flood mitigation remains central to the national agenda.

The continued expansion of BBB is key to this shift. By enabling flood-affected households to rebuild more resiliently, we can help lower claims costs, support community preparedness and ultimately ease the long-term burden on insurers and policyholders alike. Embedding resilience at every stage – from policy design to home restoration – will be essential to managing future risk.

Looking further ahead, we are actively working with stakeholders to shape the future of flood resilience beyond 2039, ensuring a smooth transition as Flood Re exits the market. The Scheme was always intended as a time-limited intervention, but our role in the UK's flood insurance market must evolve to reflect changing realities. We are committed to working with industry and government to ensure a smooth and sustainable transition, safeguarding affordable flood insurance for future generations.

A shared commitment to the future

This year has been a testament to the dedication and collaboration of our team, stakeholders and partners. I want to express my thanks to the Flood Re team for their unwavering commitment, our Board for their strategic leadership and our industry and government partners for their continued support.

As we enter a new phase of navigating an increasingly complex risk environment, Flood Re must continue to adapt and evolve. By making bold but necessary decisions today, we can secure the long-term success of the Scheme – ensuring that we influence the UK's flood resilience strategy for the next decade.

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

…………………………
Perry Thomas MBA, FIA, CERA
Chief Executive Officer

Date: 25 June 2025

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

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.

Article 90

From inception until the 31 March 2025, Flood Re was required to limit potential losses to £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 May 2024 seeking an amendment to the Loss Limit, along with 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). This is still below the £180m set at the start of the scheme in 2016.
- Increasing the Loss Limit to £250m (from £100m).

The changes became effective from April 2025 and will remain applicable until March 2028 unless an earlier change is required.

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 Flood Re's capital to work supporting the Scheme.

Looking forward to 2039

As we look ahead to 2039, it has never been more important to focus on the underlying drivers of insurance availability and affordability. Flood Re's Third Transition Plan set out a "Call to Action" across government and industry as to what needs to be done to close the underlying insurance gap in the UK. This report includes the action Flood Re is taking to support these initiatives, but only some of it is within our control. We also report annually on the direction of travel against the major determinants of future insurability for flood risk.

Flood Re continues 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.

Financial highlights

	31 March 2025	31 March 2024	31 March 2023
Financial Statement Highlights:			
Ultimate policy count	346,200	288,567	265,826
Levy income	£135m	£135m	£135m
Insurance service result[1]	(£148m)	(£140m)	(£48m)
Profit before tax[1]	£13m	£24m	£92m
Invested and liquid assets	£1,011m	£900m	£772m
Solvency UK Highlights:			
Solvency capital ratio[1,3]	235%	1127%	1057%
Operational capital ratio[1,2,3]	194%	238%	418%

[1] Comparative figures for 2023 were restated for IFRS 17 first time adoption purposes.
[2] This management metric is the ratio of Solvency UK Eligible Own Funds of £835.3m (2024: £744.4m and 2023: £688.3m) covering Operational Capital requirements of £430m (2024: £330m and 2023: £175m). Solvency UK Eligible Own Funds Tier II Ancillary Own Funds of £75m (2024: £75m and 2023: £75m) were included in this calculation. This management metric was used in discussion with the PRA as a useful means of understanding Flood Re's capital management strategy.
[3] Unaudited figures

Result for the year

The profit before tax at 31 March 2025 was £13.5m, reflecting claims received and expected of £115.5m as well as the continued development in claims related to the prior year storm events of Babet and Henk, and less material attritional claims of £26.6m. This is presented, along with insurance service-related expenses of £9.2m in Note 16, line item 'Claims and other insurance service expenses from reinsurance inward contracts' of £151.3m.

The total claim costs over the year, though down on 2023/24, are still significantly above average for Flood Re. During the year, the named storm Bert, and two periods of rain in September 2024 and January 2025 were significant contributors to this. The latter two rain periods were not named storms, nor were they covered in any detail in the media and are unusual in that respect in Flood Re's experience to date.

Solvency Capital Ratios

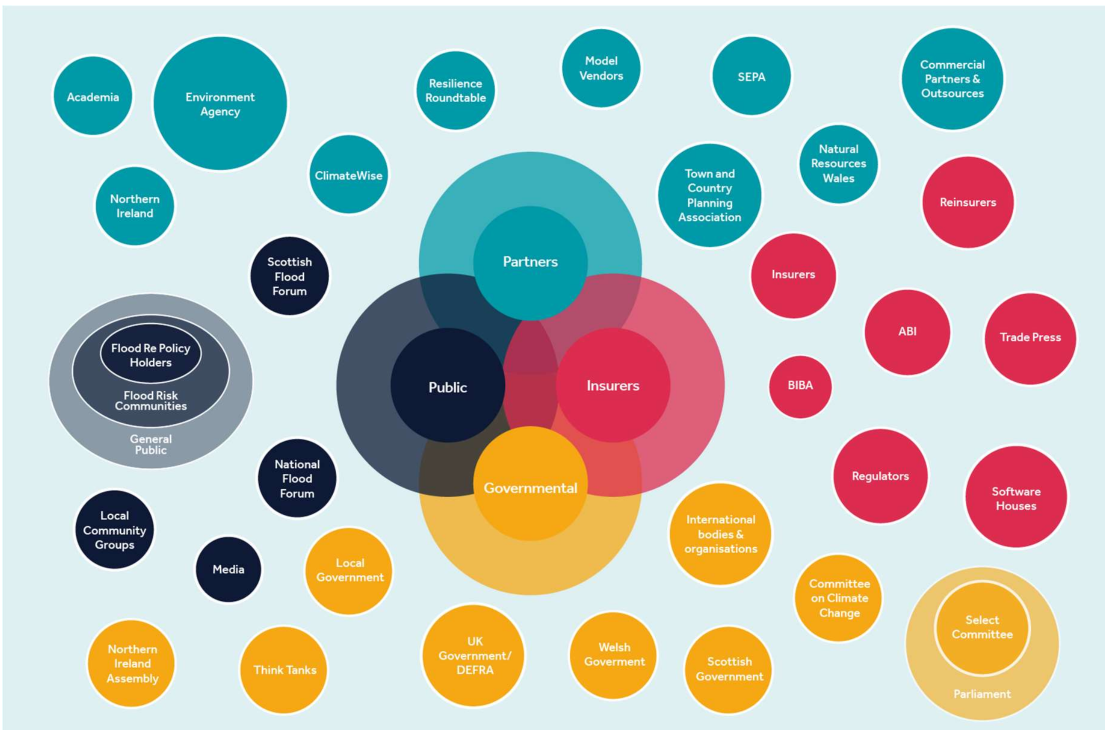
In addition, the new scheme parameters and resulting outwards reinsurance programme have prompted a major revision to our Partial internal model, and our Solvency position. Our net retention on the 2025-28 programme now stands at £347m, previously £130m under the 2022-25 programme. This, coupled with the Article 90-revised scheme parameters described above, and the increased cost of the programme, results in an increase in the Scheme's Solvency UK Capital Requirements. While Flood Re works on the major model change required to accommodate the new structure and parameters, an estimated Voluntary Capital Add On (CAO) has been applied to Flood Re's approved SCR as at 31 March 2025 and has been agreed with the PRA. The CAO applied is £280m in addition to the SCR of £74.7m, resulting in a total of £354.7m and a coverage ratio of 235% (2024: 1127%). Once the revised model has been approved, the CAO will no longer apply.

Section 172 (1) statement

Overview

Flood Re is a unique public-private partnership between the insurance industry and government. To fulfil its statutory purpose, Flood Re must work with a wide range of partners to help reduce flood risk, mitigate flood damage and support an effective market in home insurance for the future. 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.

Our stakeholders



Key strategic activities

In the year ended 31 March 2025, 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 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 2024 Flood Re published its Quinquennial Review (QQR). 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.

Flood Re is continuing to work with Defra on the implementation of the following specific recommendations:

1. Changes to increase the maximum BBB reimbursement to £15,000
2. Raising awareness of the Scheme's subsidy
3. The routine setting of the Loss Limit on a three-year basis
4. An increase in the cap on Flood Re's annual spend
5. The removal of the Flood Re Claim Excess
6. Changes to Flood Re's investment permissions

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

Climate change has been a primary 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 then, this focus on climate and discussions at Board level have intensified 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 programmes such as Build Back Better, launched in 2022/23.

This focus on climate continued in 2024/25 with the launch and publication of Flood Re's FPC Roadmap at the Flood and Coast conference.

Launched by Flood Re's Chair in June 2024, the Roadmap sets out our ambition to establish Flood Performance Certificates (FPCs). FPCs are designed to set out the level of resilience to flooding a property has in place. It tells a householder what could happen if there were a flood, and what level of flood water will cause damage to their home. Underpinning FPCs is a framework for simply, yet accurately, assessing the features of a property that give it resilience, and how these work together to protect a home.

The next stage of this work is to identify, define and then build consensus on the data points required to assess a property for flood resilience, and then operationalise this information within the insurance, lending and flood resilience sectors. Flood Re has appointed leading engineering firms to assist us in this undertaking.

The Board championed the Company's creation of a Flood Resilient Garden which was showcased at the Chelsea Flower Show in June 2024 and is now permanently rehomed at HR Wallingford's Howbery Park ground. This was followed up by support for a second flood resilient garden at RHS Malvern in 2024-25 financial year. These projects demonstrate how gardens of any size can be used to reduce the risk of flooding. The gardens provide Flood Re with 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

Through the summer and autumn of 2024/25 year-end, Flood Re convened an Expert Group Forum on Flood Risk and Property Resilience to consider the future of property-level flood resilience (PFR), Chaired by Non-Executive Director Shirel Stedman. The Expert Group asked which homes would be most suitable for resilience measures, considering economic, physical and social perspectives. PFR has traditionally been seen as a measure of last resort, and the group aimed to reverse this by thinking of PFR as a first option and ask where it is most appropriate. The group fostered cross-sector collaboration among academia, government (local and national), financial services, and civil society, all of which were represented at senior level. The group focused on innovative approaches to property resilience and considered the policy and technical changes which would unlock these. Flood Re has commissioned two further research projects reflecting the group's considerations, which along with the wider conclusions, will be published in 2025/26.

In September 2024, The Secretary of State for Environment, Food and Rural Affairs launched the 'Flood Resilient Taskforce' to bring together multiple Government Ministers, associated public bodies, and key associated parties such as Flood Re and the Association of British Insurers. The taskforce aims to "Co-ordinate flooding preparation and provide long-term, strategic thinking to better protect communities". Flood Re has been asked to convene a working group of the taskforce, focusing specifically on insurance.

The Environment Agency has commissioned Peter Bonfield to undertake a follow up review of PFR to his 2016 Review. The Flood Re Board has supported the implementation of key parts of the 2016 Bonfield Action Plan through the creation of the 'Build Back Better' initiative, and our transition work with the PFR Sector, including the chairing of the PFR Roundtable. The terms of reference for the Second Bonfield Review reflect many of the issues highlighted in Flood Re's FPC Roadmap and Expert Group, including the role of financial services in changing household behaviour, and the need for greater research and innovation. Flood Re staff are supporting Professor Bonfield in his work.

4. The desirability of the Company maintaining high standards of business conduct

Flood Re is dual regulated by the FCA and PRA, and consequently all staff must undertake annual regulatory training.

