

Flood Re Limited

Annual report and accounts

2025-2026

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2025-2026

For the period 1 April 2025 to 31 March 2026

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

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**FLOOD RE LIMITED
ANNUAL REPORT AND
FINANCIAL STATEMENTS**

Year ended 31 March 2026

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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For the year ended 31 March 2026**COMPANY NAME**

Flood Re Limited

DIRECTORS

Bridget Rosewell	Chair
Perry Thomas	Chief Executive Officer
Latinka Pilipovic	Chief Financial Officer (appointed 1 August 2025)
Tony Ballance	Independent Non-Executive Director
Simon Green	Independent Non-Executive Director
Jean Sharp	Independent Non-Executive Director
Shirel Stedman	Independent Non-Executive Director
Michael Murphy	Independent Non-Executive Director (appointed 1 September 2025)

COMPANY SECRETARY

Harriet Boughton (resigned 18 August 2025)
Beyond Governance Secretarial Services Limited (appointed 1 May 2026)

REGISTERED OFFICE

75 King William Street
London
EC4N 7BE

COMPANY REGISTRATION NUMBER

08670444

BANKERS

National Westminster Bank PLC
280 Bishopsgate
London
EC2M 4RB

AUDITORS

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

THE FLOOD RE LIMITED SCHEME

Scheme overview and purpose

Flood Re Limited (hereinafter 'Flood Re' or 'the Company') is the Scheme Administrator for the Flood Reinsurance Scheme ('Flood Re Scheme', hereinafter 'the Scheme') and is principally engaged in the provision of flood peril reinsurance cover within the UK. The Flood Re Scheme was established by the Water Act 2014 in a joint initiative between the UK insurance industry and the UK government. 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 the transition to risk-reflective pricing by 2039. To do this, it provides reinsurance cover at subsidised, fixed premiums to cedants, resulting in an expected underwriting loss each year. This is funded through a levy on UK household insurers ('Levy 1'). The levy also helps to finance the purchase of an outwards reinsurance programme, which helps protect Flood Re against significant loss events.

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 powers necessary to fulfil its purpose, with substantive amendment Regulations coming 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).

Strategic objectives

Section 64 of the Water Act 2014 sets out Flood Re's statutory purpose, which has three elements:

- 1. To promote the availability and affordability of flood insurance;*
Ensuring that households at high risk of flooding continue to have access to affordable insurance cover.
- 2. While minimising the costs of the Scheme; and*
Maintaining a strong balance sheet, robust capital position and effective reinsurance programme to absorb volatility and ensure that the Scheme delivers its objectives.
- 3. Managing the transition to risk-reflective pricing by 2039.*
Supporting the evolution of the market towards a sustainable, risk-reflective framework by 2039.

Strategic context

For much of its early years, Flood Re has operated in a prolonged period of relatively benign loss experience and comparatively low-cost and abundant reinsurance capacity. This enabled the Company to establish a strong balance sheet while retaining moderate levels of risk. In recent years, however, the external environment has changed materially, with higher climate-driven loss volatility, tighter global reinsurance capacity and greater pressure on affordability. In response, Flood Re has adapted its operating model to manage materially higher levels of risk retention and increased liability exposure. These changes reflect both the need to maintain financial resilience while balancing its public policy role to support the transition to a more sustainable market in the future, and supporting those who need it most.

Scheme parameters

Following engagement with the Department for Environment, Food and Rural Affairs (Defra) and HM Treasury, changes were agreed to the Scheme parameters for the three-year period commencing 1 April 2025. These changes included:

- an increase in the Levy 1 to £160 million per annum (from £135 million);
- an increase in the Liability Limit to £3.2 billion (from £2.1 billion, subsequently adjusted for inflation to £2.2 billion as at 31 March 2025). The Liability Limit represents the total amount of cover Flood Re offers to the UK general insurance market. It is intended to be sufficient to ensure that Flood Re could meet its claims in a 1-in-200 year flood event; and
- an increase in the Loss Limit to £250 million (from £100 million). The Loss Limit represents the maximum annual accounting loss permitted in any given financial year and is designed to constrain the Scheme's potential impact on the UK Government Public Sector Net Borrowing.

The revised Scheme parameters became effective from 1 April 2025 and will remain applicable until 31 March 2028, unless an earlier change is required.

Key changes during the year:

- **Higher risk retained**
Flood Re increased the level of risk retained on its balance sheet following renewal of its reinsurance programme.
- **New reinsurance structure**
A new three-year programme (2025–28) was inceptioned on 1 April 2025, including Flood Re's first catastrophe bond.
- **Scheme parameters updated**
Liability limit increased to £3.2 billion, Levy 1 to £160 million and Loss Limit to £250 million from 1 April 2025.
- **Premium adjustments applied to higher Council Tax Bands**
Premium increases for higher Council Tax Bands. This was implemented to improve alignment between premiums and subsidy for higher-value properties.

Performance and progress during the year

Flood Re made progress against its strategic priorities during 2025/26:

Promoting the availability and affordability of flood insurance

Targeted premium adjustments were introduced to better align subsidy with need and manage Flood Re's overall exposure. These included a mid-year premium increase in October 2025, taking Council Tax Band H properties to the upper threshold¹, followed by further adjustments to take Bands F and G to threshold in April 2026.

Flood Re continues to monitor market availability through frequent sampling exercises, providing assurance that home insurance remains accessible for homes at flood risk and/or with a recent flood claim. Throughout the year, 100% of eligible properties sampled were able to obtain at least five quotes for flood insurance, notwithstanding their risk profile or claims history.

¹ Threshold premiums are capped charges set by Council Tax Band and policy type under the 2015 Regulations. They are adjusted annually in line with CPI, such that current thresholds reflect cumulative inflation since the Scheme's inception.

Minimising the costs of the Scheme

Flood Re inceptioned its new reinsurance programme on 1 April 2025, deploying its balance sheet to absorb a significantly greater proportion of risk. The new three-year programme for 2025-28 also introduced Flood Re's first catastrophe bond, diversifying its risk transfer approach and providing access to the Insurance Linked Securities (ILS) market for additional reinsurance capacity to support the Scheme in the future. The Board concluded that the additional capital required to support higher risk retention still represents a more efficient approach than additional outwards reinsurance, delivering improved value for money in the long run.

Managing the transition to risk-reflective pricing by 2039

Flood Re has continued to raise awareness of flood risk and the role of resilience in mitigating its impact. Key initiatives included rehoming of the Flood Resilient Garden at the Howbery Manor next to the National Flood School, which generated significant stakeholder and public engagement, and the hosting of the World Forum of Catastrophe Programmes conference in September 2025.

Significant progress has been made during the year in developing the technical specifications on which a 'Flood Performance Certificate' (FPC) can be based. Flood Re has worked with partners across the Property Flood Resilience (PFR) sector to agree a data-specification for assessing homes for their resilience to flood risk. Flood Re has also partnered with a leading engineering consultancy to examine how flood resilience measures are specified and delivered through the planning process. This work demonstrates how an FPC could simplify, standardise and improve the transparency of resilience measures, including in new builds. FPCs are expected to play a central role in the transition to risk-reflective pricing – where insurance premiums more closely reflect the underlying flood risk of individual properties, including the impact of resilience measures.

Policy and stakeholder engagement

Flood Re played an active role in supporting the development of public policy objectives on flood resilience and climate adaptation during the year. Key areas of policy engagement and achievement included:

- participation in the Flood Resilience Taskforce convened by the Secretary of State for Environment, Food and Rural Affairs, contributing insurance and risk-management expertise to cross-government discussions;
- promotion of PFR research through the Expert Group Forum on Flood Risk and Property Resilience, convened in 2025 and chaired by Shirel Stedman, one of Flood Re's Non-Executive Directors, bringing together expertise from across insurance, academia and the built-environment sectors; and
- support for the development of the FloodReady Action Plan commissioned by the Environment Agency, which launched in October 2025 and is aimed at improving flood resilience through practical measures and fostering of collaboration among various sectors.

Climate change and community resilience

During the year, Flood Re continued to support climate adaptation, flood preparedness and recovery, alongside initiatives to improve understanding of flood risk and reduce future loss severity.

The Rain Garden, first showcased at the RHS Malvern Show, was successfully rehomed at Coppermill Primary School in Walthamstow, providing a permanent educational resource demonstrating the benefits of nature-based flood resilience solutions. The launch of the Floodmobile, a mobile demonstration unit designed to showcase various PFR measures, further expanded Flood Re's capacity for community engagement.

During the year, and for the first time, Flood Re adopted a more proactive engagement role in response to the severe flooding in Monmouth following Storm Claudia in November 2025. In the aftermath of the event, Flood Re deployed its Floodmobile to the affected area, working closely alongside partners including the Association of British Insurers (ABI) and the British Insurance Brokers' Association (BIBA), and engaging directly with impacted communities. This marked an important extension of Flood Re's role, complementing preventative and educational activity with targeted support during recovery.

In April 2025, Flood Re launched the Flood Re Academy, a dedicated e-learning platform providing free training on the Flood Re Scheme and Build Back Better (BBB), an initiative which offers householders the opportunity to install property flood resilience measures up to the value of £10,000 when repairing their properties after a flood. The Academy strengthens Flood Re's educational offering by equipping insurance professionals to engage confidently with householders on the benefits of BBB and property flood resilience. It has been well received across the insurance market, with over 1,300 graduates from more than 250 organisations to date.

Flood Re will continue to build on these foundations through public engagement, demonstrator projects and policy collaboration, including support for the return of the Flood Resilient Garden at the May 2026 Chelsea Flower Show under the theme *Contain the Rain*.

Key Performance Indicators

Flood Re monitors performance against its strategic priorities using a combination of financial and non-financial indicators.

Promoting the availability and affordability of flood insurance

- Prior to Flood Re's inception, the average home insurance quote for a householder with a flood claim was about £4,400. As at March 2026, the average was c. £1,316.
- 96% of householders at high risk of flooding can now obtain quotes from 15 or more insurers, while 100% of householders can now obtain quotes from 5 or more insurers.
- As at 31 March 2026, more than 742,000 properties have benefitted from being ceded to Flood Re since its inception.
- 23% of properties ceded to Flood Re in the year to 31 March 2026 had not previously been ceded to the Scheme, indicating that the Scheme continues to support new entrants
- The ultimate policy count² as at 31 March 2026 was estimated at 353,000 (2025: 346,200).

Minimising the costs of the Scheme

- £48.8 million profit before tax (Prior Year: £13.5 million profit before tax)
- £1,074.7 million invested and liquid assets (Prior Year: £1,011.1 million)
- 324% Solvency UK coverage ratio (Prior Year: 235%)

² 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.

The Directors present their Strategic Report on the Company for the year ended 31 March 2026.

Chair's statement

2026 marks ten years since Flood Re began operations. Over that decade, the Scheme has played a transformative role in the UK flood insurance market, restoring availability and affordability for households that had previously struggled to obtain cover. It is a standout example of how government and industry can work together to address a gap in the market – and do so effectively and at scale.

The context in which the Scheme operates has changed materially in the decade since 2016. The composition and scale of the risks ceded to the Scheme have shifted, claims costs have risen faster than inflation and the dynamics of the reinsurance market have evolved. Flood Re's premiums have remained broadly stable since inception, whilst the cost of providing cover has increased, creating growing pressure on the balance between affordability, efficiency and sustainability. Promoting the affordability and availability of flood insurance now depends on the Scheme continuing to adapt.

From innovation to inflection point

Flood Re was created at a time when the UK faced a very real risk of parts of the country not being able to access affordable insurance as flood risk increased. In several international markets, similar pressures have since materialised. Most notably, in the US, flood insurance is often difficult to provide at scale without significant state backing, leaving households and governments exposed to the financial impacts of extreme weather.

The UK has avoided that outcome to date, in part because of Flood Re as well as record investments in flood defences. But this position cannot be taken for granted. Flood Re believes that if it were to leave the market today, many households currently supported by the Scheme would face significant increases to their insurance premiums – if they were able to obtain cover at all. That is why the Scheme must keep adapting to restore pricing signals, promote innovation and further encourage individual household adaptations. The issuance of Flood Re's first catastrophe bond last year demonstrated our ability to broaden sources of risk capital. Flood Re also sponsored the introduction of Build Back Better in 2022 to support property flood resilience and are currently working on Flood Performance Certificates. But innovation in risk management and transfer must be reconciled with necessary changes in how the Scheme operates, so it remains affordable and efficient through to the planned transition in 2039.

The Board's view of mounting structural pressures

From the Board's perspective, the pressures facing the Scheme are structural rather than cyclical. This is driven by a number of factors. Improved flood mapping and risk identification have led to more properties being classified as high risk and ceded to the Scheme, including a growing number of higher-value homes, which now account for a disproportionate share of overall exposure and potential claims relative to their share in the UK housing stock.

At the same time, the Scheme has reached a scale at which further growth would be increasingly difficult and costly to support, given constraints in reinsurance capacity. This places a practical ceiling on how much risk can be supported efficiently over the longer term.

Taken together, these forces are placing growing strain on a pricing framework that relies on a system of Council Tax Bands which has not been updated for 30 years. Without change, there is a risk that the Scheme would be asked to carry unsustainable levels of exposure and cost.

Stewardship, governance and the case for change

The Board's responsibility is clear: to deliver the Scheme's statutory objectives in a changing environment. In recent years, increasing exposure, particularly among higher-value properties, has challenged our ability to meet these objectives. In response, we have initiated a review of our premium and capital models to identify the structural changes required to ensure the Scheme remains sustainable and continues to deliver on its purpose.

Throughout the review process, the Board has engaged extensively with our members in the insurance industry and begun discussions with Defra and other stakeholders on potential changes to the Scheme. The changes proposed seek to ensure that the Scheme remains fit for purpose in a changing risk environment.

Flood Re's evolving purpose and leadership role

Flood Re's statutory purpose can only be met by supporting flood resilience, enabling faster recovery after flooding and reducing long-term financial hardship. In doing so, Flood Re helps underpin housing market stability, supports infrastructure resilience and contributes to economic recovery in flood-affected communities. This places Flood Re at the intersection of households, insurers and government, with a unique, system-wide perspective on flood risk and affordability.

Over the next decade, we want to go further in strengthening risk-reflective pricing and incentivising innovation in property level resilience, creating clearer risk signals that can be applied consistently across insurance and mortgage markets. This enables a more targeted approach to affordability and removes unnecessary subsidy, whilst supporting those who need it most.

Stakeholder engagement and shared responsibility

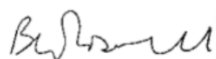
Our stakeholders are clear that flood risk is a shared challenge and one that cannot be addressed by any single actor in isolation. Effective government policy, sustained investment in infrastructure and long-term planning are essential. The insurance industry plays a critical role in maintaining the availability of cover for households at risk and supporting a functioning market over the long-term. Households must be supported with the information, incentives and practical options they need to reduce risk where they can. Where support is provided, households should also be enabled, and expected, to take reasonable steps to reduce their own risk.

Within this system, Flood Re's role is to convene, enable and innovate within its remit, whilst listening closely to those with whom we work. Over the past year, we have undertaken a comprehensive programme of stakeholder engagement to understand how the Scheme is performing, where it is delivering most effectively and where further progress is needed. That feedback has been candid and constructive. We welcome it. We have heard a clear call for greater visibility, clearer communication and a more sustained rhythm of engagement – and we are responding deliberately and decisively as the Scheme enters its next phase.

Looking ahead: urgency, transition and 2039

Flood Re was never intended to be permanent. With fewer than fifteen years until the planned transition, the window for effective action is narrowing. The coming decade will be decisive for affordability, resilience and insurability. By acting early and collaboratively, we can help ensure that Flood Re continues to protect those who need it most, whilst laying the foundations for a sustainable future beyond 2039.

I would like to thank our stakeholders, partners and the Flood Re team for their continued commitment and professionalism. Flood Re remains a stabilising force in an increasingly unstable risk environment. The Board is clear-eyed about the challenges ahead – and equally clear about its responsibility to meet them with realism, resolve and foresight.



.....
Bridget Rosewell CBE
Chair

Date: 24 June 2026

CEO statement

The past year has been one of successful delivery in the context of changing conditions. Flood Re has continued to play a vital role for households in flood-prone areas, whilst operating in a market shaped by increasing complexity and volatility.

Whilst the year saw one of the lowest rates of claims experiences since the Scheme began, this outcome reflects short-term variability rather than a change in underlying risk. We plan and operate on that basis.

Delivering for households at scale

Flood Re continues to support a substantial and growing number of households across the UK, enabling insurers to offer cover in areas where it might otherwise be unavailable or unaffordable. Claims experience during the year was benign by historical standards, reinforcing the importance of building resilience and financial strength during periods of lower loss. Flooding is inherently volatile and a low-claims year does not change the underlying exposure the Scheme exists to manage.

Operationally, the Scheme performed reliably during periods of stress, reinforcing Flood Re's role as an anchor for insurers and households alike. This consistency is central to maintaining confidence in the market.

Financial performance in a volatile market

Flood Re remained financially robust during the year. Profit before tax was £48.8 million (Prior Year: £13.5 million) and eligible own funds (unaudited) stood at £851.4 million (Prior Year: £835.3 million). These results reflect a year in which expectations of materially higher losses were not realised, underlining the inherent volatility of flood risk and the importance of credibility, transparency and disciplined planning.

The successful placement of our first catastrophe bond, effective from 1 April 2025, was an important milestone, diversifying our risk transfer arrangements and strengthening financial resilience. It is not, however, a silver bullet. As our Chair noted in her statement, further innovation will be required as conditions continue to evolve.

Managing unsustainable trends responsibly

Three trends continue to shape the Scheme's risk profile: exposure growth, claims inflation and reinsurance structure. Improved risk identification by cedants and better flood mapping have led to more properties, particularly higher-value homes, entering the Scheme. These homes cost significantly more to repair and therefore the distortion in our book is driving very significant increases in the average cost of claims.

Against this backdrop, we have taken a deliberate and responsible approach to pricing and risk management. Any adjustments are designed to better target affordability, minimise inefficiencies and ensure that the Scheme remains sustainable and credible over the long term, whilst maintaining confidence amongst insurers.

Turning resilience into reality

Long-term affordability depends on reducing damage as well as financing recovery. Build Back Better remains a cornerstone of this approach, enabling eligible households to rebuild more resiliently after flooding. Uptake and insurer participation continue to grow and we are focused on ensuring that it is delivered efficiently, consistently and at scale.

One in eight of our claims are for properties that have flooded more than once, yet the uptake of resilience measures is inconsistent, even where Build Back Better assistance is available. This will need to change if subsidised insurance is to remain sustainable and well-targeted.

We are also continuing to lead work on Flood Performance Certificates, which aim to make flood resilience visible, measurable and valued. During 2025/26, we worked with government and industry partners to progress the data framework and scoring methodology to refine how resilience measures are assessed. Piloting is planned from the second half of 2026, marking an important step towards linking resilience investment with insurance outcomes and highlighting the actions householders can take to ensure long-term access to insurance and mortgage financing.

Flood Re supports the development of more innovative approaches to insurance pricing that take greater account of household characteristics and associated risk profiles. To facilitate this, we will seek the ability to offer discounted premiums to incentivise investment in household resilience, once the necessary data and technology are in place. This would allow insurance pricing to better reflect property level resilience, encourage investment in practical measures and help prepare the market for Flood Re's eventual exit.

Stakeholders have been clear that resilience must be a shared endeavour. Because Flood Re provides subsidised insurance on behalf of the wider public, it is reasonable to link support to practical action where options are available. This matters for affordability now and the transition beyond 2039.

Engagement, awareness and behaviour change

Stakeholders have been clear that public understanding of flood risk and resilience must improve if long-term affordability is to be sustained. In response, Flood Re has increased its public-facing engagement to bring practical advice directly to communities. Initiatives such as Flood Action Week, the Floodmobile and Flo the Flood Bus have helped translate technical risk into accessible, actionable guidance for households.

We also continue to use high-profile platforms to normalise resilience and demonstrate what good looks like in practice. Our "Rain Garden", which won gold at Malvern and has since been relocated to a primary school, and our return to the Chelsea Flower Show in 2026, demonstrate how flood-smart design can be both effective and attractive. These initiatives reflect our belief that resilience must be practical, visible and achievable if it is to be adopted by households at scale, and to reverse the trend of paved or astroturfed gardens that magnify flood risk.

Preparing for the next phase of the Scheme

We are engaging with government and industry to review the Scheme's premium and capital models. This work is essential to ensuring that the Scheme remains viable, cost-effective and aligned with its

Strategic Report For the year ended 31 March 2026

statutory objectives: promoting availability and affordability, minimising the costs of the Scheme and managing the transition to risk-reflective pricing in 2039.

Stakeholders have also been clear about the need for realism. The future of the market beyond 2039 is closely linked to progress on flood resilience, planning and infrastructure. Flood Re will continue to play its part by sharing insight, supporting innovation and engaging constructively across the system.

I would like to thank the Flood Re team, the Board and our partners for their continued dedication. As conditions change, Flood Re is operating with increasing discipline and maturity, reflecting the realities of a complex and uncertain risk environment.

We remain committed to affordability, resilience and a responsible transition. By acting early and working collaboratively, Flood Re can continue to protect households today whilst helping to shape a more resilient future.

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



.....
Perry Thomas
Chief Executive Officer

Date: 24 June 2026

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

Principal Risks and Uncertainties

Flood Re's principal risks are closely aligned to its strategic priorities and are considered by the Board as part of its ongoing stewardship of the Scheme. These risks inform key decisions on the balance between promoting affordability, minimising the costs of the Scheme and managing the transition to a risk-reflective market by 2039.

Key risks to promoting availability and affordability of flood insurance

Scheme design and policy environment

Flood Re's ability to deliver its statutory objectives and maintain long-term viability is influenced by the design of the Scheme, and by the wider policy and legislative context in which it operates. The Scheme is going through a period of higher risk retention, rising cost per claim and changes in exposure mix, including growth in higher Council Tax Band properties ceded.

There is a risk that changes to the Scheme design, including those that are being proposed to the premium model, or wider policy developments, may take longer or differ in scope from expectations. If changes to the Scheme framework do not keep pace with underlying risk developments, Flood Re may face constraints in managing exposure, affordability and financial volatility, potentially increasing its sensitivity to extreme climate or market-related stress events. In addition, greater stakeholder scrutiny of exposure concentration or pricing outcomes could place pressure on confidence in the Scheme over time, particularly where outcomes are perceived as inconsistent with the Scheme's intention to target support towards households most in need.

Flood Re is actively engaging with government and stakeholders to support appropriate evolution of the Scheme.

Key risks to minimising the costs of the Scheme

Flood risk volatility

Flood Re remains exposed to the inherent volatility of flood risk, particularly from extreme weather events that may occur with limited warning. A severe flood season could result in claims materially above long-term averages, placing pressure on capital resources, particularly as exposure grows among higher-value properties.

These events do not only affect insurers, they also directly disrupt households, local economies and public services. Maintaining sufficient resilience to absorb extreme losses is therefore central to public confidence in the continued availability and affordability of flood insurance.

Flood Re manages this risk through its capital framework, reinsurance programme and ongoing monitoring of aggregate exposures.

Claims inflation and cost uncertainty

Inflation in construction materials, labour and temporary accommodation continues to increase the cost of claims and introduces greater uncertainty in loss estimates. These pressures may be

exacerbated by geopolitical factors, including the ongoing instability in the Middle East, affecting supply chains and energy markets.

Together, these factors increase the risk that the cost of major flood events could be higher and more variable in the near future, with significant implications for the Scheme's capital resilience. If not effectively managed, claims inflation could also reduce the effectiveness of Flood Re in keeping premiums stable for households least able to absorb sudden increases, thereby undermining the Scheme's affordability objective.

Flood Re mitigates this risk through regular review of assumptions, stress scenario results, capital risk appetites, and monitoring of claims trends.

Reinsurance availability and pricing

Flood Re relies on the global reinsurance market to manage exposure to extreme losses. Periods of elevated global catastrophe activity or financial market stress may reduce available capacity or increase costs at renewal.

As the Scheme's exposure grows, there is a risk that additional risk transfer becomes less efficient or more costly, which may increase reliance on internal resources or lead to further pressure on levy mechanisms.

This risk is managed through diversification of reinsurance structures, including catastrophe bonds and structured solutions, alongside active market engagement.

Key risks to managing the transition to risk-reflective pricing

Transition to 2039

Flood Re is a time-limited intervention with a planned transition to risk-reflective pricing by 2039. This transition depends on progress in flood mitigation, resilience, and improved transparency of flood risk.

An orderly transition requires coordination across a range of stakeholders, including government, insurers, lenders and households to respond to clearer risk signals over time. Slower progress in any of these areas could increase the risk of disruption or affordability challenges.

Flood Re supports this transition through policy engagement and communications programmes aimed at creating the awareness and incentives for action.