All senior staff, including Directors for whom the SMCR regime applies must comply with continuing professional development requirements, and must attest their continuing fitness for their roles every year. The Board held a Strategy Day with senior staff in December 2024 focused on understanding protection gaps. There has also been a programme of training for the Board and directors on the structure, risks and opportunities and tailoring to Flood Re of Catastrophe Bonds. Training was delivered to directors on wider capital issues, and our internal model in relation to Flood Re's current and projected solvency position.

5. The need to act fairly 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. Flood Re allow two years for Insurers to finalise their returns and undertakes 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.

1 April 2025 marks the beginning of our new re-insurance programme, with significantly increased costs for the Scheme. In recognition of these increased costs, the Flood Re Board reached an agreement with the UK Government to increase Levy 1 by £25m from 1 April 2025. This required approval by Parliament, and an update to the Flood Reinsurance (Amendment) Regulations 2025, which were agreed by both Houses of Parliament during the year.

The Board keeps under review the role of the Scheme within the market, the Scheme's overall exposure and the balance of properties ceded to the Scheme. During 2024/25, ceding to the Scheme grew at a significantly greater rate than previous years, exacerbating a trend over recent years that has seen the balance of properties skew towards properties in higher council tax bands with higher values and rebuild costs. To address this, in February 2025, the Board took the decision to implement a mid-year premium rise that will take effect from 1 October 2025. In response to the changing nature of the Flood Re book, the Board chose to differentiate the level of premium rise by council tax band, with the most significant rises reserved for Council Tax Bands F-I, which are significantly overrepresented in the Flood Re book relative to the UK housing stock as a whole.

6. The interests of the Company's employees

The appointment of Perry Thomas from Flood Re Non-Executive Director to CEO was one of a number of changes made to the Board in the year. Simon Green, our senior independent director, took over the Chair of the Risk and Capital Committee, and Tony Ballance took over as Chair of the Remuneration Committee.

Following several changes in senior leadership at Flood Re this year, the Board supported a review into the culture at Flood Re to ensure the company can attract, retain and inspire the highest possible calibre of employees and enable them to succeed in a unique and fulfilling environment. Board members spoke to Flood Re employees about the findings, and several changes were implemented based on the feedback. These changes included business-focused quarterly all staff meetings and a new Flood Re employee feedback group.

A number of our Non-Executive Directors have attended Flood Re Stakeholder events including the Chelsea Flower Show, and Flood and Coast conferences. They have also spent time at Flood Re all-staff meetings.

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

………………………
Perry Thomas MBA, FIA, CERA
Chief Executive Officer

Date: 25 June 2025
Registered Office: 75 King William Street, London EC4N 7BE

Directors' Report
For the year ended 31 March 2025

The Directors present their Report and the audited Financial Statements of the Company for the year ended 31 March 2025.

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

Curating an inclusive environment, where everyone can thrive is of huge importance to Flood Re. All facets of difference (beyond those which are "protected characteristics" under the Equality Act 2010, including socio-economic background, neurodiversity and education) add a richness to Flood Re, help us avoid groupthink, and strengthen our ability to deliver our purpose.

In 2024 we undertook a DEI survey, the resulting data and insights from which, will inform our DEI ambitions in 2025 and beyond.

Flood Re committed to the Women in Finance Charter by pledging 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, we continue to work towards gender balance and are also increasingly looking at other forms of diversity and inclusion. We continue to focus on our goal of achieving gender balance across the senior levels of the Company and our latest gender-related data are as follows:

As at 31 March 2025	Total	Male	Female
Board (excl. CEO / CFO)	5	2	3
Executive Committee (incl. CEO / CFO)	6	4	2
All Employees (excl. Executive Committee and Board)	69	35	34

Our employee engagement

Committed to transparent communication with our colleagues and we use a multi-channel approach: employees are kept informed about how Flood Re is performing (including financially) and how it is progressing against its purpose and strategic priorities of the business through regular updates on our intranet, by email, at a weekly 'Buzz' (all employee) meeting, and Connect Days.

We also recognise that effective communication is a two-way process, so over the last year we've solicited feedback through one-to-one interviews, focus groups, survey activity, 'joiner, stayer, leaver' questionnaires and the High Performing Organisation (HPO) programme.

In 2024, Flood Re attained 'Top Insurance Employer' and '5-Star DEI Employer' awards. In addition, for the first time, Flood Re was recognised in the Small & Medium category as one of 2024 'UK's Best Workplaces in Financial Services & Insurance' by Great Place to Work UK and achieved 'Great Place to Work' (GPTW) accreditation for the second time. This required us to complete a culture survey and for staff to respond to the 'trust index' survey, with a minimum participation rate and minimum average score rate required.

External stakeholder interests

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

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 the 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, Treasury Bills and Supranational bonds.

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, with a subsequent update and approval in May 2025 for the year ahead. 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.

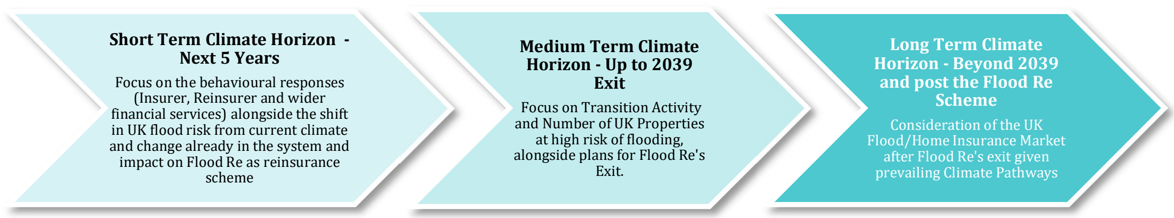
Creditor Payment Policy

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 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 2025

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 at 31 March 2021 with its base year set as 31 March 2020.

Reporting Boundary

The reporting boundary for this Energy and Carbon Report is Flood Re and its material 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 2025 and 2024.

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 2024.

Energy Performance Results

Energy Use (kWh)	**31 March 2025**	**31 March 2024**
Transport Energy	57,107	56,419
Electricity[1]	118,185	181,299
Natural Gas[1]	20,548	197,196
Total	**195,840**	**434,914**

*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 that is recharged to Flood Re.

[1] The significant reduction in Gas and Electricity emissions was predominantly due to the reduced occupancy of the overall office in which Flood Re resides, with five out of seven floors of the building vacant during the period 2024/25.

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 2024.

Carbon performance results

Carbon dioxide equivalent Emissions (t/Co2e)	**31 March 2025**	**31 March 2024**
Scope 1 emissions	22	54
Scope 2 emissions	24	37
Scope 3 emissions	71	61
Total	**117**	**152**

*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 2025	**31 March 2024**
Reporting boundary t/CO2e/employee	**1.6**	**2.5**

Operational trends

The energy usage of kWh 195.8k in the year to 31 March 2025 was lower than the previous reporting year 2024 of kWh 434.9k.

The significant decrease in our Scope 1 (Gas) and Scope 2 (Electricity) emissions was due predominantly to the reduced occupancy of the overall office in which Flood Re resides, with five out of seven floors of the building vacant during the period. Consequently, the total gas and electricity used in the year was much lower for all contributors.

For Scope 1 (air travel), the overall decrease was slightly offset by increased long haul flights, which were crucial to the relationship management required in the re-procurement of the year 10 to 12 reinsurance programme.

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.

Energy efficiency and management actions

Flood Re recognises that our ability to manage our limited carbon footprint is less significant than our wider stakeholder influence on flood and PFR adoption and adaptation; we continue to consider both elements of our operations.

The permanent establishment of the Flood Resilient Garden at its new home at Howbery Park this year will aid in carbon capture over time and will provide opportunity for the Public to learn how to make their own gardens more flood resilient.

Impact of climate change on investment risk

Flood Re's investment portfolio comprises deposits with the UK DMO throughout the year, and investments in UK Treasury Bills, Gilts and a small number of high credit quality supranational bonds, therefore the associated climate change risks around investments are limited. Given the UK Government's net zero targets (Climate Risk Mitigation) and its investment in flood risk management (Climate Risk Adaptation) we believe this investment approach is net positive to managing climate change and supporting the Scheme's Public Purpose.

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 National Wealth Fund, 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.

Perry Thomas

Perry Thomas was appointed Chief Executive Officer in February 2025 and received PRA approval 6 June 2025. He's an actuary with over 30 years in financial services in roles including CEO, CRO and Group Chief Actuary. He's held directorships in the 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.

Independent Non-Executive Directors

Tony Ballance

Tony Ballance is an Independent Non-Executive Director and Chair of Flood Re's Remuneration Committee. 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.

Simon Green

Simon Green is Flood Re's Senior Independent Non-Executive Director and Chair of Flood Re's Risk and Capital Committee. Simon is also a Non-Executive Director of AJG 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, and 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 Engineers and a Chartered Member of the Chartered Institution of Water and Environmental Management. Shirel was the Chair of Defra 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 infrastructure projects.

Non-Executive Directors rotation policy

At the seventh Annual General Meeting (AGM) of Flood Re and at every subsequent AGM, one-third of the Independent Non-Executive Directors (INEDs) will be subject to retirement by rotation. At every subsequent AGM one-third of the INEDs shall be subject to retirement by rotation and will be those who have been longest in office since their last appointment or reappointment. A retiring INED shall, if willing to act, be eligible for reappointment but can only serve for a period of up to nine years from the date of their original appointment.

Jean Sharp and Simon Green are subject to retirement by rotation and reappointment at the 2025 AGM.

Perry Thomas succeeded Stuart Logue as CEO in February 2025 and received PRA approval 6 June 2025. Perry was previously a Non-Executive Director of Flood Re and Chair of the Risk & Capital Committee since October 2021.

Simon Green, Flood Re's senior independent director, replaced Perry Thomas as the Chair of the Risk and Capital Committee.

Tony Ballance joined the Board in June 2024, replacing Judith Eden who left the Board in July 2024. He took over from Simon Green as Chair of the Remuneration Committee.

Shirel Stedman became the Board member with a focus on employee relations in May 2025.

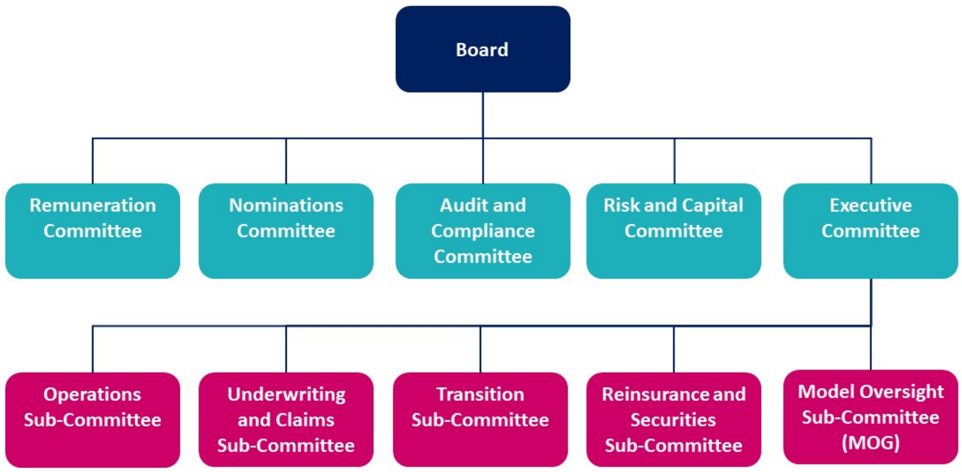
FLOODRE

Directors' Report
For the year ended 31 March 2025

Governance Framework

The Board

The Committee structure as at 31 March 2025 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
Bridget Rosewell	CHAIR	Member (INED)	CHAIR	Member (INED)	Attendee
Perry Thomas[1]	Member (CEO and ED)	Attendee	Attendee	Attendee	Attendee
Simon Green[2]	Member (SID)	Member (INED)	Member (INED)	CHAIR	Member (INED)
Jean Sharp	Member (INED)	Member (INED)	Member (INED)	Member (INED)	CHAIR
Shirel Stedman	Member (INED)	Member (INED)	Member (INED)	Member (INED)	Member (INED)
Tony Ballance[3]	Member (INED)	CHAIR	Member (INED)	Member (INED)	Member (INED)

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

[1] Perry Thomas was appointed as CEO on 3 February 2025 and received PRA approval 6 June 2025.
[2] Simon Green was appointed as Chair of the Risk and Capital Committee on 24 April 2025.
[3] Tony Ballance was appointed as Chair of Remuneration Committee on 25 April 2025.