Risk management and risk oversight

The Board oversees management of these risks within defined tolerances that ensure continued compliance with prudential expectations and delivery of Flood Re's statutory objectives. Persistent trends such as rapid exposure growth, increasing concentration of high-cost claims or reduced reinsurance efficiency would prompt early intervention. Management would be required to bring forward mitigating actions for Board consideration in advance of formal threshold breaches, including changes to risk transfer arrangements, pricing or levy mechanisms, or engagement with government on Scheme parameters.

Further detail on Flood Re's risk management framework and processes is provided in the Risk Framework section on Pages 31 to 34.

Financial Review

	31 March 2026	31 March 2025	31 March 2024
Financial Statement Highlights:			
Levy income	£160 million	£135 million	£135 million
Insurance service result	(£135 million)	(£148 million)	(£140 million)
Profit before tax	£49 million	£13 million	£24 million
Invested and liquid assets	£1,075 million	£1,011 million	£900 million
Solvency UK Highlights:			
Solvency capital ratio ²	324%	235%	1127% ³
Operational capital ratio ^{1,2}	198%	194%	238%

¹ The operational capital ratio is the ratio of Solvency UK Eligible Own Funds of £851.4 million (2025: £835.3 million and 2024: £744 million) covering Operational Capital Requirement of £430 million (2025: £430 million and 2024: £330 million). Solvency UK Eligible Own Funds Tier II Ancillary Own Funds of £75 million (2025 and 2024: £75 million) were included in this calculation. This internal capital management metric is approved by the Board and used to monitor Flood Re's capital position against its risk appetite.

² Unaudited figures

³ The solvency capital ratio of 1,127% as at 31 March 2024 was driven by a relatively low Solvency Capital Requirement (SCR), reflecting the lower net retention under the 2022-25 reinsurance programme. Subsequent increases in net retention, together with changes to Scheme parameters and higher reinsurance costs under the 2025-28 programme, have resulted in a higher SCR in the following years and a corresponding reduction in the solvency capital ratio.

Result for the year

Flood Re reported a profit before tax of £48.8 million in 2025/26 (Prior Year: £13.5 million), driven by favourable claims experience, with increased levy income and positive investment performance also contributing.

Insurance performance

The insurance service result reflected a loss of £134.5 million (Prior Year: loss of £147.9 million). This reflects the underlying design of the Scheme where premiums are set below the cost of risk to support affordability, with the resulting deficit funded through levy income and investment returns.

The year was relatively benign from a claims perspective, with only two named storms creating claims, Chandra and Claudia, leading to lower claims than expected. Although the winter of 2025/26 was exceptionally wet, flood losses are influenced by a range of factors beyond rainfall alone, including ground conditions and flood resilience measures. These outcomes are not expected to be representative of longer-term claims trends, and events such as Storm Babet (2023) demonstrate that significant losses can still arise from major flood events.

In addition to low claims incidence during the year, favourable prior year development also led to reserve releases as ultimate claims outcomes were below previous estimates.

The cost of the reinsurance programme increased materially at the start of the year, with the inception of a new three-year programme covering 2025-28. This programme comprises a combination of traditional reinsurance, a catastrophe bond and a spread loss arrangement, and was secured in a more restrictive market environment than the previous programme placed in 2022. In a severe loss scenario

where total losses reach the full Liability Limit of £3.2bn, the Company will absorb approximately £347m of the loss, compared to around £130m under the previous reinsurance programme.

Following favourable in-year loss experience, the Company cancelled and replaced its spread loss reinsurance cover, in line with market practice for such structures where contracts may be reset following positive performance. This generated a profit commission which reduced the overall cost of reinsurance for the year. The catastrophe bond pricing was also reset as expected on 1 April 2026.

Flood Re implemented a mid-year premium adjustment in October 2025, bringing Council Tax Band H to the upper premium threshold, with the acknowledgement of the Minister for Water and Flooding. Further increases were also implemented on 1 April 2026, extending this to Bands F and G. These changes are intended to start to rebalance the relationship between premiums and subsidy for higher-value properties.

Levy and investment income

Levy 1 remains the primary funding mechanism for the Scheme. During the year, an increase in Levy 1 from £135.0 million to £160.0 million came into effect, reflecting higher reinsurance costs and the need to support the Scheme's ongoing sustainability while maintaining access to affordable flood insurance. This remains below the £180.0 million of Levy 1 set at the start of the Scheme in 2016.

Investment performance was positive, reflecting investment income of £42.6 million (Prior Year: £43.7 million), partially offset by £1.6 million of unrealised losses recognised in other comprehensive income (Prior Year: £0.7 million of unrealised gains). The portfolio remains conservatively positioned with a focus on capital preservation. Bank of England base rate cuts during the year were more gradual than expected due to persistent inflationary pressures, supporting investment returns.

Capital

Flood Re maintained a strong balance sheet during the year, with invested and liquid assets of £1,074.7 million (Prior Year: £1,011.1 million), supporting the Company's ability to meet future obligations. On a Solvency UK basis, eligible own funds (unaudited) were £851.4 million (Prior Year: £835.3 million). The Solvency Capital Requirement (SCR) was £262.8 million (Prior Year: £354.7 million).

The prior year SCR included a voluntary capital add-on of £280.0 million, applied pending PRA approval of a major capital model change incorporating updated Scheme parameters and the revised reinsurance programme. Following PRA approval received in February 2026, the SCR has been calculated using the approved model and no capital add-on is required.

The Board assesses capital adequacy against the Solvency UK coverage ratio of 324% (Prior Year: 235%), and an operational coverage ratio of 198% (Prior Year: 194%). The latter is an internal management metric reflecting the Company's risk profile across a range of stress scenarios and informs the Board's capital risk appetite.

Outlook

The results for the year reflect a period in which expectations of materially higher losses were not realised, underlining the inherent volatility of flood risk and the importance of financial resilience, disciplined risk management and flexibility in decision-making.

As Flood Re retains more risk on its balance sheet, there is an increased focus on ensuring capital is deployed optimally to support Scheme efficiency and meet long-term transition objectives. To this end, the Company is exploring opportunities to diversify its investment portfolio across a broader range of asset classes to enhance returns, as well as examining ways to increase the flexibility of its reinsurance structure.

Section 172(1) statement

The Directors acknowledge their duty under section 172(1) of the Companies Act 2006 to act in the way they consider, in good faith, would be most likely to promote the success of Flood Re for the benefit of its members as a whole. In fulfilling this duty, the Board has regard to the long-term consequences of its decisions, the interests of stakeholders, the need to maintain high standards of conduct, and the unique statutory purpose and finite lifetime of the Scheme. The following sections outline how these factors have informed the Board's decision-making during the year, and how these decisions translate into observable outcomes.

1. Likely long-term consequences of decisions

The Board considered the long-term implications of its decisions in the context of a changing risk and market environment. A key Board decision during the year was its approval of a mid-term premium adjustment to the higher Council Tax Bands, implemented in October 2025. This action was taken to moderate the growth in policies ceded to the Scheme and to manage the Scheme's exposures within its Liability Limit. The approach balanced affordability for lower-value properties while addressing the growing financial risks to the Scheme caused by a disproportionate growth in exposure from higher-value properties.

The completion of an internal review into the Scheme's premium and capital model in March 2026 was also a significant element of forward planning. The review identified a set of proposed changes with the following intended outcomes:

- To achieve a more efficient allocation of support towards households most in need and introduce pricing incentives for flood resilience; and
- To enhance the Board's ability to manage the Scheme's balance sheet more effectively, improving its capacity to absorb and respond to evolving flood risk and market conditions. This is expected to minimise the costs of the Scheme over time, with benefits flowing through levy and premium requirements.

Collectively, these outcomes will strengthen the Scheme's financial resilience and manage an orderly transition to risk-reflective pricing ahead of 2039.

The Board also recognised that long-term delivery depends on organisational capability. During the year, it oversaw initiatives to strengthen leadership and succession planning, governance and changes to Flood Re's operating model to ensure alignment to future needs.

2. Engagement with stakeholders

The Board maintains oversight of relationships with key stakeholders, including government, regulators, insurers and delivery partners.

Engagement with government included the consultations that led to Parliamentary approval of changes to Scheme parameters, which took effect on 1 April 2025, and ongoing dialogue on further changes to the Scheme. Further details of interaction with government and public policy partners, including key activities and achievements during the year, is set out on Pages 6 and 7.

The Board recognises the importance of effective and transparent relationships with regulators, namely the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). During the year, this engagement included a Major Model Change approval process with the PRA in relation to Flood Re's Partial Internal Model, reflecting changes to its reinsurance programme and risk retention.

During the year, the Board received updates on ongoing engagement with industry participants, including regular working-level dialogue with the Association of British Insurers (ABI) and members. Insights from this engagement informed the Board's decision-making, including the assessment of the industry's likely response to proposed changes to the Scheme premium and capital models, as well as the practicality of their implementation. This engagement also provided an important barometer of insurer and reinsurer confidence and trust in Flood Re, which are critical to maintaining the effective operation of the Scheme as well as its role in supporting the 2039 transition.

The Board also considers that effective supplier and third-party relationships are important to maintaining operational resilience. The Board expects supplier relationships to reflect the principles of fairness, transparency, consistency and proportionality. During the year, the Board supported improvements in supplier oversight and contract management.

3. Interests of employees

The Board recognises that delivery of the Scheme depends on attracting, retaining and developing a skilled and engaged workforce. During the year, the Board received updates on employee engagement, culture and organisational effectiveness, informed by:

- Regular People Dashboard reporting on key people metrics such as employee turnover, resourcing and diversity; and
- Updates on the outcomes of the culture review and subsequent actions.

In response, the Board supported initiatives to strengthen leadership capability and address identified development needs, including the ReFocus Leadership programme and the introduction of Compass, an employee feedback group that provides a forum for sharing views and supporting continuous improvement. The Board also considered results and key themes from the March 2026 Staff Engagement Survey and how they will shape the people priorities within the Company's HR agenda for 2026-27. Further detail on employee engagement initiatives is set out on Page 21.

These actions support a more resilient and effective organisation, aligned to the long-term needs of the Scheme.

4. Impact on the community and environment

Flood Re's activities have a direct impact on communities and the environment, particularly in the context of climate change and flood resilience. The Board has oversight of initiatives aimed at improving preparedness, recovery and public awareness.

During the year, Flood Re expanded its engagement through community initiatives and national awareness activities. These actions contributed to more resilient communities and to the long-term management of flood risk, reinforcing one of the Scheme's key transition objectives to reduce the damage and cost of flooding. Further detail on specific community and resilience initiatives is set out on Pages 6 and 7.

5. Maintaining high standards of business conduct

The Board is committed to promoting high standards of business conduct and ensures that Flood Re operates within a strong governance framework. As an entity regulated by the PRA and the FCA, all staff are required to complete annual regulatory training, while senior managers and Directors subject to the Senior Managers and Certification Regime (SMCR) undertake continuing professional development and provide annual attestations of their fitness and propriety.

The Board maintains its effectiveness through ongoing development, including a Strategy Day with senior management and a programme of Board and management training focused on key themes such as catastrophe bonds, capital and the Company's solvency position, alongside an independent evaluation of Board effectiveness undertaken during the year. These arrangements support effective decision-making within a robust risk management framework.

6. Acting fairly between members

Flood Re is funded through a levy on insurers writing relevant household business, and the Board considers carefully how costs are allocated between its members. The Board maintains oversight of the levy process, including monitoring market participation and any significant developments, to ensure that contributions remain proportionate and that all members are treated consistently.

The Board also considers carefully the balance between levy funding and premiums charged for ceded policies, as this determines how costs are shared between insurers and those households that benefit directly from the Scheme. During the year, an uplift in Levy 1 came into effect following Parliamentary approval, driven by increased reinsurance costs and the need to maintain the Scheme's financial sustainability while avoiding disproportionate impacts on any single group of members.

Looking ahead, as the Scheme progresses towards transition, the Board will consider the extent to which reliance on levy funding should reduce over time. This will be balanced against the need to continue to support availability and affordability of flood insurance for households during the transition to risk-reflective pricing.

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



.....
Perry Thomas
Chief Executive Officer

Date: 24 June 2026

Directors' Report For the year ended 31 March 2026

The Directors present their Report and the audited Financial Statements of the Company for the year ended 31 March 2026.

Future developments

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

Material events after the end of the financial year

There have been no material events since the balance sheet date, other than those reported in Note 25 'Events after the reporting period'.

Dividends

The Company did not pay or propose any dividends during the year (Prior Year: £nil).

Political donations

The Company did not make any political donations during the year (Prior Year: £nil).

People and culture

Diversity and inclusion

Flood Re is committed to fostering an inclusive environment where all colleagues can thrive. The Board recognises that diversity of thought and experience strengthens decision-making and its ability to deliver its purpose. This extends beyond protected characteristics under the Equality Act 2010 to include wider dimensions such as socio-economic background, neurodiversity and educational diversity, helping to avoid groupthink and build a more resilient organisation.

As part of this commitment, Flood Re is a signatory to the Women in Finance Charter, pledging to improve gender diversity at senior levels. The Company achieved its initial target ahead of schedule in 2021 and continues to maintain a balanced gender profile across the Board, Executive Committee and wider workforce, while broadening its focus to other aspects of diversity and inclusion. This has contributed to a more balanced leadership profile, including within the leadership pipeline, and strengthened diversity of perspectives in decision making.

The latest gender-related data are set out below.

As at 31 March 2026	Total	Male	Female
Board (excl. CEO / CFO)	6	3	3
Executive Committee (incl. CEO / CFO)	4	2	2
All Employees (excl. Executive Committee and Board)	79	39	40

Employee engagement initiatives

Flood Re operates a hybrid working model, combining the flexibility of home working with the benefits of in-office collaboration. Engagement is supported through regular forums which form part of a

Directors' Report

For the year ended 31 March 2026

broader multi-channel approach to communication, complemented by intranet updates and blogs that foster connection and information sharing across teams.

Wider stakeholder engagement

Details of wider stakeholder engagement are set out on Pages 6-7 and 18-19 of the Strategic Report.

Creditor payment policy

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

Modern Slavery Act 2015

The Company is committed to preventing modern slavery and human trafficking in its operations and supply chain, supported by appropriate policies and controls. Further details are set out in the Company's Prevention of Modern Slavery and Human Trafficking Policy, available on the Flood Re website.

Tax strategy

The Company is committed to responsible tax practices and to complying with applicable tax laws and regulations. Its approach is to pay the appropriate amount of tax in line and maintaining a good relationship with the UK tax authority, supported by appropriate governance and risk management processes. Further details are available in the Company's Tax Strategy, which is published on the Flood Re website.

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 whistleblowers.

Directors' indemnities

The Company has in place qualifying third-party indemnity insurance that provides suitable cover for its Directors and Officers in respect of legal actions that could potentially be brought against them.

Financial risk management

The Company's financial risk management policies associated with financial instruments are set out in Note 4 'Risk'.

Governance Statement

Overview of governance framework

The Board is responsible for maintaining a robust corporate governance framework that supports effective decision-making, prudent risk management and high standards of conduct.

The Board has had regard to the principles of the UK Corporate Governance Code ('the Code') where appropriate, recognising that they represent best practice in effective corporate governance.

The Board recognises its accountability to Parliament through Defra and the importance of transparency, value for money and effective stewardship of public resources. While the Board retains responsibility for the independent oversight and governance of the Company, it operates within the parameters set by the Flood Re Scheme and relevant government policy. The Board seeks to balance operational independence with public accountability, ensuring that decisions are taken in the long-term interests of policyholders, members and taxpayers.

Board leadership and purpose

The Flood Re Board provides leadership within the framework established by the Company's Articles of Association and the legislative and regulatory regimes governing the Scheme and the Company.

In doing so, the Board:

- sets the Company's strategy and objectives;
- monitors performance against agreed plans;
- establishes and oversees the Company's risk appetite; and
- ensures that appropriate culture, values and behaviours are embedded.

The Board considers that the Company's purpose, which is to promote the availability and affordability of flood insurance and to manage an orderly transition to risk-reflective pricing, is consistently reflected in its strategy and decision-making. The Board monitors cultural alignment, ensuring that Flood Re's purpose and values are embedded in behaviours, policies and ways of working across the organisation. Culture is integrated into the Company's corporate objectives through the delivery of a defined culture action plan, with progress monitored through regular reporting to the Board.

Board composition and independence

The Board comprises a Chair, 5 Independent Non-Executive Directors (INEDs) and 2 Executive Directors. The Board considers that its composition:

- ensures an appropriate balance between executive and non-executive representation;
- provides a breadth of skills and experience relevant to the Company's activities; and
- supports independent challenge and robust debate.

The Chair was independent on appointment and remains independent. The Board assesses the independence of Non-Executive Directors on appointment and periodically thereafter, considering any relationships or circumstances that could affect, or be perceived to affect, their judgement. The Board is satisfied that all INEDs demonstrate independence in character and judgement.

Directors' Report For the year ended 31 March 2026

The Board also maintains a formal conflicts of interest framework, including a register of interests, declarations at each Board and Committee meeting, and processes to identify, monitor and manage any actual or potential conflicts. This framework supports the continued independence of the Board.

The Board has appointed a Senior Independent Director who provides a sounding board for the Chair, offering support and challenge where appropriate, and is available to engage with stakeholders where an alternative to the Chair is required.

Board biographies

Biographical details of the Directors are set out below:

Perry Thomas, Chief Executive Officer

Perry Thomas was appointed Chief Executive Officer in February 2025 and received PRA approval in June 2025. He is an actuary with over 35 years' experience in financial services, including roles as CEO, Chief Risk Officer and Group Chief Actuary. Perry has held directorships across multiple international jurisdictions and has extensive insurance sector experience. He currently serves as a Non-Executive Director at Assurant and the British Friendly Society Limited.

Latinka Pilipovic, Chief Financial Officer

Latinka Pilipovic was appointed Chief Financial Officer in August 2025 and received PRA approval in September 2025. She is a qualified chartered accountant with over 25 years' experience in financial services. Latinka has held senior leadership roles across a range of UK and international organisations, including CFO roles at Guardian Financial Services and Foresters Financial UK, where she also served as Interim CEO. Her earlier career includes roles at Legal & General, Aviva and PwC.

Bridget Rosewell, Chair of the Board of Directors

Bridget Rosewell was appointed Chair of Flood Re in August 2023. She is an experienced economist, and policy adviser, with a background spanning infrastructure, public policy and finance. Bridget has held senior roles including Commissioner of the National Infrastructure Commission, Senior Independent Director at Network Rail and the National Wealth Fund, and non-executive director at Northumbrian Water. She currently chairs the M6 Toll Company and serves as a non-executive director at AWE. Bridget was awarded a CBE in 2018.

Tony Ballance, INED

Tony Ballance is an INED and Chair of the Remuneration Committee. He has extensive board-level experience in strategy, regulation and sustainability within the utilities sector. Tony currently serves as Chief Strategy and Regulation Officer at Cadent Gas, where he leads work on decarbonisation. His previous roles include Director of Strategy and Regulation at Severn Trent and Chief Economist at Ofwat.

Simon Green, Senior Independent Director

Simon Green is the Senior Independent Director and Chair of the Risk and Capital Committee. He has extensive regulatory and industry experience, having held senior roles at the Bank of England, the FSA and the FCA, most recently as Director of General Insurance and Protection. Simon also has a

Directors' Report

For the year ended 31 March 2026

background in corporate, investment and retail banking. He currently holds a number of non-executive roles within the Arthur J. Gallagher group.

Jean Sharp, INED

Jean Sharp is an INED and Chair of the Audit and Compliance Committee. She brings over 30 years' experience across professional services and financial services, including as a Partner at EY and in senior roles at Aviva plc. Jean has deep expertise in financial reporting, audit and governance, and currently serves as a non-executive director at FBD Holdings plc and FBD Insurance plc. She is a Fellow of the Institute of Chartered Accountants Ireland.

Shirel Stedman, INED

Shirel Stedman is an INED with a background in civil engineering and infrastructure. She has extensive experience in flood risk management and environmental sustainability, including senior leadership roles in the water and infrastructure sector. She previously served as Chair of the Defra Regional Flood and Coastal Committee for the River Severn and Wye catchment and has held senior roles at Royal HaskoningDHV.

Michael Murphy, INED

Michael Murphy was appointed as an INED in September 2025. He has over 30 years' experience in insurance and financial services, including senior leadership roles as CEO, CFO and Chief Actuary. Michael has held roles at organisations including Aviva, Willis Towers Watson and Bank of Ireland. In addition to Flood Re, Michael is currently an Independent Non-Executive Director at Ecclesiastical Insurance Office, Aviva Life Holdings UK, Aviva Life & Pensions UK and Independent Chair of Aviva Equity Release UK Ltd.

Board appointments and rotation policy

The Company operates a formal policy for the rotation and reappointment of INEDs. At each Annual General Meeting (AGM), one-third of the INEDs are subject to retirement by rotation. Directors retiring are those who have served longest since their last appointment or reappointment. Directors are eligible for reappointment, subject to a maximum tenure of nine years from the date of their original appointment.

Division of responsibilities

There is a clear division of responsibilities between the Chair, Executive Directors and INEDs:

- The Chair is responsible for leadership of the Board and ensuring its effectiveness;
- The Chief Executive Officer is responsible for the day-to-day management of the Company and implementation of strategy;
- The Chief Financial Officer is responsible for the financial management of the Company and prudential oversight; and
- The INEDs provide independent oversight and challenge.

This structure supports effective governance and clear accountability.

Board effectiveness

The Board undertook its annual evaluation of performance and effectiveness during the year, assessing the Board, its Committees and individual Directors. In alignment to the Board's policy for external assessment every three years, this evaluation was externally facilitated by the firm Independent Audit Limited. It was conducted using a combination of questionnaires and discussions, focusing on Board composition, dynamics, information flows, oversight of strategy and risk, and engagement with management and stakeholders.

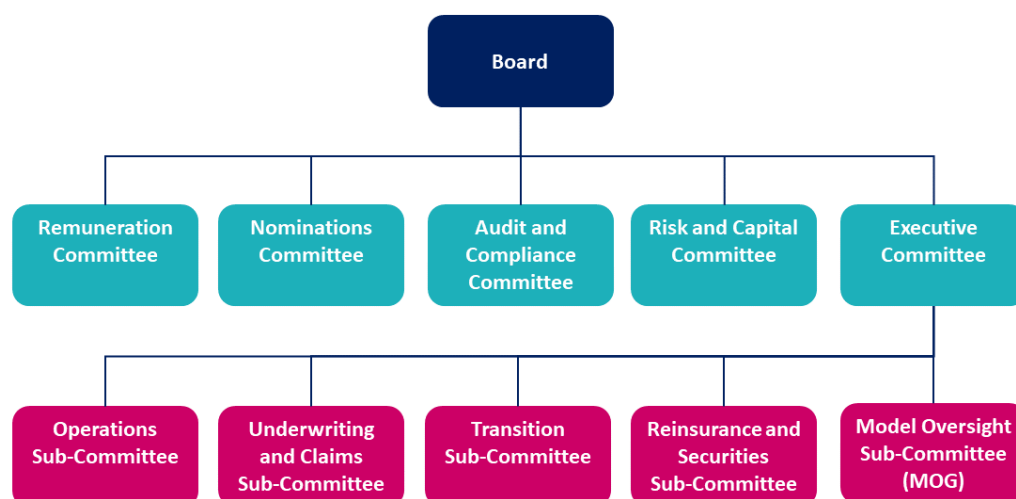
The review found four main areas for the Board to focus on: coming together as a Board, oversight of culture, strategic oversight and management succession. Actions have been agreed and will be monitored during the coming year. We continue to engage Independent Audit Limited to work alongside the Board in its commitment to continuous improvement.

Board Committees

The Board has established four Committees to support the discharge of its responsibilities:

- Audit and Compliance Committee (ACC)
- Risk and Capital Committee (RCC)
- Remuneration Committee
- Nominations Committee

The Committee structure as at 31 March 2026 is outlined in the diagram below. Each Committee operates within clearly defined terms of reference.



Directors' Report For the year ended 31 March 2026

Board and Committee membership

The table below sets out the membership of the Board and its Committees as at 31 March 2026:

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	Member (CEO and ED)	Attendee	Attendee	Attendee	Attendee
Simon Green	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	Member (INED)	CHAIR	Member (INED)	Member (INED)	Member (INED)
Michael Murphy ¹	Member (INED)	Member (INED)	Member (INED)	Member (INED)	Member (INED)
Latinka Pilipovic ²	Member (CFO and ED)	N/A	N/A	Attendee	Attendee

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

Notes:

¹ Michael Murphy was appointed as an INED on 1 September 2025

² Latinka Pilipovic was appointed as the Chief Financial Officer of Flood Re on 1 August 2025

Board activity

The Board and Committees met regularly during the year and considered a range of matters including strategy, risk management and capital adequacy, reinsurance arrangements, review of Scheme parameters, transition and public policy, financial reporting as well as regulatory developments.

The table below shows the Committee members attendance record for the year ended 31 March 2026 (attended/eligible).