Committee attendance record

The table below shows the Committee attendance record for the year ended 31 March 2025 (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					
Bridget Rosewell	5/5	2/2	2/2	4/4	5/5
Perry Thomas	5/5	2/2	2/2	4/4	5/5
Andy Bord[1]	2/2	1/1	-	1/1	2/2
Tony Ballance[2]	4/4	1/1	2/2	3/3	3/3
Judith Eden[3]	2/2	1/1	-	1/1	1/1
Simon Green	5/5	2/2	2/2	4/4	5/5
Stuart Logue[4]	4/4	-	1/1	3/3	4/4
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]Andy Bord left during the year and had full attendance at all meetings during his time on the Board.

[2]Tony Ballance joined during the year and had full attendance at all meetings since he joined the Board.

[3]Judith Eden left during the year and had full attendance at all meetings during her time on the Board.

[4]Stuart Logue left during the year and had full attendance at all meetings during his time on the Board.
Executives are not members of the audit committee but can be invited to attend.

The 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.

Simon Green was appointed on 9 January 2024 as Senior Independent Director (SID) and was appointed Risk and Capital Committee Chair on 24 April 2025.

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 securing reinsurance to protect Flood Re's Scheme Parameters (Liability Limit, Levy 1 and Loss Limit) at appropriate levels for the next 3-year cycle which commenced 1 April 2025.

During the year, a significant focus of the RCC has been the re-procurement of our next three-year Reinsurance programme. As part of this overall programme, the committee approved the issuance of a Catastrophe Bond in March 2025 and is effective from 1 April 2025. Consequently, London Bridge 2 PCC Limited issued a single UK £140 million tranche of notes via a protected cell named Vision 2039 (Series 2025-1) on Flood Re's behalf, which provides three years of retrocessional UK flood reinsurance to the end of March 2028, on an indemnity trigger and annual aggregate basis.

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.

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

Executive Committee

Perry Thomas (CEO) is joined by:

David Dunning
David Dunning was appointed as Interim Chief Financial Officer of Flood Re in July 2024. He is a qualified accountant and holds an MBA from Manchester Business School.
He started his insurance career with RSA, then Hiscox and Hardy before working as an interim manager in senior finance roles, across several sectors in the global insurance industry. This included roles with Hannover Re, Howden, Amlin, Novae, BMS, ProSight, Neon, MDDUS, Munich Re and other businesses. David is a member of the Board however he has not been appointed a Director.

Maxwell Bero
Maxwell Bero is responsible for leading the Operations function. He has over 25 years in financial services covering Assurance and Finance.

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 project. 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.

Laura Evans
Laura Evans is the Chief Actuary at Flood Re and has over 12 years' experience in the insurance market with broad experience across consultancy, London market and reinsurance organisations. She has chaired the IFOA's Flood Working Party since 2020.

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 2025 and 2024.

Name	Year	Salary £	Taxable benefit £	Bonus £	Pension £	Pension allowance £	Total £
Perry Thomas[1]	**2025**	**57,333**	**94**	**-**	**-**	**6,020**	**63,447**
Andy Bord[2]	**2025**	**466,217**	**-**	**66,481**	**10,000**	**36,537**	**579,235**
	2024	422,100	-	126,630	22,000	22,321	593,051
Stuart Logue[3]	**2025**	**379,692**	**3,426**	**-**	**10,000**	**29,883**	**423,001**
	2024	300,000	3,090	81,900	10,000	21,500	416,490

[1]Perry Thomas was appointed as CEO on 3 February 2025 and was paid for the period February and March 2025.

[2]Andy Bord was paid for the period from April to October 2024.

[3]Stuart Logue was paid for the period from April 2024 to March 2025.

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 2025 and 2024. The Board reviewed the Independent Non-Executive Directors' fees during the year in accordance with the Remuneration Policy.

Name	**Year**	**Total Fees £**
Bridget Rosewell	**2025**	**147,000**
	2024	93,933
Tony Ballance[1]	**2025**	**47,208**
	2024	-
Judith Eden[2]	**2025**	**16,909**
	2024	53,000
Simon Green	**2025**	**66,483**
	2024	53,000
Jean Sharp	**2025**	**65,650**
	2024	63,000
Shirel Stedman	**2025**	**55,650**
	2024	53,000
Perry Thomas	**2025**	**54,708**
	2024	63,000

[1]Tony Ballance was appointed as Chair of the Remuneration Committee on 25 April 2025.

[2]Judith Eden left during the year.

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, to approve the renewal of staff benefit schemes if appropriate, and to set the budget for pay increases, and in April 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 sustainable, 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.
- A bonus scheme is in place and is intended to motivate and reward those who significantly contribute to the Company's achievement of its objectives and results. The 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 remuneration of the members of the Executive Committee along with the 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 became 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 assessed its Going Concern status over a 12-month period from the date of approval of the financial statements and evaluated its viability over a three-year financial planning period commencing 1 April 2025.

Management has conducted comprehensive stress testing of both Flood Re's solvency position and operational capabilities. These assessments confirm the Company's ability to remain a going concern and demonstrate its continued financial strength and operational resilience throughout the planning period.

The 2025–2028 Reinsurance Programme was renewed in a more challenging market environment than in 2022. Increased exposure—driven by a growing number of policies and the need for higher indemnity levels—has led to higher reinsurance costs. As a result, Flood Re anticipates losses across the planning horizon.

However, as a not-for-profit organisation, this position remains satisfactory, particularly in light of Flood Re's strong capital base as at 31 March 2025, which includes:

- Total invested and liquid funds of £1,011m (2024: £899.8m),
- Net assets of £672m (2024: £661.3m), and
- Eligible Own Funds (Unaudited) of £835.3m (2024: £744.4m).

While Flood Re has historically maintained a strong solvency position, the evolving external environment now warrants more proactive monitoring and timely management action where appropriate. Nevertheless, as of 31 March 2025, the Solvency Capital Requirement (Unaudited) coverage ratio stands at 235%, significantly above industry averages and reflective of the Company's continued financial resilience.

Management concludes that under all modelled scenarios tested during the planning period, the Company will be able to implement appropriate management actions to ensure that, even in extreme stress scenarios, it continues to meet its solvency and liquidity requirements. Flood Re is therefore expected to remain a going concern, with sustained financial strength and operational resilience.

Accordingly, it has been deemed appropriate to adopt the going concern basis in the preparation of these Financial Statements. Further details can be found in Note 2.2 to the Financial Statements

Dividends

The Company did not pay or propose any dividends during the year ended 31 March 2025 (2024: £nil).

Political donations

The Company did not make any political donations during the year ended 31 March 2025 (2024: £nil).
Financial instruments

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

Risk framework

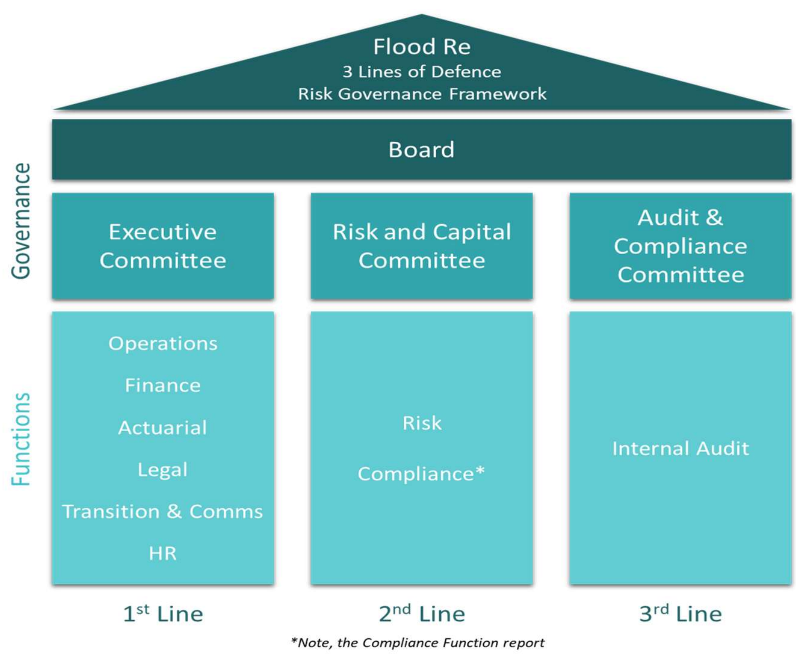
Overview of risk

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 financial 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 identifying and monitoring potential Legal and Compliance risk arising from the activities of Flood Re and its 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.

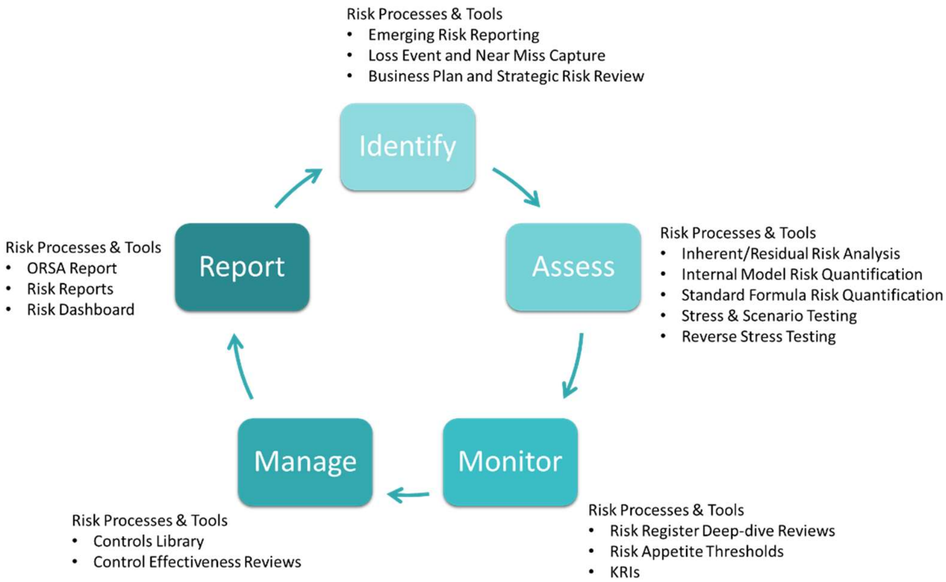
It is the responsibility of each of the three lines of defence to ensure the delivery of Flood Re's complete risk management system.