	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 ¹	5/5	2/2	2/2	4/4	-
Perry Thomas ²	5/5	-	-	-	-
Simon Green	5/5	2/2	2/2	4/4	5/5
Jean Sharp	5/5	2/2	2/2	4/4	5/5

Directors' Report For the year ended 31 March 2026

	Board	Remuneration Committee	Nominations Committee	Risk and Capital Committee	Audit and Compliance Committee
Shirel Stedman	5/5	2/2	2/2	4/4	5/5
Tony Ballance	5/5	2/2	2/2	4/4	5/5
Michael Murphy ³	2/2	1/1	0/0	2/2	2/2
Latinka Pilipovic ⁴	2/2	-	-	-	-

Notes:

¹ Bridget Rosewell attends Audit and Compliance Committee meetings by invitation but is not a member of the Committee.

² Perry Thomas attends the Risk and Capital Committee, Audit and Compliance Committee, Remuneration Committee and Nominations Committee meetings by invitation but is not a member of those Committees.

³ Michael Murphy's attendance is recorded from 1 September 2025, the date on which he was appointed to the Board.

⁴ Latinka Pilipovic attends the Risk and Capital Committee and Audit and Compliance Committee meetings by invitation but is not a member of those Committees.

Audit and Compliance Committee (ACC)

The ACC operates independently of Flood Re's Executive management and supports the Board to help 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 as well as legal, regulatory and compliance matters. The Chair of the ACC acts as Flood Re's whistleblowing champion.

During the year, the ACC oversaw the integrity of financial reporting, internal controls and the audit process. This included reviewing the Annual Report and Accounts and key accounting judgements, monitoring enhancements to the IFRS17 reporting process, overseeing internal and external audit, and assessing emerging reporting and compliance expectations. The ACC is satisfied that the Company's financial reporting and control processes operated effectively during the period.

Risk and Capital Committee (RCC)

The RCC is responsible for the oversight of Flood Re's risk management framework and capital adequacy; helping to ensure that risks are identified, assessed, and monitored in line with the Company's risk appetite and relevant policies.

During the year, the RCC oversaw the renewal and operationalisation of the Company's reinsurance programme for the three-year cycle commencing 1 April 2025, and the associated PRA major model change application in respect of Flood Re's partial internal model. The RCC also provided oversight of the process to outsource the Company's investment management function. The RCC considers that the Company's risk management framework remains effective and aligned with its risk appetite.

Remuneration Committee

Flood Re's Remuneration Committee is responsible for determining the remuneration of the Executive Directors and other members of the Executive Committee, and for overseeing Flood Re's overall Remuneration Policy. Further details of the Committee's activities are set out in the 'Remuneration Policy' section below. The Remuneration Committee is satisfied that remuneration outcomes for the year appropriately reflect the Company's performance and progress against its corporate objectives.

Directors' Report

For the year ended 31 March 2026

Nominations Committee

The Nominations Committee reviews the structure, size, and composition of the Board, including the skills, knowledge, experience and diversity required, and makes recommendations to the Board regarding any changes. The Committee also actively monitors succession planning for Directors and senior management across the organisation.

Executive Committee (ExCo)

The Executive Committee (ExCo) is responsible for the day-to-day management of the Company and for implementing the strategy set by the Board. As at 31 March 2026, the members of ExCo are:

- Perry Thomas, Chief Executive Officer
- Latinka Pilipovic, Chief Financial Officer
- Maxwell Bero, Chief Operating Officer
- Sue Mulry-Lawson, Chief Risk Officer

ExCo is supported by five sub-committees covering key operational areas:

- Reinsurance and Securities Sub-Committee – oversees reinsurance counterparties and related activities
- Operations Sub-Committee – oversees the Company's operational activities
- Underwriting and Claims Sub-Committee – oversees underwriting and claims activities
- Transition Sub-Committee – oversees transition planning activities
- The Model Oversight Group – oversees the ongoing appropriateness of the Partial Internal Model Design and Operations

Remuneration Policy

The Remuneration Policy is overseen by the Remuneration Committee, which reviews it at least annually and recommends it to the Board for approval to ensure it remains appropriate and effective.

The policy is designed to support the delivery of the Company's strategy and long-term objectives, with variable remuneration directly linked to the achievement of corporate objectives and overall Company performance. In determining performance outcomes, the Remuneration Committee assesses progress against agreed objectives, alongside consideration of the effectiveness of the risk and control environment, risk culture and any material audit findings.

Total remuneration comprises both fixed and variable components. Fixed pay is determined by role, experience, responsibilities and market conditions, and reflects regulatory requirements and the need to attract and retain individuals with appropriate expertise in a regulated environment.

A bonus scheme is in place to reward performance against the Company's objectives. Bonus payments are based on the overall level of achievement of these objectives, with the Remuneration Committee exercising judgement to ensure that outcomes appropriately reflect business performance, risk management and external factors affecting delivery during the year. Bonuses are paid in cash through the Company's payroll and are subject to applicable tax and statutory deductions. Bonus awards are capped at 30% of base salary, depending on the role and seniority. No share-based incentives are offered, reflecting the nature of the Company's ownership structure.

Directors' Report For the year ended 31 March 2026

The Company operates malus and clawback provisions in respect of performance-based remuneration. The Remuneration Committee may reduce or recover bonus awards where appropriate, including in circumstances involving material risk management failures, financial loss, reputational damage or conduct that is inconsistent with the Company's purpose, values and expected behaviours.

The Remuneration Committee determines the remuneration of Executive Directors and the overall remuneration pool available for allocation by the CEO to other employees. Fees for the Chair and other INEDs are determined annually by the Remuneration Committee and approved by the Board. They are not eligible to participate in bonus or pension arrangements. Fee levels are set with reference to the time commitment, responsibilities and market benchmarking.

Directors' remuneration

Details of the Directors' remuneration for the year ending 31 March 2026 and the comparatives for prior year are set out below.

Name	Year	Salary/ Fees £	Taxable benefit £	Bonus £	Pension £	Pension allowance ⁸ £	Total £
Executive Directors							
Perry Thomas ¹	2026	344,000	946	98,040	-	36,120	479,106
	2025	57,333	94	-	-	6,020	63,447
Latinka Pilipovic ²	2026	200,000	570	57,000	18,000	-	275,570
Andy Bord ³	2025	466,217	-	66,481	10,000	36,537	579,235
Stuart Logue ⁴	2026	33,333	408	-	833	2,667	37,242
	2025	379,692	3,426	-	10,000	29,883	423,001
Non-Executive Directors							
Bridget Rosewell	2026	153,000	-	-	-	-	153,000
	2025	147,000	-	-	-	-	147,000
Tony Ballance ⁵	2026	63,000	-	-	-	-	63,000
	2025	47,208	-	-	-	-	47,208
Simon Green	2026	73,000	-	-	-	-	73,000
	2025	66,483	-	-	-	-	66,483
Jean Sharp	2026	68,000	-	-	-	-	68,000
	2025	65,650	-	-	-	-	65,650
Shirel Stedman	2026	68,000	-	-	-	-	68,000
	2025	55,650	-	-	-	-	55,650
Michael Murphy ⁶	2026	33,833	-	-	-	-	33,833
Perry Thomas ⁷	2025	54,708	-	-	-	-	54,708

Notes:

¹ Perry Thomas was appointed as CEO on 3 February 2025. The remuneration reported for 2024/25 relates to the period from February to March 2025.

² Latinka Pilipovic was appointed as CFO on 1 August 2025 and received remuneration for the period from August 2025 to March 2026.

³ Andy Bord received remuneration as CEO for the period from April to October 2024.

Directors' Report For the year ended 31 March 2026

⁴ Stuart Logue received remuneration as CFO for the period from April 2024 to July 2024, and as Interim CEO from July 2024 to April 2026.

⁵ Tony Ballance was appointed as Chair of the Remuneration Committee on 25 April 2025.

⁶ Michael Murphy was appointed to the Board on 1 September 2025.

⁷ Perry Thomas received remuneration as an NED from March 2024 to February 2025, prior to his appointment as CEO.

⁸ Pension allowances represent 10.5% of base salary, and are only paid by the Company when lifetime or annual allowances are exceeded.

Internal controls and risk management effectiveness

The Board is responsible for maintaining a sound system of risk management and internal control. During the year, the Board, supported by the RCC and ACC, reviewed the effectiveness of the Company's risk management and internal control framework. This review drew on multiple sources of assurance, including:

- risk and control reports;
- internal audit reports and findings;
- external audit observations; and
- regulatory interactions and compliance reporting.

Where areas for improvement were identified, appropriate remediation actions have been agreed and are being monitored by the ACC.

Risk Framework

Overview of risk

Flood Re defines risk as the effect of uncertainty on objectives. 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.

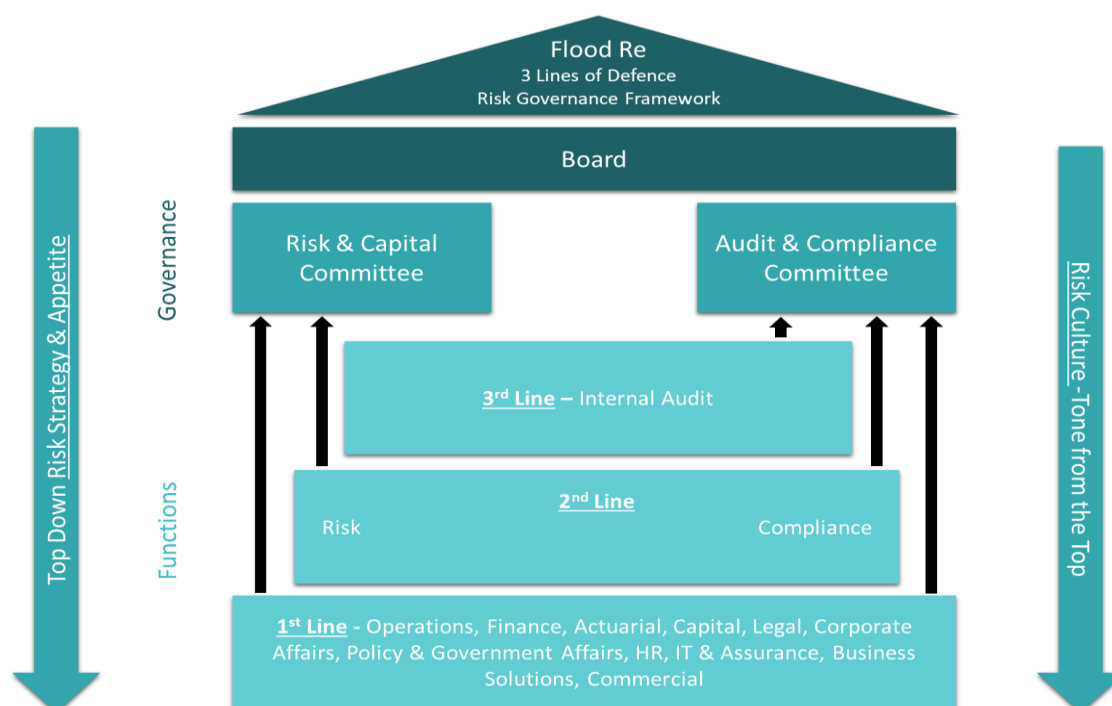
Risks are classified into the six defined risk types above to support identification, assessment, management, monitoring and reporting. From this broader universe of risks, the Board identifies a subset of principal risks, which are those considered most significant to the delivery of the Company's strategy and long-term objectives. These principal risks, and their linkage to the Company's strategic priorities, are set out on Pages 14-15 of the Strategic Report.

Note 4 'Risk' provide further detail on key financial risks and how they are managed and mitigated.

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 – refer to Page 26 of the Governance Statement for further detail.

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 and Compliance function, led by the Chief Risk Officer (CRO).

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).

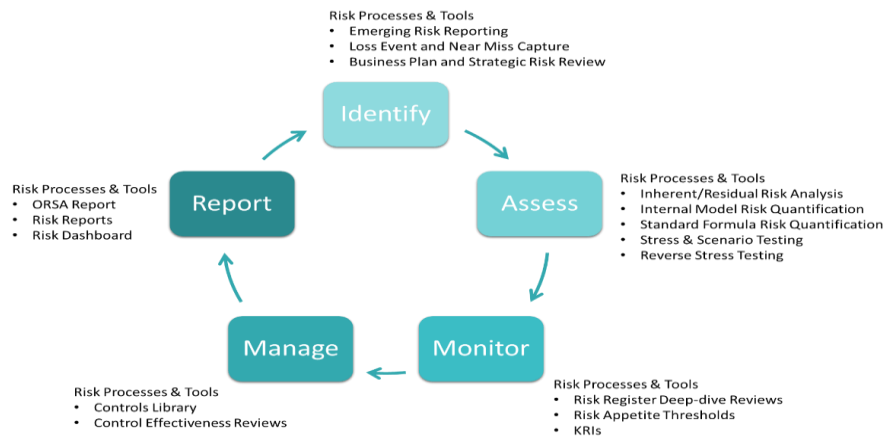
The Compliance function is responsible for implementing a governance framework across the Company, compliance monitoring, regulatory disclosure, and identifying and monitoring potential Compliance risk arising from the activities of Flood Re and its outsourced service providers. The Compliance function 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:

- Deep Dive review of the risk register to capture Flood Re's risk profile in light of recent Scheme experience driving the internal review of Scheme premium and capital models, while ensuring linkage to Flood Re's Corporate Objectives,
- Production of suite of Stress and Scenario Testing (SSTs) for the Own Risk and Solvency Assessment (ORSA) exercise to test Flood Re's Financial Management Actions Playbook, and
- Oversight of Flood Re's RI/Risk Transfer Strategy & Roadmap of activity to next procurement cycle from 2028/29 and beyond.

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.

Sustainability and other non-financial disclosures

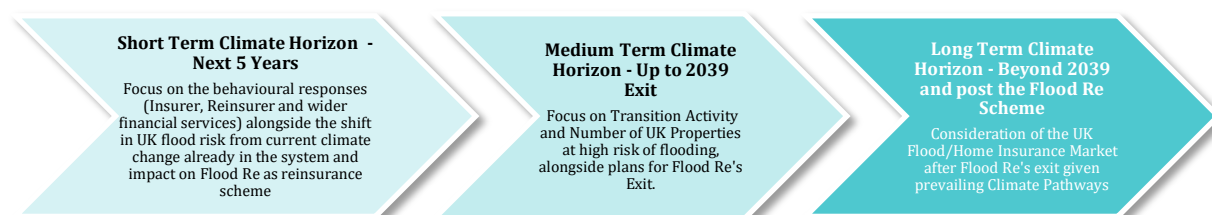
Climate-related risks

Flood Re was established in response to the impact of flooding on the affordability and availability of home insurance. As climate change increases the frequency and severity of flooding in the UK, this risk remains central to the Company's purpose and financial viability.

Climate-related risks are embedded within Flood Re's governance and risk management framework, with Board oversight of principal risks and ongoing monitoring of flood risk, market conditions and regulatory developments by management.

Flood Re assesses climate-related risks over the lifetime of the Scheme, including the planned transition to the risk-reflective market in 2039 and the period thereafter. This assessment is supported by analysis undertaken as part of the ORSA, which considers the impact of changes in flood frequency and severity under a range of climate pathways.

Flood Re considers climate change risks across three time horizons, as shown in the diagram below:



- **Short term:** climate-related impacts may result in changes in behaviour across the insurance and reinsurance markets, including increased volumes of policies ceded to the Scheme and reduced reinsurance capacity or higher costs. These developments could place pressure on the Scheme's Liability Limit and operating model. In response, Flood Re focuses on maintaining the resilience of the Scheme to such shifts.
- **Medium term:** Delivery of Flood Re's transition activities is critical to improving resilience and reducing future flood risk. This includes initiatives to support behavioural and policy change, such as the development of Flood Performance Certificates and the promotion of property-level resilience measures. Flood Re also engages with government and supports industry initiatives such as the Bonfield Review to help embed resilience standards and influence investment in flood risk management.
- **Long term:** Flood Re assesses the scale of the "protection gap" at the point of transition in 2039 and beyond, representing the number of properties that may be difficult to insure in a

risk-reflective market. This includes analysis of how different climate pathways may affect flood risk and insurability over time. This work will enable targeted interventions and facilitate an orderly transition to a sustainable insurance market.

Managing climate risk and supporting transition

Flood Re's transition strategy is set out in its Transition Plan, which is published every five years, with the next iteration due in 2028. The Transition Plan provides recommendations to government and industry to support the delivery of these objectives, informed by ongoing analysis of flood risk and market developments.

To support a successful transition, Flood Re works with stakeholders to:

- reduce the risk of flooding through investment in flood risk management, and ensure flood risk is considered in new development;
- 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.

At an operational level, Flood Re seeks, where practicable, to manage and reduce its environmental impact, including energy use and carbon emissions. Further information on Flood Re's operational energy use and carbon emissions is provided in the SECR disclosures on Pages 36-37. The Company also considers how climate-related risks may affect the value and performance of its investment portfolio, as described below.

Climate-related investment considerations

Climate-related risks and broader ESG factors are incorporated within Flood Re's investment strategy. The Company's investment portfolio primarily comprises deposits with the UK Debt Management Office and investments in UK Treasury Bills, Gilts and a small number of high credit quality supranational bonds. As a government-backed Scheme investing predominantly in UK government issuances, the portfolio is considered to be broadly aligned with core ESG considerations.

Flood Re's assessment of climate-related risks associated with its investment strategy covers:

- Physical risks – arising from the increasing frequency and severity of climate-related events such as flooding, which could affect asset values or issuer creditworthiness; and
- Transition risks – arising from changes in climate policy, regulation and market conditions as the economy adjusts to a lower-carbon pathway.

Given the nature of the portfolio, exposure to these risks is considered limited. This reflects the concentration in UK government holdings, whose creditworthiness is less directly affected by individual climate events and is supported by broad economic and fiscal capacity. While UK government bond valuations may be influenced by macroeconomic and policy developments associated with the transition to a lower-carbon economy, such risks are mitigated by the liquidity and relatively short duration of the assets held.

Directors' Report For the year ended 31 March 2026

Streamlined Energy & Carbon Reporting (SECR)

For the year ended 31 March 2026

The Company is required to report under the Streamlined Energy and Carbon Reporting (SECR) regulations.

Reporting boundary

The reporting boundary for this SECR is Flood Re and its material outsourced services and is intended to capture all relevant energy use associated with the Company's activities. Flood Re's energy and carbon footprint covers Scope 1, 2 and selected Scope 3 emissions* for the period from 1 April to 31 March each year.

Energy Consumption

The table below presents Flood Re's energy consumption for Scope 1 (transport fuel and natural gas) and Scope 2 (purchased electricity) for the year ended 31 March 2026 compared with the prior year.

Energy Use (kWh)	31 March 2026	31 March 2025
Transport Energy	45,055	57,107
Electricity	146,681	118,185
Natural Gas	20,669	20,548
Total	212,405	195,840

*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.

Scope 1 and Scope 2 energy consumption is based on Flood Re's share of energy usage within a shared office building. Energy use is allocated using floor area occupied as a proportion of the total building space managed by the service provider.

Transport energy within Scope 1 represents business travel undertaken by employees using personal vehicles, based on recorded distances and converted into energy (kWh) using standard conversion factors.

Energy use relating to material outsourced service partners is estimated on a per capita basis, reflecting Flood Re's share of those activities. Energy use (kWh) is calculated using the latest conversions factors published by the Department for Energy Security and Net Zero (DESNZ) in June 2024.

Carbon Emissions

The table below sets out Flood Re's carbon emissions, including Scope 1, Scope 2 and relevant Scope 3 emissions, for the year ended 31 March 2026 compared with the prior year.

Carbon dioxide equivalent Emissions (t/CO ₂ e)	31 March 2026	31 March 2025
Scope 1 emissions	18	22
Scope 2 emissions	26	24

Directors' Report For the year ended 31 March 2026

Scope 3 emissions	64	71
Total	108	117

Carbon emissions are calculated in accordance with the Greenhouse Gas (GHG) Protocol, with outputs for Carbon emissions (CO₂e) calculated using conversion factors published by DESNZ in June 2024.

- Scope 1 emissions comprise direct emissions from fuel use and business travel in employee-owned vehicles.
- Scope 2 emissions comprise indirect emissions from purchased electricity.
- Scope 3 emissions (selected) include business travel (land and air) and homeworking.

Scope 3 emissions from land and air travel are based on the actual journeys taken in the reporting year, with conversion factors applied to calculate the carbon emissions equivalent. Scope 3 emissions from homeworking are estimated based on UK-based assumptions derived from the EcoAct homeworking methodology (<https://info.eco-act.com>).

Other Scope 3 categories, including purchased goods and services, water usage and waste disposal, have not been included at this stage as they are not currently considered material or data is not sufficiently available.

Intensity Ratio

The table below presents Flood Re's emissions intensity ratio, measured as tonnes of CO₂ equivalent per employee.

	31 March 2026	31 March 2025
Reporting boundary t/CO ₂ e/employee	1.4	1.6

Energy efficiency and management actions

Total energy consumption (Scope 1 and 2 only) increased to 212,405 kWh for the year ended 31 March 2026 (Prior Year: 195,840 kWh). This is mainly attributable to the lower than average baseline in 2024/25 due to significant under-occupancy at 75 King William Street during that period, with five out of seven floors vacant.

Total emissions (Scopes 1,2 and 3) decreased to 108 tCO₂e for the year ended 31 March 2026 (Prior Year: 117 tCO₂e), reflecting an overall reduction in Flood Re's carbon footprint. This is driven by lower Scope 3 emissions due to a decrease in the number of work-from-home hours as office attendance increased.

The intensity ratio improved to 1.4 tCO₂e per employee (Prior Year: 1.6 tCO₂e per employee) reflecting a reduction in emissions on a per employee basis. This improvement is consistent with the overall decrease in total emissions during the year, as well as small increase in the average number of employees during the year. This shows positive progress in becoming more sustainable, as Flood Re has been able to support business activity while lowering its carbon impact per employee.

While Flood Re's direct operational emissions are relatively limited compared with its broader influence on flood resilience, the Company continues to monitor and manage its environmental impact.

Going concern and viability

Statement of going concern

The Directors have assessed Flood Re's ability to continue as a going concern over a period of 12 months from the date of approval of these financial statements. In making this assessment, the Directors have considered the Company's financial position, its liquidity and Solvency UK capital adequacy.

The assessment has been informed by the Company's planning processes, including its ORSA, which incorporates stress testing of solvency and liquidity under a range of adverse scenarios, including significant flood events and other market shocks. The Directors have also considered the availability of management actions to mitigate such impacts where necessary.

As at 31 March 2026, the Company held total invested and liquid assets of £1,074.7 million (Prior Year: £1,011.1 million) with an (unaudited) SCR coverage ratio of 324% (Prior Year: 235%), providing a strong buffer against potential adverse events.

Based on this assessment, the Directors are satisfied that the Company has adequate resources to continue in operation over a period of 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Statement of viability

The Directors have assessed the viability of Flood Re taking into account the Scheme's structural features, including its statutory levy funding mechanism and its status as a time-limited scheme lasting until 2039.

Within this context and for operational purposes, the Directors have assessed viability over a three-year financial planning period to 31 March 2029. The Directors consider this period of assessment to be appropriate as it aligns with the Company's business planning cycle and the multi-year nature of its reinsurance programme.

In making the viability assessment, the Directors have applied the same principles as set out in the 'Statement of going concern' above, including stress and reverse stress tests of solvency and liquidity under a range of adverse scenarios. This analysis has been extended over a three-year period and incorporates consideration of broader risks to the Company's strategy and operations.

The Directors have considered the stability of the Company's operating model, including continued participation by the UK insurance market as levy payers and the operation of the Flood Re Scheme framework. The Board considers that Flood Re continues to benefit from the confidence and support of participating insurers, which underpins the ongoing effectiveness of the Scheme.

The Directors have also taken into account Flood Re's role in managing the transition to a risk-reflective market by 2039, the point at which the Scheme is intended to cease under the legislative framework. While delivery of this transition depends on a range of external factors, the Directors

consider that the Company continues to be well-positioned to support this transition over the viability assessment period.

Taken together, these factors support the Directors' expectation that the Company's funding arrangements will continue to be available over the assessment period, enabling Flood Re to meet its statutory objectives. Accordingly, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 31 March 2029.

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.

FLOOD RE LIMITED

Report of The Directors

Directors

The Directors of the Company who served during the year ended 31 March 2026 were:

Bridget Rosewell	Chair
Perry Thomas	Chief Executive Officer
Latinka Pilipovic	Chief Financial Officer (appointed 1 August 2025)
Tony Ballance	Independent Non-Executive Director
Simon Green	Independent Non-Executive Director
Jean Sharp	Independent Non-Executive Director
Shirel Stedman	Independent Non-Executive Director
Michael Murphy	Independent Non-Executive Director (appointed 1 September 2025)

Independent auditor

The Auditor, Ernst & Young LLP, has been reappointed to office 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 2026 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: 24 June 2026
Registered Office: 75 King William Street, London, England, EC4N 7BE

Auditor's Report For the year ended 31 March 2026

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 2026 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 2026 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;

Auditor’s Report

For the year ended 31 March 2026

- 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 period of 12 months from the date of approval of the financial statements (meaning the 12 months to 24 June 2027).