Risk management system

The diagram below 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 the risk management system being used for major strategic decisions and direction include (a) Assessing the solvency, risk appetite and wider financial implications of the outwards reinsurance and risk transfer structures proposed and ultimately placed for the next three years, (b) Deep Dive Risk reviews on the new forms of risk transfer utilised in the new three year programme, in particular a full risk and opportunity review prior to executing the Catastrophe Bond and (c) Assessing future medium term headwinds facing the scheme (e.g. Climate Change, Ceding Behaviour and Risk Transfer Cost/Capacity constraints) and working with 1st line to actively plan updates to the scheme structure to manage these risks.



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 and managed. 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.

Directors' Report
For the year ended 31 March 2025

Directors:

The Directors of the Company during the year ended 31 March 2025 were:

Bridget Rosewell	Chair
Andy Bord	Chief Executive Officer (Resigned 18 July 2024)
Stuart Logue	Interim Chief Executive Officer (Resigned 3 February 2025)
Perry Thomas	Chief Executive Officer (Appointed 3 February 2025)
Judith Eden	Independent Non-Executive Director (Resigned 18 July 2024)
Jean Sharp	Independent Non-Executive Director
Shirel Stedman	Independent Non-Executive Director
Simon Green	Independent Non-Executive Director
Tony Ballance	Independent Non-Executive Director

Company Secretary
Harriet Boughton

Independent auditor
The Auditor, Ernst & Young LLP, has been re-appointed as the Auditor following a competitive audit tender and a due process that was undertaken during the year.

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 2025 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

……………………….
Perry Thomas
Director

Date: 25 June 2025
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 ('the Company') for the year ended 31 March 2025 which comprise the Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 25 (except for those marked as unaudited in note 2.2, 4.3 and 5(c)), 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 2025 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 12 months from the date of the approval of the financial statements;

- Evaluating the Company's ability to withstand extreme adverse scenarios in light of its solvency and liquidity position, reinsurance protection and levying powers conferred upon it by statute;

- Reviewing the Company's going concern disclosures included in the annual report and financial statements 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 12-month period from the date of approval of the financial statements (meaning the 12 months to 25 June 2026).

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
Materiality	• Overall materiality of £13.4m (2024: 12.9m) which represents 2% of equity (2024: 1.9%).

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 Flood Re Limited. 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, increasing climate-related risk, and it is focused on the risk faced by the insurance industry in the short-, medium- and long-term horizon 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 unaudited 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 line with our responsibilities on “Other information”.

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 the impact of climate change on the financial statements was focused on evaluating management’s assessment of the impact of climate risk, physical and transition, and challenging their resulting conclusion that there was no material impact from climate change. As part of this evaluation, we performed our own risk assessment to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

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 judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. 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
Valuation of loss component (2025: £226,005k; 2024: £198,865k), as a component of reinsurance inward contracts liabilities (2025: £580,654k; 2024: £474,276k) *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 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.	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 reviewed the approach in determining the BBNI premium, assessing the estimated policy count and average premium inputs for reasonableness. We performed a retrospective review of the BBNI premium estimate to assess the historical accuracy of management's BBNI premium projection to obtain assurance over the robustness of management's BBNI estimation process. We utilised our actuaries to understand the movement in the loss ratios, bridging last year's initial expected assumption to this this year's.	Based upon our work performed, we have concluded that the valuation of loss component is reasonable.

2) Inaccurate/inappropriate loss ratios being applied. The risk has remained unchanged since the prior year.		
Valuation of Liability for Incurred Claims (2025: £297,462k; 2024: £231,358k), as a component of reinsurance inward contracts liabilities (2025: £580,654k; 2024: £474,276k) *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 on the basis 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: i) Inaccurate/inappropriate attritional loss ratios being applied; ii) Inaccurate/inappropriate assumptions with regards to catastrophe loading resulting in under recognition of the best estimate liability.	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. Our actuaries have reviewed the loss ratio assumptions and methodologies adopted in calculating the best estimates, including assumptions relating to catastrophe loadings and seasonality of loss ratios. In respect of attritional, our actuaries have also independently calculated a best estimate for attritional losses using our own claims development pattern, established a range of reasonable best estimates, and compared to management's best estimate. In respect of catastrophe reserves, our actuaries tested the catastrophe loading by an assessment of observed past catastrophe losses, the development of those losses over time and considering the booked reserves against this experience extrapolated over the expected exposure.	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.

The risk has remained unchanged since the prior year.		

In the prior year, our auditor's report included a key audit matter in relation to the transition to IFRS 17. In the current year, as this is not the year of transition to IFRS 17, it the transition to IFRS 17 is no longer a key audit matter.

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 £13.4 million (2024: £12.9 million), which is 2% (2024: 1.9%) 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.

During the course of our audit, we reassessed initial materiality and updated it for the actual year end net asset balance.

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% (2024: 75%) of our planning materiality, namely £10.1m (2024: £9.6m). 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 £672k (2024: £300k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. Flood Re's financial information is reported to DEFRA. Previously, the accounting basis for both financial statements and DEFRA reporting was the same, so we aligned the statutory reporting threshold with the National Audit Office's lower threshold. However, now the statutory financial statements are prepared on an IFRS17 basis, while DEFRA reporting is on an IFRS4 basis. Therefore, we no longer align the reporting thresholds and have moved to our standard 5% of statutory planning materiality for the statutory financial statements. 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 Statement of directors' responsibilities set out on page 37, 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 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 10 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.

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.

DocuSigned by:

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Jonathan Bell (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
25 June 2025

FLOODRE

Statement of Profit or Loss
as at 31 March 2025

	Note	2025 £000s	2024 £000s
Insurance revenue		65,826	53,279
Insurance service expense		(177,701)	(275,791)
Insurance service result before reinsurance outward contracts	9	**(111,875)**	**(222,512)**
Allocation of reinsurance premiums		(76,150)	(67,928)
Amounts recoverable from reinsurers for incurred claims		40,087	150,329
Net (expense)/income from reinsurance outward contracts	9	**(36,063)**	**82,401**
Insurance service result		**(147,937)**	**(140,111)**
Interest income from debt instruments		5,379	33,751
Interest on cash and short-term deposits		38,271	6,076
Total investment income	8	**43,650**	**39,827**
Insurance finance expenses for reinsurance inward contracts	8	(13,321)	(4,996)
Insurance finance income for reinsurance outward contracts	8	4,908	2,140
Net insurance financial result		**(112,700)**	**(103,140)**
Levy income	7	135,000	135,000
Finance costs	20	(56)	(82)
Other operating and administrative expenses	10	(10,180)	(8,023)
Other income		1,434	-
Profit before tax		**13,498**	**23,755**
Income tax expense	13	(3,376)	(7,164)
Profit for the year		**10,122**	**16,591**

All the Company's operations are continuing.

The Notes on pages 52 to 108 are an integral part of the Financial Statements.

FLOODRE

Statement of Other Comprehensive Income
as at 31 March 2025

Other comprehensive income			
		2025	**2024**
		£000s	**£000s**
Profit for the year		**10,122**	**16,591**
Other Comprehensive Income (OCI) to be reclassified to profit or loss in subsequent periods			
Gain on debt instruments at fair value through other comprehensive income	18	746	770
Debt instruments at fair value through other comprehensive income		**746**	**770**
Deferred tax on unrealised gains	13	(186)	(183)
Total other comprehensive income		**560**	**587**
Total Comprehensive Income		**10,682**	**17,178**

All the Company's operations are continuing.

The Notes on pages 52 to 108 are an integral part of the Financial Statements.

FLOODRE

Statement of Financial Position
as at 31 March 2025

	Note	31 March 2025 £000	31 March 2024 £000
Assets			
Intangible assets	14	4,392	5,682
Property, Plant and Equipment	15	2,731	2,491
Reinsurance outward contracts assets	16	247,535	232,798
Other receivables	17	11,958	5,585
Debt instruments at fair value through other comprehensive income	18	220,542	343,643
Current tax asset		10,904	21,294
Cash and short-term deposits	19	790,576	556,157
Total assets		**1,288,638**	**1,167,650**
Equity			
Retained earnings		671,028	660,906
Fair value reserve		982	422
Total equity		**672,010**	**661,328**
Liabilities			
Reinsurance inward contracts liabilities	16	580,654	474,276
Deferred tax liabilities	13	330	147
Lease liabilities	20	2,393	2,097
Other payables	21	33,251	29,802
Total liabilities		**616,628**	**506,322**
Total equity and liabilities		**1,288,638**	**1,167,650**

The Notes on pages 52 to 108 are an integral part of the Financial Statements. The Financial Statements on pages 47 to 108 were authorised for issue by the Board of Directors on **25 June 2025** and were signed on its behalf by:

……………………………….…
Perry Thomas
Chief Executive Officer

……………………………….…
David Dunning
Chief Financial Officer

Company registered number: 08670444

FLOODRE

Statement of Changes in Equity
for the year ended 31 March 2025

	Fair value reserve £000s	Retained earnings £000s	Total equity £000s
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**
Profit for the year	-	10,122	10,122
Other comprehensive income	560	-	560
Total comprehensive income	**560**	**10,122**	**10,682**
Balance as at 31 March 2025	**982**	**671,028**	**672,010**

The Notes on pages 52 to 108 are an integral part of the Financial Statements.

FLOODRE

Statement of Cash Flows
for the year ended 31 March 2025

	Note	2025 £000	2024 £000
Operating activities			
Profit before tax		13,498	23,755
Adjustments for:			
Depreciation	15	1,503	1,501
Amortisation	14	1,290	769
Interest on cash and short-term deposits	8	(38,271)	(6,076)
Interest income from debt instruments	8	(5,379)	(33,751)
Other income		(1,434)	-
Changes in operating assets and liabilities			
Increase in reinsurance inward contracts liabilities		106,378	244,054
Increase in reinsurance outward contracts assets		(14,737)	(121,435)
Increase in other receivables		(338)	(105)
Increase in other payables		3,449	319
Cash generated from operations		**65,959**	**109,031**
UK Corporation taxes received/(paid)		7,011	(16,246)
Interest received		36,709	4,965
Net cash flows from operating activities		**109,679**	**97,750**
Investing activities			
Purchases of intangible assets	14	-	(1,654)
Purchases of property, plant and equipment	15	-	(23)
Net purchases of deposits placed with a duration greater than three months	19	(208,100)	(299,100)
Purchase of debt instruments	18	(188,419)	(1,008,705)
Proceeds from maturity of debt instruments	18	314,606	1,196,626
Net cash flows from investing activities		**(81,913)**	**(112,856)**
Financing activities			
Payment of principal portion of lease liabilities	20	(1,447)	(1,412)
Net cash flows from financing activities		**(1,447)**	**(1,412)**
Net increase/(decrease) in cash and cash equivalents		26,319	(16,518)
Cash and cash equivalents brought forward at 1 April		9,257	25,775
Cash and cash equivalents carried forward at 31 March	19	**35,576**	**9,257**

The Notes on pages 52 to 108 are an integral part of the Financial Statements.

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 policies

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 has adopted the following amendments to standards which became effective for the annual reporting period beginning on 1 April 2024. The amendments do not have a significant impact on the Company's financial statements.

i) Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
ii) Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback
iii) Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosures: Supplier Finance Arrangements

Standards, interpretations and amendments to published standards that are not yet effective and have not been adopted early by the Group or the Company

The following standards and amendments to existing standards have been issued, are not yet effective for the Company and have not been adopted early by the Company.

IFRS 18: Presentation and Disclosure in Financial Statements

In April 2024, the International Accounting Standards Board (IASB) published IFRS 18, which aims to improve how companies communicate in their financial statements by:

- Requiring additional defined subtotals in the statement of profit or loss;
- Requiring disclosures about management-defined performance measures; and
- Adding new principles for grouping of information.

IFRS 18 is effective for annual reporting beginning on or after 1 January 2027 and has yet to be endorsed by the UK. The standard is expected to result in presentational changes to the Company's income statement, and new disclosures of management-defined performance measures will be required in the notes to the financial statements.

The Company will work to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures: Amendments to the Classification and Measurement of Financial Instruments

Published by the IASB in May 2024. The amendments are effective for annual reporting beginning on or after 1 January 2026 and have yet to be endorsed by the UK.

This standard is not expected to have a significant impact on the Company's financial statements.

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 assessed its Going Concern status over a 12-month period from the date of approval of the financial statements, and its viability over a three-year financial planning period commencing 1 April 2025.

Management has conducted comprehensive stress testing of both the Company's solvency position and operational capabilities. These assessments confirm Flood Re's ability to remain a going concern and demonstrate continued financial strength and operational resilience throughout the planning period.

The 2025–2028 Reinsurance Programme was renewed in a more challenging market than in 2022. Increased exposure—driven by a growing number of policies and the need for higher indemnity levels—has resulted in increased reinsurance costs. Consequently, Flood Re anticipates losses across the planning horizon. However, as a not-for-profit entity, this position remains satisfactory, particularly in light of the Company's strong capital position as at 31 March 2025, which includes:

- Total invested and liquid funds of £1,011.1m (2024: £899.8m),
- Net assets of £672m (2024: £661.3m), and
- Eligible Own Funds (Unaudited) of £835.3m (2024: £744.4m).

Flood Re's solvency position and reinsurance protection provide the capacity to withstand multiple severe flood events over the financial planning period, subject to the timely implementation of management actions in certain scenarios. This is supported by:

- A Solvency Capital Requirement coverage ratio of 235% (Unaudited), and
- An Operational Capital Requirement coverage of 194%, (Unaudited) following an increase in the operational capital threshold from £330m to £430m in response to the new reinsurance structure.

Several features of the Scheme—such as the Liability Limit, Levy I, and maximum net retention—serve to limit the gross and net losses Flood Re may incur annually. The most material stress scenario identified involves back-to-back multi-year events significantly exceeding the 1-in-30 return period, combined with counterparty defaults among major reinsurers. Even under these extreme conditions, Flood Re retains the ability to access Levy II contingent funding, ensuring recapitalisation and continued going concern status.

During the past year, macroeconomic pressures have eased slightly, with reductions in interest rates and inflationary pressures. However, the average cost of claims has increased. Reinsurance markets have shown signs of recovery, with some segments—such as Property Reinsurance—returning to profitability. Despite these dynamics, Flood Re continues to demonstrate financial resilience, maintaining a strong solvency position even in the face of multiple large flood events.

As part of this review, the Company also assessed its liquidity risk and ability to settle claims, including sensitivity to key actuarial assumptions and the impact of extreme stress scenarios on technical reserves. No concerns were identified regarding liquidity adequacy.

Management concludes that under all scenarios tested, the Company will be able to implement appropriate management actions to ensure that, even in extreme stress conditions, it continues to meet its solvency and liquidity requirements. Flood Re is therefore expected to remain a going concern, with sustained financial strength and operational resilience.

Accordingly, it has been considered appropriate to adopt the going concern basis for the preparation of these Financial Statements.

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. Flood Re has no investment exposure beyond Debt Management Office (DMO) deposits and short-dated Treasury Bills, UK Gilts and Supranational bonds.

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 applications 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) and In A Box application (IAB) intangible assets has been recognised within other operating and administrative expenses in the Statement of Profit or Loss during the year.

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 the 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 de-recognised either on disposal or when no future economic benefits are expected from its use or disposal.

Gains or losses arising from de-recognition of an intangible asset comprise the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit or Loss when the asset is de-recognised.

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 FVTPL option is elected.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in market place (regular way trades) are recognised on the trade date i.e., the date that the Company commits to purchase or sell the asset.

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 de-recognised, 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 Statement of Profit or Loss. 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 de-recognised 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 FVOCI. 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 FVTPL. These comprise 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 de-recognition of the asset.

ECLs are recognised in a two-stage model based on the level of credit risk 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 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 investments in UK Treasury Gilt, Treasury Bills and Supranational bonds, 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, and Supranational bonds issued by supranational organizations 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, if 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 because Flood Re's inward reinsurance business, is monoline and materially onerous on a modelled basis. 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 and spread loss, represents distinct portfolio under IFRS 17 aggregation rules.

(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 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.

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.

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 contracts have a coverage period of 24 months, which matches the coverage period of Flood Re's reinsurance inward contracts as both are written on a risk attaching basis. Therefore, the Quota Share contracts represent proportional reinsurance in Flood Re's underwriting business risk transfer portfolio.
- Flood Re's Aggregate Excess of Loss (XL) contracts are written on a 'losses occurring' basis, therefore have a coverage period of twelve months. These contracts are the non-proportional reinsurance in Flood Re's risk transfer portfolio.

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 Premium Allocation Approach (PAA) model, IFRS 17 requires Flood Re to assume 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).

Flood Re calculates the loss component as the difference between the Liability for Remaining Coverage (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; 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

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 de-recognised in orderly pattern as actual cash inflows and outflows materialise.

The subsequent measurement of the liability for remaining coverage (excluding the loss component) of reinsurance inward contracts represents the 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 unearned premium paid to reinsurers.

(e) Reinsurance outward contracts acquisition cash flows

Reinsurance acquisition cash flows recognised from the costs of buying a three-year reinsurance contracts (issued or expected to be issued) that are directly attributable to the group of reinsurance outward contracts. Except for the annual expenditures, for which Flood Re chose to expense the reinsurance acquisition cash flows as they occur, Flood Re has applied a systematic method to allocate reinsurance acquisition cash flows directly attributable to the contracts that are expected to arise from the renewals of the reinsurance outward contracts.

Where insurance acquisition cash flows have been paid or incurred before the related group of reinsurance contracts is recognised in the Statement of Financial Position, a separate asset for reinsurance acquisition cash flows is recognised for outward contracts.

The asset for reinsurance acquisition cash flow is derecognised from the statement of financial position when the reinsurance acquisition cash flows are included in the initial measurement of the related group of reinsurance outward contracts.

At the end of each reporting period, the Company revises the amount of reinsurance acquisition cash flows allocated to groups of reinsurance outward contracts not yet recognised, to reflect changes in assumptions related to the method of allocation used.

After any re-allocation, the Company assesses the recoverability of the asset for reinsurance acquisition cash flows, if facts and circumstances indicate the asset may be impaired. When assessing the recoverability, the Company applies:

- An impairment test at the level of an existing or future group of reinsurance outward contracts; and
- An additional impairment test specifically covering the reinsurance acquisition cash flows allocated to expected future contract renewals.

If an impairment loss is recognised, the carrying amount of the asset is adjusted and an impairment loss is recognised in Statement of Profit or Loss.

The Company recognises in Statement of Profit or Loss a reversal of some or all of an impairment loss previously recognised and increases the carrying amount of the asset, to the extent that the impairment conditions no longer exist or have improved.

(f) Presentation

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.

(g) 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.

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 as 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 reinsurance held premium, and the net premium is disclosed. Variable commission is treated and disclosed as claims recovery cash inflow.

(h) 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.

Liability for Incurred Claims (LFIC) under PAA method, Flood Re discounts the cashflows that are expected to occur more than one year after the date on which the claims are incurred.

(i) 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. The LFIC measurement includes an explicit risk adjustment for non-financial risk.

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

Flood Re does not disaggregate insurance finance income or expense amounts to OCI.

(k) Insurance Service Expense

Insurance service expenses include fulfilment and acquisition cash flows which are costs directly attributable to insurance contracts and comprise both direct costs and the allocation of fixed and variable overheads to the extent that they can be allocated to groups of contracts in a systematic and rational way.

2.10 Loss component

The liability for onerous contracts known as the Loss Component (LC) is part of the LFRC.

The LC is a separate and distinct disclosure item and is derived from the LFRC fulfilment cashflows corresponding to the BBNI portion of the LFRC (excluding the loss component). It represents the movement of the LFRC as follows:

- At initial recognition, or when contracts subsequently become onerous, by calculating an increase in the LFRC (specifically the LC 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

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 the loss component and the 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 Assets for Remaining Coverage (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, at 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 and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on which there is an intention to settle on a net basis.

Deferred tax is measured on an undiscounted basis.

Current and deferred taxes are recognised as income tax benefits or expenses in the Statement of Profit or Loss 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 Statement of Profit or Loss 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

They are initially recognised at fair value and then subsequently held at amortised cost. They comprise accruals and deferred income and include Levy I payments received in advance of the due 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 revenue

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

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

Reinsurance finance expenses comprise the change in the carrying amount of the group of reinsurance outward contracts relating to the Asset for Incurred Claims (AFIC) cashflows and projected cashflows relating to the loss-recovery component calculation (i.e. typically reinsurance outward contract 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.

Transaction fees attached to purchase of investments and payment of annual broker fee and charges are accrued as investment expenses, whereas interest income is credited to finance income.

(d) Employee benefits

Short-term employee benefits, including salaries, accrued bonuses, pension contributions and national insurance contributions (NICs), 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 to 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 reinsurance inward contract liabilities, specifically the LFIC and Loss Component (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 reinsurance inward 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 reinsurance inward 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. 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

Since the reinsurance inward 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 judgements 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 judgement 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

Reinsurance acquisition cash flows

Acquisition costs incurred on a group of reinsurance outward contracts with a contract period of three years are capitalised in the Statement of Financial Position before the related group of reinsurance outward contracts has been recognised. These acquisition cost cash flows are allocated to related groups of reinsurance outward contracts (including those groups that will include reinsurance outward contracts expected to arise from renewals).

The effect of electing to recognise reinsurance acquisition cash flows as an asset when incurred for a group of reinsurance outward contracts is to increase the AFRC. There would be an increased charge to profit or loss on release of the acquisition cash flows over the three-year coverage period. The carrying amount of the reinsurance acquisition cash flow asset is included in note 16(b).

Discount rates

For the calculation of Solvency UK (SUK) 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. 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 Bank of England risk free 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, individual 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 deemed to be as appropriate for discounting IFRS 17 liabilities.

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

		1 Year	3 Years	5 Years	10 Years
2023-24	GBP	0.98	0.94	0.91	0.83
2024-25	GBP	0.98	0.94	0.90	0.81

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk reflects an amount that an insurer would rationally pay to ameliorate the likelihood that future claims cash flows will exceed their expected value. That is, we create a best estimate of our claims liabilities, but recognise that this amount is uncertain, so hold a reasonable additional amount such that this is likely in most circumstances to be sufficient.

The Company has estimated the necessary risk adjustment on LFIC using a confidence level (probability of sufficiency) approach at the 75-85th percentile range (2024: 75-85th percentile range). We have created a probability distribution of the future claims cash flows, and hence have calculated the additional amount required to meet these target percentiles.