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	<ul style="list-style-type: none"> • Reinsurance inward contracts liabilities – valuation of loss component • Reinsurance inward contracts liabilities – valuation of liability for incurred claims
Materiality	<ul style="list-style-type: none"> • Overall materiality of £14.1m (2025: 13.4m) which represents 2% of equity (2025: 2%).

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”.

Auditor's Report For the year ended 31 March 2026

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.

The Company has explained in Note 2.2 how they have reflected the impact of climate change in their 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 materially 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 and Compliance Committee
<p>Valuation of loss component (2026 £219,953K; 2025: £226,005K), as a component of reinsurance inward contracts liabilities (2026: £487,732K; 2025: £580,654K)</p> <p><i>Refer to the accounting policy 2.9, critical accounting judgement 3(b); and Note 16 of the Financial Statements.</i></p>	<p>With support of our actuarial team, we have:</p> <p>Assessed the design and implementation of key controls over determination of the loss component.</p> <p>Assessed the methodology and the assumptions used in valuing the loss component and verified whether the valuation practices are consistently applied with prior year and changes (if any) are appropriate.</p>	<p>Based upon our work performed, we have concluded that the valuation of loss component is reasonable.</p>

<p>Under IFRS 17, entities are required to recognise a loss component in the liability for remaining coverage for onerous contracts. This includes bound but not incepted (BBNI) contracts.</p> <p>The loss component is calculated as the net outflow for the Group of onerous discounted cashflows. It involves significant judgement and assumptions and therefore there is a risk that inappropriate assumptions are made.</p> <p>The key risk areas are:</p> <ul style="list-style-type: none"> i) Inaccurate forecasts of BBNI premium. ii) Inaccurate/inappropriate loss ratios being applied. <p>The risk has remained unchanged since the prior year.</p>	<p>Assessed the approach in determining the BBNI premium, assessing the estimated policy count and average premium inputs for reasonableness.</p> <p>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.</p> <p>Understood the movement in the loss ratios, bridging last year's initial expected assumption to this year's.</p> <p>Assessed the governance of the capital model used to estimate the modelled losses, and compared the output reserve risk distribution with market benchmarks.</p>	
<p>Valuation of liability for incurred claims excluding the risk adjustment (2026: £218,121K; 2025: £297,462K), as a component of reinsurance inward contracts liabilities (2026: £487,732K; 2025: £580,654K)</p> <p><i>Refer to the accounting policy 2.9, critical accounting judgement 3(a); and Note 16 of the Financial Statements.</i></p> <p>In the calculation of the liability for incurred claims, the best estimate liability is inherently uncertain and subjective and therefore more susceptible to fraud or error. There is a risk that inappropriate reserve projections are made from the use of unreasonable assumptions.</p> <p>We identify the specific key risks in relation to this to be as follows:</p>	<p>With the support of our actuarial team, we have:</p> <p>Assessed the design and implementation of key controls over determination of the attritional loss ratio and catastrophe reserves.</p> <p>Reviewed the attritional loss ratios assumptions and methodologies adopted in calculating the best estimates, including assumptions relating to catastrophe reserves and seasonality of attritional loss ratios against market practice and prior year, and challenged these assumptions and judgments based on our market knowledge and industry data where available.</p>	<p>Based upon our work performed, we have concluded that the valuation of the liability for incurred claims is reasonable.</p>

<p>i) Inaccurate/inappropriate attritional loss ratios being applied;</p> <p>ii) Inaccurate/inappropriate assumptions with regards to catastrophe reserves.</p> <p>The risk has remained unchanged since the prior year.</p>	<p>In respect of the attritional loss ratios, we have independently calculated a best estimate for attritional reserves using our own claims development pattern.</p> <p>In respect of catastrophe reserves, we tested the adequacy of catastrophe reserves 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.</p> <p>Established a range of reasonable best estimates, and compared to management's best estimate.</p>	
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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 £14.1 million (2025: £13.4 million), which is 2% (2025: 2%) 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 equity 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% (2025: 75%) of our planning materiality, namely £10.6m (2025: £10.1m). We have set performance materiality at this percentage

Auditor's Report For the year ended 31 March 2026

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 £0.7m (2025: £0.7m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

Auditor's Report**For the year ended 31 March 2026**

- 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 39 and 40, 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 of the audit and compliance committee we were appointed by the Company on 20 April 2016 to audit the financial statements of the Company for the year ending 31 March 2016 and subsequent financial periods. Following a competitive tender process in 2024, we were reappointed as auditor of the Company for the period ending 31 March 2026 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 11 years, covering the years ending 31 March 2016 to present.

Auditor's Report

For the year ended 31 March 2026

- 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 and compliance 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.

Signed by:

Jonathan Bell

874BCD66436A452...

Jonathan Bell (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

24 June 2026

**Statement of Profit or Loss
for the year ended 31 March 2026**

	Note	2026 £000s	2025 £000s
Insurance revenue		80,547	65,826
Insurance service expense		(33,473)	(177,701)
Insurance service result before reinsurance outward contracts	9	47,074	(111,875)
Allocation of reinsurance premiums		(210,883)	(76,150)
Amounts recoverable from reinsurers for incurred claims		29,269	40,087
Net expense from reinsurance outward contracts	9	(181,614)	(36,063)
Insurance service result		(134,540)	(147,937)
Income from debt instruments		27,598	5,379
Interest on cash and short-term deposits		14,986	38,271
Total investment income	8	42,584	43,650
Insurance finance expenses for reinsurance inward contracts	8	(12,187)	(13,321)
Reinsurance finance income for reinsurance outward contracts	8	3,169	4,908
Net insurance financial result		(100,974)	(112,700)
Levy income	7	160,000	135,000
Finance costs	20	(72)	(56)
Other operating and administrative expenses	10	(10,651)	(10,180)
Other income		481	1,434
Profit before tax		48,784	13,498
Income tax expense	13	(12,200)	(3,376)
Profit for the year		36,584	10,122

All the Company's operations are continuing.

The Notes on pages 55 to 106 are an integral part of the financial statements.

**Statement of Other Comprehensive Income
as at 31 March 2026**

Other comprehensive income	2026	2025
	£000s	£000s
Profit for the year	36,584	10,122
<i>Other Comprehensive Income (OCI) to be reclassified to profit or loss in subsequent periods</i>		
Change in fair value of financial assets	(24,368)	(1,594)
Amount reclassified to profit or loss	22,752	2,340
Debt instruments at fair value through other comprehensive income		
18	(1,616)	746
Deferred tax on unrealised (losses)/gains	13 404	(186)
Total other comprehensive (loss)/income	(1,212)	560
Total Comprehensive Income	35,372	10,682

All the Company's operations are continuing.

The Notes on pages 55 to 106 are an integral part of the financial statements.

Statement of Financial Position
as at 31 March 2026

		31 March 2026 £000	31 March 2025 £000
	Note		
Assets			
Intangible assets	14	3,102	4,392
Property, Plant and Equipment	15	1,458	2,731
Deferred tax asset	13	77	-
Reinsurance outward contracts assets	16	147,892	247,535
Other receivables	17	2,797	11,958
Debt instruments at fair value through other comprehensive income	18	1,009,935	220,542
Current tax asset		-	10,904
Cash and short-term deposits	19	64,781	790,576
Total assets		<u>1,230,042</u>	<u>1,288,638</u>
Equity			
Retained earnings		707,612	671,028
Fair value reserve		(230)	982
Total equity		<u>707,382</u>	<u>672,010</u>
Liabilities			
Reinsurance inward contracts liabilities	16	487,732	580,654
Deferred tax liabilities	13	-	330
Current tax liabilities		953	-
Lease liabilities	20	1,128	2,393
Other payables	21	32,847	33,251
Total liabilities		<u>522,660</u>	<u>616,628</u>
Total equity and liabilities		<u>1,230,042</u>	<u>1,288,638</u>

The Notes on pages 55 to 106 are an integral part of the financial statements.

The financial statements on pages 50 to 106 were authorised for issue by the Board of Directors on **23 June 2026** and were signed on its behalf by:



.....
Perry Thomas
Chief Executive Officer



.....
Latinka Pilipovic
Chief Financial Officer

**Statement of Changes in Equity
for the year ended 31 March 2026**

	Fair value reserve £000s	Retained earnings £000s	Total equity £000s
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
Profit for the year	-	36,584	36,584
Other comprehensive income	(1,212)	-	(1,212)
Total comprehensive income	(1,212)	36,584	35,372
Balance as at 31 March 2026	(230)	707,612	707,382

The Notes on pages 55 to 106 are an integral part of the financial statements.

Statement of Cash Flows
for the year ended 31 March 2026

	Note	2026 £000	2025 £000
Operating activities			
Profit before tax		48,784	13,498
Adjustments for:			
Depreciation	15	1,429	1,503
Amortisation	14	1,290	1,290
Interest on cash and short-term deposits	8	(14,986)	(38,271)
Interest income from debt instruments	8	(27,598)	(5,379)
Finance costs		72	-
Other income		(481)	(1,434)
Changes in operating assets and liabilities			
(Decrease)/increase in reinsurance inward contracts liabilities		(92,922)	106,378
Decrease/(increase) in reinsurance outward contracts assets		99,643	(14,737)
Decrease/(increase) in other receivables		148	(338)
(Decrease)/increase in other payables		(404)	3,449
Cash generated from operations		14,975	65,959
UK Corporation taxes (paid)/received		(346)	7,011
Interest received		29,327	36,709
Net cash flows from operating activities		43,956	109,679
Investing activities			
Disposals/(purchases) of deposits placed with a duration greater than three months	19	755,000	(208,100)
Purchase of debt instruments	18	(1,465,542)	(188,419)
Proceeds from maturity of debt instruments	18	697,284	314,606
Net cash flows from investing activities		(13,258)	(81,913)
Financing activities			
Payment of principal portion of lease liabilities	20	(1,493)	(1,447)
Net cash flows from financing activities		(1,493)	(1,447)
Net increase in cash and cash equivalents		29,205	26,319
Cash and cash equivalents brought forward at 1 April		35,576	9,257
Cash and cash equivalents carried forward at 31 March	19	64,781	35,576

The Notes on pages 55 to 106 are an integral part of the financial statements.



Notes to the financial statements for the year ended 31 March 2026

1. General information

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

The Flood Re Scheme was established by the Water Act 2014 in a joint initiative between the UK insurance industry and the UK government. The Scheme's purpose is to promote the availability and affordability of flood insurance for eligible homes and to manage the transition to risk-reflective pricing by 2039.

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 and 1 April 2025. On 1 April 2016, Flood Re was authorised by the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA). The Company's registered office is located at 75 King William Street, London, England, 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 and interpretations adopted by the Company

There were no new or revised accounting standards and interpretations effective from 1 April 2025 that are applicable to, or have a material impact on, the Company.

Standards, interpretations and amendments to published standards that are not yet effective

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

- (i) *Amendments IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures': 'Amendments to the Classification and Measurement of Financial Instruments'*

Amendments to IFRS 9 and IFRS 7 were issued in May 2024 and are effective for annual reporting periods beginning on or after 1 January 2026. This standard is not expected to have a significant impact on the Company's financial statements.

- (ii) *IFRS 18 'Presentation and Disclosure in Financial Statements'*

IFRS 18 was issued in April 2024 and is effective for annual reporting periods beginning on or after 1 January 2027. This new standard replaces IAS 1 'Presentation of Financial Statements', and introduces new requirements for:

- the presentation of the statement of profit or loss, including specified categories and subtotals;

Notes to the financial statements for the year ended 31 March 2026

- the disclosure of management-defined performance measures; and
- the aggregation and disaggregation of financial information in the primary financial statements and the notes.

The standard is expected to result in presentational changes to the Company's Statement of Profit or Loss and new disclosures of management-defined performance measures will be required in the notes to the financial statements. The Company is in the process of implementation, and no financial impacts are expected as a result of adoption.

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; insurance and reinsurance contracts which are measured at expected fulfilment cash flows plus their risk adjustment for non-financial risk, all adjusted for the time value of money. Unless otherwise noted, the financial statements are presented in pounds sterling rounded to the nearest thousand.

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. 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 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. Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position.

The Company presents its Statement of Financial Position broadly in order of liquidity. An analysis of amounts expected to be recovered or settled within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is disclosed in the respective notes to the financial statements.