It was concluded that Flood Re does not require a margin for reinsurance inwards claims risk beyond the mean expected cashflows for unearned business; and that the reinsurance 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 AFRC 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 when formed was 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. From 1 April 2025 the Levy increases to £160m. 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 an (adverse) change in the value of insurance claims liabilities due to the actual future costs of claims differing from setting reserves at best estimates. This could be driven by actual experience being different to assumptions made for the number of claims, the average cost 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

Total claims by accident year are typically all 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 is 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 also held, with the level being a management judgement rather than an actuarial judgement. The Board has an appetite for a probability of sufficiency of reserves to be 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, although of course there are judgements also made about how these developments have changed or will change from prior periods.

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 true flood risk of properties ceded to Flood Re
- The portfolio mix of business impacting 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 Flood Re
- 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 costs, increasing contents and repair costs
- Recoverability of amounts due under the outwards Reinsurance programme

Sensitivity

The Company is sensitive to the assumptions utilised in the estimation of insurance claims liabilities, which comprise attritional, large and catastrophic flood events. 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.

	2025 Change in gross claim reserves £000	**2025 Change in net claim reserves £000**	**2024 Change in gross claim reserves £000**	**2024 Change in net claim reserves £000**
10% increase in gross loss reserves	63,589	15,394	52,534	11,492
10% decrease in gross loss reserves	(63,589)	(15,398)	(52,534)	(11,493)
Additional inflation of 5%	31,795	7,697	26,267	5,746
Reduce inflation by 2.5%	(15,510)	(3,756)	(12,813)	(2,803)

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 2025, the Company incurred 39 new large losses (31 March 2024: 19 new large losses), making a total of 86 large losses to date since inception (31 March 2024: 47 large losses to date since inception).

Loss development

In setting the liability for incurred claims, the Company considers the probability and magnitude of future experience being more adverse than assumed. 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 risk adjustment 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.

Post IFRS 17 Flood Re have performed a review of the IFRS 17 Disclosures and during this review have identified inconsistencies in the way the data pulled through resulting in the loss development tables not being disclosed on an ultimate loss position. Flood Re have since corrected this error and restated the historical loss development on an ultimate loss basis.

Claims development table

Gross of reinsurance inward contracts **Accident year ending 31 March**	**Before 2021** **£000**	**2021** **£000**	**2022** **£000**	**2023** **£000**	**2024** **£000**	**2025** **£000**	**Total** **£000**
At the end of accident year		50,385	30,817	20,055	207,305	156,021	
One year later		53,477	32,064	19,064	202,902		
Two years later		53,733	31,639	18,631			
Three years later		54,574	31,149				
Four years later		54,552					
Gross estimates of the undiscounted amount of the claims		**54,552**	**31,149**	**18,631**	**202,902**	**156,021**	**463,255**
Other directly attributable expenses incurred		6,152	7,141	6,694	7,681	9,222	
Gross claims paid		(56,600)	(36,174)	(18,145)	(74,313)	(12,677)	
Net payments related to gross claims only		**(50,448)**	**(29,033)**	**(11,451)**	**(66,632)**	**(3,455)**	**(161,020)**
- Claims liabilities	1,406	4,104	2,115	7,180	136,270	152,566	303,638
- Effect of discounting - cumulative							(6,177)
- Gross cumulative claims liabilities after discounting							**297,462**
- Risk adjustment margin for non-financial risk							**28,359**
Liabilities for incurred claims - gross of reinsurance							**325,821**

Reinsurance outward contracts Accident year ending 31 March	Before 2021 £000	2021 £000	2022 £000	2023 £000	2024 £000	2025 £000	Total £000
At the end of accident year		(25,618)	(16,341)	(9,836)	(112,583)	(76,643)	
One year later		(29,759)	(34,510)	(9,756)	(109,895)		
Two years later		(30,174)	(35,955)	(9,052)			
Three years later		(30,362)	(36,140)				
Four years later		(30,788)					
Gross estimates of the undiscounted amount of the claims		**(30,788)**	**(36,140)**	**(9,052)**	**(109,895)**	**(76,643)**	**(262,518)**
Other directly attributable expenses incurred		(3,176)	(3,882)	(3,588)	(5,494)	(1,992)	
Claims and other directly attributable expenses paid		31,745	39,020	8,679	45,201	11,234	
Net receipts related to reinsurance recoveries only		**28,569**	**35,138**	**5,091**	**39,707**	**9,242**	**117,747**
- Claims liabilities	3,622	(2,219)	(1,002)	(3,961)	(70,188)	(67,401)	(141,149)
- Effect of discounting							1,525
- Effect of risk of reinsurers non-performance							406
- **Cumulative claims liabilities**							**(139,218)**
- **Risk adjustment margin for non-financial risk**							**(14,775)**
Incurred claims - outward reinsurance							**(153,993)**

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.

Flood occurrence in the UK significantly varies year on year, due to the inherent volatility in the peril. Over the course of the 2024 and 2025 storm season there have been several named storms that have affected the UK, bringing heavy rainfall and strong winds. Storm Bert produced a notable number of claims, along with heavy rainfall in September 2024 and early January 2025, both unnamed events that also produced notable impacts. Claims from these three events are still developing, but early estimates suggest that each event will produce significant losses.

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.

Flood Re's Reinsurance Programme provides cover for losses from the UK home insurance insurers, for eligible policies that have been ceded to Flood Re by the UK insurance market. The Programme provides a significant risk transfer mechanism to ensure that Flood Re is protected from the occurrence of significant flood events. As these events exhibit significant volatility in terms of both frequency and severity, catastrophe risk modelling software is used to estimate the potential for losses. The reinsurance coverage purchased is therefore based on catastrophe modelling with additional layers, which include analysis of additional capital requirements, the risk appetite of Flood Re, and the cost of cover. Flood Re purchases such Reinsurance cover to a liability limit which is set to be above the 1-in-200 year modelled loss.

(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 2025 was £2.2bn (2024: £2.1bn). 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 QQR process, completed in July 2024, the Liability Limit was reset to £3.2bn from 1 April 2025 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 (this was increased to £250m from 1 April 2025 in the last QQR process). To provide for both of these requirements, Flood Re purchases an extensive Reinsurance programme, which renews alongside the revised Liability limit and Loss limits from 1 April 2025.

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. As a consequence, investment income will vary in line with the prevailing interest rate environment. Similarly, insurance contract liabilities, although short tailed, are impacted by the prevailing interest rate environment, and are subject to discounting.

The effect of a 100-basis point increase/decrease in interest rates on Gilts and Supranational Bonds with a duration over six months would be a decrease/increase in profit before tax of £3m. We manage our interest rate exposure through setting risk tolerance levels on a Solvency II cost of capital basis. Exposure to interest rate risk is monitored through several measures that include duration, capital modelling, sensitivity testing and stress and scenario testing.

(b) UK Government and other Bond holdings

As at 31 March 2025, the Company holds financial instruments in UK Government bonds and Treasury bills, plus supranationals classified as at fair value through other comprehensive income in its investment portfolio (see liquidity risk in relation to cash and short-term deposits).

(c) 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 invests in UK Government-backed securities (Gilts, Treasury notes and UK Government-backed liquidity funds) or other funds backed by the UK Government (investments that are subject to approval by the Board on a case-by-case basis following due diligence). Investments in GBP Supranational Bonds were approved by the Flood Re Board in February 2024. 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 2025, the Company had £765.0m (2024: £546.9m) of short-term deposits invested with the DMO, representing 76% (2024: 61%) of its total invested and liquid assets portfolio including debt instruments.

(d) 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.

Fair values at balance sheet date analysed by contractual maturity as at 31 March 2025

	Within 1 year	Between 1 year and 2 years	Between 2 years and 5 years	31 March 2025
	£000	£000	£000	£000
Debt and fixed income holdings	96,154	47,619	76,769	**220,542**
Short-term deposits	765,000	-	-	**765,000**
Cash at bank	25,576	-	-	**25,576**
	886,730	**47,619**	**76,769**	**1,011,118**

As at 31 March 2025, the Company has invested and liquid assets of £1,011m, made up of cash, DMO and treasury bills (2024: £899.8m), representing 78% (2024: 77%) of its total equity and liabilities and 285% (2024: 1362%) of the Solvency Capital Requirement (Unaudited).

Fair values at balance sheet date analysed by contractual maturity as at 31 March 2024

	Within 1 year	Between 1 year and 2 years	Between 2 years and 5 years	31 March 2024
	£000	£000	£000	£000
Debt and fixed income holdings	312,608	31,035	-	**343,643**
Short-term deposits	546,900	-	-	**546,900**
Cash at bank	9,257	-	-	**9,257**
	868,765	**31,035**	**-**	**899,800**

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, 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 2025.

	Note	AA £000	AA- £000	A £000	Total £000
Reinsurance assets outward contracts	16	64,720	144,447	38,368	**247,535**
Accrued interest	17	10,822	-	-	**10,822**
Debt instruments at fair value through other comprehensive income	18	220,542	-	-	**220,542**
Cash and short-term deposits	19	765,000	-	25,576	**790,576**
Total		**1,061,084**	**144,447**	**63,944**	**1,269,475**
%		83.58%	11.38%	5.04%	100.00%

The table below shows the credit rating by financial asset type as at 31 March 2024. Reinsurance asset outward contracts and accrued interest for 31 March 2024 have been represented to align with the current year format.

	Note	AA £000	AA- £000	A £000	Total £000
Reinsurance assets outward contracts	16	60,867	135,847	36,084	**232,798**
Accrued interest	17	4,787		-	**4,787**
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		**956,197**	**135,847**	**45,341**	**1,137,385**
%		84.07%	11.94%	3.99%	100.00%

(b) **Age analysis**

The table below shows the aged debtor analysis by asset type as at 31 March 2025.

31 March 2025	Note	Not yet due £000	30 days £000	60 days £000	90 days £000	Total £000
Reinsurance assets outward contracts	16	247,520	-	15	-	**247,535**
Other receivables	17	11,958	-	-	-	**11,958**
Debt instruments at fair value through other comprehensive income	18	220,542	-	-	-	**220,542**
Cash and short-term deposits	19	790,576	-	-	-	**790,576**
Total		**1,270,596**	**-**	**15**	**-**	**1,270,611**
%		99.99%	0.00%	0.01%	0.00%	100.0%

As at 31 March 2025 the Company has received £30.0m (2024: £26.9m) of the 2025 Levy in advance (see Note 21).

The table below shows the aged debtor analysis by asset type as at 31 March 2024. Reinsurance asset outward contracts for 31 March 2024 have been represented to align with the current year format.

31 March 2024	Note	Not yet due £000	30 days £000	60 days £000	90 days £000	Total £000
Reinsurance assets outward contracts	16	232,113	325	267	93	**232,798**
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		**1,138,183**	**325**	**267**	**93**	**1,138,183**
%		99.94%	0.03%	0.02%	0.01%	100.0%

(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 other receivables at 31 March 2025 is £nil (2024: £nil).

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 £790.6m at 31 March 2025 (31 March 2024: £556.1m). During the period, the Company invested in debt instruments as detailed in Note 18 totalling £220.5m at 31 March 2025 (31 March 2024: £343.6m). 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 UK 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 2025 and 2024. The Company has complied at all times with the regulatory Minimum Capital Requirements and the Solvency Capital Requirements.

		2025	2024
		£000	£000
		Unaudited	*Unaudited*
Basic own funds (Tier 1 unrestricted)	A	760,336	711,384
Deferred tax assets (Tier 3)	B	-	-
Total basic own funds		**760,336**	**711,384**
Ancillary own funds (Tier 2) – 50% of the SCR, capped at a maximum of £75m.	C	75,000	33,024
Available own funds	A+B+C	**835,336**	**744,408**
Eligible own funds to support SCR	A+C	**835,336**	**744,408**
SCR (Approved model) [1]		74,744	66,047
Capital Add-on[1] (CAO)		280,000	-
Minimum Capital Requirement (MCR)		88,686	16,512
Ratio of eligible own funds to meet the SCR		235%	1127%
Ratio of basic own funds to meet the MCR		857%	4308%

Reconciliation of equity to basic own funds	2025	2024
	£000	£000
Equity on an IFRS 17 basis	672,010	661,328
Adjustments in respect of:		
Decrease in valuation of assets	(7,021)	(7,186)
Increase in valuation of technical provisions	137,583	74,934
Increase in the valuation of other liabilities	(42,236)	(17,692)
Total basic own funds	**760,336**	**711,384**

[1]The SCR of £74.7m was calculated using the Partial Internal Model. The £354.7m total includes a voluntarily capital add on of £280m as described in (d) below.

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 31 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 2025, the SCR of £74.7m (2024: £66.0m) was calculated using the Partial Internal Model, which was approved for use from 1 April 2020 onwards to determine the regulatory SCR.
In addition, expected changes in the financial structure of Flood Re, due to the new reinsurance scheme parameters and resulting outwards reinsurance programme, will result in an increase in the Scheme's Solvency UK Capital Requirements (SCR). While Flood Re works on the major model change required to accommodate the new structure and parameters, an estimated Voluntary Capital Add On (CAO) has been applied to Flood Re's approved SCR as at 31 March 2025 and agreed with the PRA. The CAO applied is £280m in addition to the SCR of £74.7m, resulting in a total of £354.7m. Once the revised model has been approved, the CAO will no longer apply.

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 2025 and 2024, 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 2025 and 2024. The accumulated MMA as at 31 March 2025 is £nil (2024: £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. Levy I income for the year ended 31 March 2025 was £135m (2024: £135m). From 1 April 2025 the Levy increases to £160m.

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 2025	**Reinsurance related**		**Non-Reinsurance related**	**Total**
	Inward	**Outward**		
	£000s	**£000s**	**£000s**	**£000s**
Income recognised in the profit or loss:				
Interest accreted to insurance contracts using current financial assumptions	(13,311)	4,902	-	(8,409)
Due to changes in interest rates and other financial assumptions	(10)	6	-	(4)
Net Interest from debt investments calculated using the effective interest method	-	-	3,039	3,039
Decline of discounts from debt investments	-	-	2,340	2,340
Interest income from DMO calculated using the effective interest method	-	-	37,492	37,492
Interest income from savings account calculated using the effective interest method	-	-	779	779
Total amounts recognised in the profit or loss	(13,321)	4,908	43,650	35,237
Amounts recognised in OCI	-	-	-	-
Total investment income	**(13,321)**	**4,908**	**43,650**	**35,237**

During the year, the Company invested in short-term deposits with the DMO and earned total net interest income of £37.5m (2024 £5.4m).

31 March 2024	Reinsurance related		Non-Reinsurance related	Total
	Inward	Outward		
	£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
Interest income from DMO calculated using the effective interest method	-	-	5,427	5,427
Interest income from savings account calculated using the effective interest method	-	-	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**

9. Insurance service result

The breakdown of insurance service expenses is presented below:

	2025 £000	2024 £000
Insurance revenue	65,826	53,279
Total revenue from reinsurance inward contracts	**65,826**	**53,279**
Insurance service expenses		
Incurred claims and other directly attributable expenses	(17,044)	(130,947)
Losses on onerous contracts and reversal of those losses	(160,657)	(144,844)
Total insurance service expenses from reinsurance inward contracts	**(177,701)**	**(275,791)**
Total insurance service result from reinsurance inward contracts	**(111,875)**	**(222,512)**

Net income/(expenses) from reinsurance outward contracts	**2025 £000s**	**2024 £000s**
Allocation of reinsurance premiums	(76,150)	(67,928)
Income on initial recognition of onerous reinsurance inward contracts	44,398	78,870
Reversals of a loss-recovery component	(72,545)	(46,243)
Effect of changes in the risk of reinsurers non-performance	2,426	723
Claims and other insurance service expenses recovered	78,441	100,943
Changes relate to adjustments to incurred claims and premiums recovered	(12,633)	16,036
Total insurance service result from reinsurance outward contracts	**(36,063)**	**82,401**
Net insurance service result	**(147,937)**	**(140,111)**

10. Other operating and administrative expenses

	Note	2025 £000	2024 £000
Service contracts including outsourcing		1,713	2,052
Employee benefits expense	11	9,862	8,020
Other staff costs		1,287	760
Office costs		48	62
IT costs		1,972	1,948
Amortisation of Intangible Assets	14	1,290	769
Depreciation of Fixed Assets	15	1,503	1,501
Consultancy and other third-party costs		3,264	2,015
Legal, rating agency, regulatory and audit		1,581	1,367
Capital model fees and validation		169	285
PR and communications		1,255	708
Allocation of attributable expenses		(13,764)	(11,464)
Total other operating and administrative expenses		**10,180**	**8,023**

11. Employee benefits expense

	2025 £000	2024 £000
Wages and salaries	8,181	6,645
Social security costs	1,052	846
Employer pension contributions	629	529
Total employee benefits expense	**9,862**	**8,020**
Full time equivalent (FTE) staff for the year	71	60
Number of staff employed at the end of year	75	64

12. Auditor's Remuneration

	2025 £000	2024 £000
Fees payable for the audit of the financial statements	523	675
Total Auditor's remuneration	**523**	**675**

The final audit fees for the period to 31 March 2024 totalled £745k and the higher fee in 2024 due to review of IFRS 17 adoption, of which £70k was subsequently paid in 2025.

13. Income tax

The components of income tax expense for the year ended 31 March 2025 and 2024 are as follows:

	2025 £000	2024 £000
Current tax		
Current income tax	3,378	-
Adjustment for income tax in prior years	-	(3,876)
Deferred tax		
Relating to origination and reversal of temporary differences	(2)	-
Deferred tax asset brought forward at 1 April 2023 written off	-	11,040
	3,376	**7,164**

	2025 £000	2024 £000
Net gain on debt instruments at fair value through other comprehensive income	**746**	**770**
Income tax charge at 25% (2024 25%)	186	183

Deferred tax

The deferred tax liability is in relation to the following temporary differences

	2025 £000	2024 £000
Deferred tax to 31 March 2025 on OCI debt instrument fair value movement	(327)	(141)
Deferred tax to 31 March 2025 on depreciation profile	-	(3)
Deferred tax to 31 March 2026 on depreciation profile	(3)	(3)
	(330)	**(147)**

The UK corporation tax rate year ended 31 March 2025 was 25% (25% 31 March 2024)

Reconciliation of the total tax charge

The tax charge in the Statement of Profit or Loss differs from the tax charge that would apply if all profits had been charged at Flood Re Limited's corporate rate. A reconciliation between the tax expense and the accounting profit multiplied by tax rate for the years ended 31 March 2025 and 2024 is as follows:

	2025 £000	2024 £000
Accounting profit before tax	**13,498**	**23,755**
Income tax charge at 25% (2024 25%)	3,375	5,939
Disallowed expenses	4	15
Capital allowances	-	(16)
Change in accounting basis for corporation tax at 1 April 2023	-	(11,040)

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 written off	-	11,040
Deferred tax on timing differences	(3)	2
	3,376	**7,164**

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).

14. Intangible assets

	Software £000
At Cost	
Opening balance as at 1 April 2024	6,451
Closing balance as at 31 March 2025	**6,451**
Accumulated amortisation	
Opening balance as at 1 April 2024	769
Amortisation charge	1,290
Closing balance as at 31 March 2025	**2,059**
Carrying amount at 31 March 2025	**4,392**

	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**

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 systems were recognised as assets during the financial year 2022-23. The IAB system went live as at 31 March 2024, with amortisation commencing from that date.

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 2024	52	2,072	2,455	96	4,675
Additions	-	1,743	-	-	1,743
Disposals	-	(2,072)	(95)	-	(2,167)
Closing balance as at 31 March 2025	**52**	**1,743**	**2,360**	**96**	**4,251**
Accumulated Depreciation					
Opening balance as at 1 April 2024	52	1,295	764	73	2,184
Depreciation charge	-	995	496	12	1,503
Depreciation on disposals	-	(2,072)	(95)	-	(2,167)
Closing balance as at 31 March 2025	**52**	**218**	**1,165**	**85**	**1,520**
Carrying amount at 31 March 2025	**-**	**1,525**	**1,195**	**11**	**2,731**

Additions in Right of Use Assets in the year comprise of renewal of new office lease commencing 1 January 2025. Disposals in the year represent the expiration of a two-year office lease ended on 31 December 2024 and the expiry of the SUN systems license during the financial year 2024-25.

	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**

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 2025			31 March 2024		
	Assets £000	Liabilities £000	Net £000	Assets £000	Liabilities £000	Net £000
Reinsurance outward contracts assets	247,535	-	**247,535**	232,798	-	**232,798**
Reinsurance inward contracts liabilities	-	580,654	**580,654**	-	474,276	**474,276**

(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 2025	**Liability for remaining coverage**		**Liability for incurred claims**		
Reconciliation by Liability type	**Excluding Loss Component**	**Loss Component**	**Present Value FCF**	**Risk Adjustment**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Opening balance					
Opening reinsurance inward contracts liabilities	21,160	198,865	231,358	22,893	474,276
Net opening balance	**21,160**	**198,865**	**231,358**	**22,893**	**474,276**
Insurance service result					
Insurance revenue					
Revenue from reinsurance inward contracts	(65,826)	-	-	-	(65,826)
Total insurance revenue	**(65,826)**	**-**	**-**	**-**	**(65,826)**
Insurance service expenses					
Claims and other insurance service expenses incurred;					
Claims and insurance service expenses, IBNR and RBNP	-	-	159,637	14,942	174,579
Changes that relate to past service-adjustment to LIC	-	-	(8,331)	(9,476)	(17,807)
Reinsurance inward contracts;					

Changes in the LRC allocated to loss component	-	(139,728)	-	-	(139,728)
Claims and other insurance service expenses from reinsurance inward contracts	**-**	**(139,728)**	**151,306**	**5,466**	**17,044**
Onerous groups of reinsurance inward contracts originated;					
Reinsurance inward contracts	-	160,657	-	-	160,657
Total insurance service expenses	**-**	**20,929**	**151,306**	**5,466**	**177,701**
Total insurance service result	**(65,826)**	**20,929**	**151,306**	**5,466**	**111,875**
Net finance income or expenses from reinsurance inward contracts;					
- Interest accreted	-	6,211	7,100	-	13,311
- Effect of changes in interest rates and other financial assumptions	-	-	10	-	10
Net finance income or expenses from reinsurance inward contracts	**-**	**6,211**	**7,110**	**-**	**13,321**
Of which:					
-recognised in profit or loss	-	*6,211*	*7,110*	-	*13,321*
-recognised in other comprehensive income	-	-	-	-	-
Total changes in the statement of profit and loss and other comprehensive income	**(65,826)**	**27,140**	**158,416**	**5,466**	**125,196**
Cash flows					
Claims and other insurance service expenses paid	-	-	(92,312)	-	(92,312)
Premiums received, including (I) overdue premiums or (ii) premiums paid in advance	73,494	-	-	-	73,494
Total cash flows	**73,494**	**-**	**(92,312)**	**-**	**(18,818)**

Closing balance					
Closing reinsurance inward contracts liabilities	28,828	226,005	297,462	28,359	580,654
Net closing balance	**28,828**	**226,005**	**297,462**	**28,359**	**580,654**

31 March 2024	**Liability for remaining coverage**		**Liability for incurred claims**		
Reconciliation by Liability type	**Excluding Loss Component £000**	**Loss Component £000**	**Present Value FCF £000**	**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					
Insurance revenue					
Revenue from reinsurance inward contracts	(53,279)	-	-	-	(53,279)
Total insurance revenue	**(53,279)**	**-**	**-**	**-**	**(53,279)**
Insurance service expenses					
Claims and other insurance service expenses incurred;					
Claims and insurance service expenses, IBNR and RBNP	-	-	211,184	19,386	230,570
Changes that relate to past service-adjustment to LIC	-	-	(1,428)	(1,855)	(3,283)
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)**	**209,756**	**17,531**	**130,947**
Onerous groups of reinsurance inward contracts originated;					
Reinsurance inward contracts	-	144,844	-	-	144,844
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**

(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 2025 Reconciliation by Liability type	**Asset for remaining coverage**		**Recoverable on incurred claims**		
	Excluding Loss Recovery Component	**Loss Recovery Component**	**Present Value FCF**	**Risk Adjustment**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Opening balance					
Opening reinsurance outward contracts assets	(8,713)	(104,800)	(106,732)	(12,553)	(232,798)
Net opening balance	**(8,713)**	**(104,800)**	**(106,732)**	**(12,553)**	**(232,798)**
<u>Allocation of reinsurance premiums</u>					
Reinsurance outward contracts	76,150	-	-	-	76,150
Total allocation of reinsurance premiums	**76,150**	**-**	**-**	**-**	**76,150**
Increase in reinsurance outward contracts assets from contracts recognised:					

- underlying reinsurance inward contracts	-	(44,398)	-	-	(44,398)
Total Increase in reinsurance outward contracts assets from contracts recognised	**-**	**(44,398)**	**-**	**-**	**(44,398)**
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	-	72,545	-	-	72,545
Total reversals of recoveries of losses from reinsurance contracts result from changes in the LRC	**-**	**72,545**	**-**	**-**	**72,545**
Claims and other insurance service expenses recoverable from reinsurers	-	-	(71,204)	(7,237)	(78,441)
Changes that relate to past service - adjustments to the incurred claims assets			7,619	5,015	12,633
Changes relate to future service - FCF of reinsurance outward contracts:					
Effect of changes in the risk of reinsurers non-performance	-	-	(2,426)	-	(2,426)
Total (income) expenses from reinsurance outward contracts	**76,150**	**28,147**	**(66,012)**	**(2,222)**	**36,063**
Insurance acquisition cash flows recoverable from reinsurers	(1,422) [1]	-	-	-	(1,422)
Net (income) expenses from reinsurance outward contracts	**74,728**	**28,147**	**(66,012)**	**(2,222)**	**34,641**
Net finance income or expenses from reinsurance outward contracts;					
- Interest accreted	-	(3,327)	(1,575)	-	(4,902)
- Effect of changes in interest rates and other financial assumptions	-	-	(6)	-	(6)
Net finance income or expenses from reinsurance outward contracts	**-**	**(3,327)**	**(1,581)**	**-**	**(4,908)**

Of which:					
-recognised in profit or loss	-	*(3,327)*	*(1,581)*	-	*(4,908)*
-recognised in other comprehensive income	-	-	-	-	-
Total changes in the statement of profit and loss and other comprehensive income	**74,728**	**24,820**	**(67,593)**	**(2,222)**	**29,733**
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid					
- reinsurance premiums paid	(80,999)	-	-	-	(80,999)
- other cash flows	1,422[1]	-	-	-	1,422
Total premiums paid net of ceding commissions and other directly attributable expenses paid	**(79,577)**	**-**	**-**	**-**	**(79,577)**
Recoveries from reinsurance					
- claims and benefits recoveries	-	-	35,107	-	35,107
- other recoveries	-	-	-		-
Total cash flow	**(79,577)**	**-**	**35,107**	**-**	**(44,470)**
Closing balance					
Closing reinsurance outward contracts assets	(13,562)	(79,980)	(139,218)	(14,775)	(247,535)
Net closing balance	**(13,562)**	**(79,980)**	**(139,218)**	**(14,775)**	**(247,535)**

[1]The reinsurance acquisition cash flows are incurred on the reinsurance outward contracts. The carrying amount is £1.4m (2023: £nil) with movement for the year attributed to acquisition cost cash flows.

31 March 2024 Reconciliation by Liability type	**Asset for remaining coverage**		**Recoverable on incurred claims**		
	Excluding Loss Recovery Component	**Loss Recovery Component**	**Present Value FCF**	**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)
Net opening balance	**(8,782)**	**(70,212)**	**(29,769)**	**(2,600)**	**(111,363)**
<u>Allocation of reinsurance premiums</u>					
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			(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)
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

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)*
-recognised in other comprehensive income	-	-	-	-	-
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)**
Closing balance					
Closing reinsurance 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)**

17. Other receivables

	2025	2024
	£000	£000
Prepayments	1,133	790
Accrued interest	10,822	4,787
Other	3	8
Total other receivables	**11,958**	**5,585**
Current	11,958	5,585
Non-current	-	-

Prepayments on annual licence fees and insurances are paid in advance and can cover a period of six months to a maximum of 12 months. Accrued interest from deposits and investments vary in maturity between one day and a maximum of six months. The carrying amounts disclosed above approximate fair value at the reporting date.

18. Debt instruments at fair value through other comprehensive income

	2025	2024
	£000	£000
Balance as at 1 April	**343,643**	**498,066**
Additions at cost	188,419	1,008,705
Proceeds upon maturity	(314,606)	(1,196,626)
Gain on fair valuation of investments	746	770
Decline in discounts from debt instruments	2,340	32,728
Closing balance as at 31 March	**220,542**	**343,643**
Current assets	96,154	312,609
Non-current assets	124,388	31,034

The fair value hierarchy defines Level 1 as fair values measured using quoted prices (unadjusted) in active markets for identical instruments. During the year, £220.5m of debt instruments were recognised in Level 1. The debt instruments portfolio as at 31 March 2025 comprised of £58.2m UK Treasury gilts, £64.8m UK Treasury bills and £97.6m Supranational, all invested during the year, of which £96.2m will mature within the next 12 months and the remaining balance of £124.4m between year 2 and year 5.

19. Cash and short-term deposits

	2025	2024
	£000	£000
Cash at bank	25,576	9,257
Short-term deposits with a duration of less than 3 months on placement	10,000	-
Cash and cash equivalents	**35,576**	**9,257**
Short-term deposits with a duration of more than 3 months on placement	755,000	546,900
Total cash and short-term deposits	**790,576**	**556,157**

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.

	2025	2024
	£000	£000
Opening balance as at 1 April	2,097	3,579
Lease liability recognised during the year	1,743	-
Revaluation of license fee at renewal	-	(70)
Lease payments	(1,503)	(1,494)
Interest payable	56	82
Closing balance as at 31 March	**2,393**	**2,097**

Maturity analysis of lease liability

	2025	2024
	£000	£000
Year 1	1,262	1,243
Year 2	1,105	411
Year 3	26	417
Year 4	-	26
More than 5 years	-	-
Total lease payments	**2,393**	**2,097**

The new liability recognised in the year relates to a renewal of new two-year office lease commencing 1 January 2025.

21. Other payables

	2025	2024
	£000	£000
Levy receipts in advance	30,003	26,911
Expense accruals	2,949	2,647
Staff costs	264	229
VAT payable	35	15
Total other payables	**33,251**	**29,802**
Current	33,251	29,802
Non-current	-	-

Accruals of expenses and Levy payments received in advance of the due date related to Q1 of financial year 2025-26. 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:

	2025	2024
	£000	£000
Short-term employee benefits	1,423	1,384
Pension allowance	92	44
Post-employment pension and medical benefits	4	35
Total Directors' emoluments	**1,519**	**1,463**

(b) Compensation of highest-paid Director

	2025	2024
	£000	£000
Short-term employee benefits	533	549
Pension allowance	47	44
Total compensation of the highest-paid Director	**580**	**593**

(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.

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 AJG, 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, Chief Executive Officer of the Company, was previously the chair of the Risk and Capital Committee of the Board. He has also previously 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 currently a Non-Executive Director with Assurant, where he chairs the UK Audit and Risk Committee, and the British Friendly Society Limited, where he chairs the Risk & Investment Committee.

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 Charted Engineer with the Institution of Water and Environment Management. Shirel also is a NED on PJA board and a Director on PJA Environment Ltd.

23. Ordinary Members

The Company is limited by guarantee and has 31 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 2025 are:

- Accredited Insurance (Europe) Limited
- Acromas Insurance Company Limited
- Admiral Insurance (Gibraltar) Limited
- Advantage Insurance Company Limited
- Ageas Insurance Limited
- Aviva Insurance Ltd
- AXA Insurance UK plc

- AXA XL Insurance Company UK Ltd
- AXA XL Underwriting Agencies Ltd
- Baptist Insurance Company PLC (The)
- Canopius Managing Agents Limited for and on behalf of Syndicate 4444
- China Taiping Insurance (UK) Co Limited
- Cornish Mutual Assurance Co Limited (The)
- Covea Insurance plc
- Ecclesiastical Insurance Office plc
- Fairmead Insurance Limited
- Great Lakes Insurance UK 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)
- Royal & Sun Alliance Insurance Ltd
- Tesco Underwriting Limited
- UK Insurance Ltd
- Zurich Insurance plc

Flood Re defines Active members as those Members having permission to write and or writing relevant leviable home insurance, or a Member in the process of running off a previously leviable book of business that remains subject to Levy payments until all final documentation is received and agreed as closed to future Levy payments.

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 market share of UK Household insurance
- 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.

For the years ended 31 March 2025 and 2024, the following two Ordinary Members individually account for 10% or more of the voting rights of Ordinary Members:

- Aviva Insurance Limited
- Lloyds Bank General Insurance Holdings Limited

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 UK regulations and has complied with all the 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**

	2025	**2024**
	£000	**£000**
Service contracts	2,222	1,232
Staff contractual commitments	2,775	3,083
Other financial commitments	1,651	1,021
Total commitments	**6,648**	**5,336**
Due within one year	6,648	5,336
Due later than one year but not later than five years		-
Total commitments	**6,648**	**5,336**

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

25. Events after the reporting period

After the reporting date the following event arose:

Levy 1 increased to £160m

Flood Re submitted an Article 90 Report in May 2024 seeking amendments including Levy 1 for the next three-year period commencing April 2025. As a result of engagement with Defra and HM Treasury officials Flood Re achieved an outcome representing the right balance between all the stakeholders of the Scheme increasing Levy 1 to £160m a year (from £135m). This is still below the £180m set at the start of the scheme in 2016.

New RI programme

Flood Re secured its outward reinsurance programme for the next 3 years (year 10-12), including traditional reinsurance, the issuance of a Catastrophe Bond and the use of Spread Loss. The 2025–2028 Reinsurance Programme was procured in a more challenging market environment than in 2022, when the previous programme was placed.

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