The Company considers climate-related matters in estimates and assumptions, where appropriate. This assessment includes a wide range of possible impacts on the Company due to both physical and transition risks. Even though the Company believes 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 transition to risk-reflective pricing by 2039. The items and considerations that are most directly impacted by climate-related matters are reserve and catastrophe risk as described in Notes 4.1(b) and (c). Climate-related

Notes to the financial statements for the year ended 31 March 2026

risks do not currently have a significant impact on the measurement of the Company's assets, however relevant changes, such as new climate-related legislation, are being monitored closely.

Going concern

The financial statements have been prepared on a going concern basis. In adopting this basis, the Directors have assessed the Company's ability to continue in operational existence for a period of 12 months from the date of approval of these financial statements.

In making this assessment, the Directors have considered the Company's financial position, liquidity and Solvency UK capital adequacy, together with the nature of the Flood Re Scheme, including the Scheme's parameters which were designed to manage and limit financial losses and gross exposures, and its levy funding arrangements.

As at 31 March 2026, the Company held invested and liquid assets of £1,074.7 million (Prior Year: £1,011.1 million) and maintained a strong Solvency Capital Requirement coverage ratio (unaudited) of 324% (Prior Year: unaudited 235%), providing a significant buffer against adverse events. The Company also benefits from a conservative investment strategy and access to additional levy funding, if required, to support its obligations.

The assessment has been informed by the Company's planning process as well as stress and scenario testing carried out as part of the ORSA process. Based on these analyses, management has concluded that, across the range of scenarios considered, the Company is able to undertake appropriate management actions to ensure that it continues to meet its solvency and liquidity requirements.

Having considered these factors, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for a period of 12 months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

2.3 Consolidation

The Company is a solo entity with no parent, subsidiary or associated undertakings. As there are no entities to consolidate, Flood Re does not prepare consolidated accounts.

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, or cedant) are classified as reinsurance inward contracts. Contracts under which the Company transfers significant insurance risk to another insurer are classified as reinsurance outward contracts.

Notes to the financial statements for the year ended 31 March 2026

The Company has reviewed the nature of its inwards and outwards reinsurance arrangements and concluded that all such contracts meet the definition of insurance contracts and are accounted for as such in 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 initially measured at cost. Costs directly attributable to the development of IT software applications are capitalised when the asset is available for use, provided the recognition criteria for development expenditure 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; and
- The ability to measure reliably the expenditure during development.

Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The useful economic lives of the intangible assets are determined with reference to factors such as expected usage, contractual terms, potential technological obsolescence and the period over which the Company controls the asset. Intangible assets with finite lives are amortised on a straight-line basis over their estimated useful lives, as follows:

IT Software applications (internally developed)	5 years
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Amortisation commences when the asset is available for use. Assets under development are tested for impairment annually. Amortisation of IT applications, including the Bordereaux Management System (BMS) and IFRS17 In-A-Box (IAB), is recognised within other operating and administrative expenses in the Statement of Profit or Loss.

Intangible Assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognised where the carrying amount exceeds the recoverable amount, being the higher of fair value less costs of disposal and value in use, determined on an individual asset basis. Impairment losses are reviewed at each reporting date for indicators of reversal of the impairment.

Intangible assets are de-recognised either on disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition, being the difference between the net disposal proceeds and the carrying amount, is recognised in the Statement of Profit or Loss.

Notes to the financial statements for the year ended 31 March 2026

2.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Costs of day-to-day servicing are expensed as incurred. Costs of replacing parts of an item or major inspections are capitalised when future economic benefits are expected and the cost can be measured reliably.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the following asset classes:

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

Residual values, useful lives and depreciation methods are reviewed at each reporting date and adjusted where appropriate.

Assets are tested for impairment 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.

Assets are derecognised on disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss on derecognition, 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.

The Company capitalises individual items of property, plant and equipment with a cost of £10,000 or more.

2.8 Financial assets and liabilities

(a) Initial recognition and measurement

Financial assets

Financial assets are classified on initial recognition, and are subsequently measured at either amortised cost, fair value through profit or loss (FVTPL), or fair value through other comprehensive income (FVOCI).

The classification of debt instruments depends on the asset's contractual cash flow characteristics and the Company's business model for managing the asset. Financial assets are measured at amortised cost where they are held to collect contractual cash flows and those cash flows represent solely payments of principal and interest (SPPI). Debt instruments are measured at FVOCI where they are held within a business model to both collect contractual cash flows and sell, and the cash flows meet the SPPI criterion. Debt instruments in the FVOCI category include 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.

Notes to the financial statements for the year ended 31 March 2026

Purchases and sales of financial assets under regular way trades are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

Financial assets measured at amortised cost and debt instruments at FVOCI are subject to impairment.

Financial assets are initially recognised at fair value. For assets not measured at FVTPL, directly attributable transaction costs are included in the initial carrying amount.

Financial assets at amortised cost are disclosed in Note 17 'Other receivables' and Note 19 'Cash and short-term deposits'. Financial assets at FVOCI are disclosed in Note 18 'Debt instruments at FVOCI'. As at 31 March 2026, the Company does not hold any financial asset measured at FVTPL (Prior Year: £nil).

Financial liabilities

Financial liabilities are initially recognised at fair value net of directly attributable transaction costs and are subsequently measured at amortised cost.

Financial liabilities are included in Note 21 'Other payables'.

(b) Subsequent measurement

Financial assets classified as FVTPL are subsequently measured at fair value, with changes recognised in the Statement of Profit or Loss as they arise. The fair values of financial assets are based on the quoted bid prices.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in the Statement of Profit or Loss on derecognition, modification or impairment.

Financial assets classified as FVOCI are subsequently measured at fair value, with changes recognised in other comprehensive income, except for interest income, impairment and foreign exchange differences, which are recognised in the Statement of Profit or Loss. On derecognition, cumulative gains or losses previously recognised in other comprehensive income are recycled to the Statement of Profit or Loss.

Financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit or Loss on derecognition and through the EIR amortisation process.

(c) Derecognition

Financial assets are derecognised 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 derecognised when the obligation under the liability is discharged, cancelled or expires.

Notes to the financial statements for the year ended 31 March 2026

(d) Impairment of financial assets

The Company recognises expected credit losses (ECLs) on financial assets measured at amortised cost and at FVOCI. These include other receivables, cash, short-term deposits and financial investments.

ECLs represent the difference between the contractual cash flows due and the cash flows that the Company expects to receive, discounted using the original effective interest rate.

ECLs are recognised in a two-stage model based on the level of credit risk:

- Where there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses on default events that are possible within the next 12-months, i.e. a 12-month ECL is recognised.
- Where credit risk has increased significantly, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default, i.e. a lifetime ECL is recognised.

For other receivables, the Company applies a simplified approach in calculating ECLs and recognises 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. These assets are considered to have low credit risk based on external credit ratings and are therefore measured on a 12-month ECL basis unless there is evidence of a significant increase in credit risk.

For debt instruments measured at FVOCI, the loss allowance is recognised in the Statement of Profit or Loss, with a corresponding entry in other comprehensive income. The carrying amount of these assets remains at fair value.

In assessing changes in credit risk, the Company considers all reasonable and supportable information that is available without undue cost or effort, including external credit ratings. A significant increase in credit risk is presumed where contractual payments are more than 30 days past due.

2.9 Reinsurance contracts

(a) Aggregation and portfolios

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 reinsurance inward 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, catastrophe bond and spread loss, represents a distinct portfolio under IFRS 17 aggregation rules.

Notes to the financial statements for the year ended 31 March 2026

(b) 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 contract boundary defines a period during which the Company has substantive rights and obligations. Cash flows are included within the boundary where the Company:

- has the practical ability to reassess risk and set a price or level of benefits that fully reflects the risk; or
- continues to have a substantive obligation to provide coverage or services.

At initial recognition, contract boundaries are assessed as follows:

Reinsurance inward contracts

Flood Re has the unilateral right to terminate contracts by providing 12 months' notice to cedants. As this right is substantive and not constrained by contract or by law, the contract boundary is assessed as 12 months.

Reinsurance outward contracts

For its aggregate excess of loss, spread loss and risk excess of loss contracts, Flood Re has the unilateral right to cancel or replace contracts at the end of each underwriting year (i.e., from 1 April to 31 March in the following year), at any time prior to the inception of the next underwriting year. For its quota share (QS) contracts, Flood Re has the unilateral right to cancel or replace the contract at the end of each underwriting year with a fixed notice period of 3 months before the end of the underwriting year.

These cancellation provisions demonstrate that the contract boundary for all of Flood Re's reinsurance outward contracts is no more than 12 months.

Aggregate excess of loss and risk excess of loss contracts are written on a loss-occurring basis and therefore have a coverage period of 12 months. These contracts represent non-proportional reinsurance. QS contracts have a coverage period of 24 months, consistent with the inward contracts, as both are written on a risk-attaching basis. These contracts represent proportional reinsurance in Flood Re's risk transfer portfolio.

After initial recognition, contract boundaries remain at 12 months unless substantive rights and obligations change. Where such changes occur, the Company reassesses the contract boundary in accordance with IFRS 17.

(c) Measurement model – Premium Allocation Approach (PAA)

Management has assessed eligibility to apply the Premium Allocation Approach (PAA) to all insurance cash flows.

Notes to the financial statements for the year ended 31 March 2026

For certain reinsurance outward contracts where the coverage period is 12 months or less, the PAA is applied as permitted by IFRS 17. For reinsurance contracts written on a risk-attaching basis, where the coverage period may exceed 12 months, management has concluded that the PAA provides a reasonable approximation to the General Measurement Model. This conclusion is supported by quantitative analysis which did not identify any material differences between the approaches.

(d) Reinsurance inward contracts – initial measurement

Flood Re charges cedants a subsidised fixed premium based on the property's Council Tax Bands rather than risk reflective pricing, in line with its statutory objective to provide affordable flood insurance. As a result, reinsurance inward contracts issued by Flood Re are onerous at initial recognition.

Under the PAA, contracts are presumed to be non-onerous unless facts and circumstances indicate otherwise. Flood Re's statutory pricing structure, supported by actuarial modelling, provides sufficient evidence that the contracts are onerous. Accordingly, a loss component is recognised at initial recognition for business within the 12-month contract boundary, including bound but not incepted (BBNI) contracts. The BBNI business represents policies that cedants may elect to cede to Flood Re over the next 12 months and which Flood Re is already committed to accept within that contract boundary.

The loss component represents the excess of fulfilment cash flows over inflows for the group of contracts and forms part of the Liability for Remaining Coverage (LFRC). It is measured as the difference between the LFRC, calculated using a method consistent with the GMM basis, and the LFRC under the PAA at initial recognition.

(e) Reinsurance outward contracts - initial measurement

Where a loss component is recognised on the underlying reinsurance inward contracts, a loss recovery component (LRC) is recognised within the asset for remaining coverage (AFRC) for reinsurance outward contracts held.

The loss recovery component represents the expected recovery of losses arising from the underlying onerous reinsurance inward contracts. It is measured as:

- The loss component recognised on the underlying inward contracts; multiplied by
- The proportion of expected recoveries from the outward contracts.

The loss recovery component is recognised only when the relevant reinsurance outward contracts are in place as at, or before, the reporting date.

For quota share (proportional) contracts, recognition aligns with the corresponding reinsurance inward contracts. For non-proportional reinsurance outward contracts (XL), recognition occurs when the coverage period begins.

The loss recovery component is limited to the portion of the carrying amount of the loss component that Flood Re expects to recover from the related reinsurance outward contracts.

Notes to the financial statements for the year ended 31 March 2026

(f) Subsequent measurement

Flood Re determines the loss component at subsequent measurement for an existing group of reinsurance inward contracts by reassessing the fulfilment cash flows at each reporting date. The loss component is adjusted to reflect changes in estimated future cash flows and is reduced as losses are recognised in the Statement of Profit or Loss.

The loss component is amortised based on a systematic allocation over the coverage period of the group of contracts, reflecting the pattern of insurance service provided.

The loss recovery component in respect of reinsurance outward contracts is measured and released on a basis consistent with the underlying loss component, such that recoveries are recognised in line with the recognition of the associated losses on the underlying contracts. The loss recovery component is reduced to zero by the end of the coverage period.

At each of the subsequent reporting dates, the LFRC comprises the loss component as well as:

- Premiums received from cedants during the period, reduced by
- Amounts of expected premium receipts recognised as insurance revenue for service provided during the period.

At each of the subsequent reporting dates, the AFRC comprises the loss recovery component as well as:

- Reinsurance premiums paid to reinsurers during the period, and
- Any commissions paid to brokers or third parties, reduced by
- Amounts of expected premiums and commissions recognised as reinsurance expenses for the service provided during the period.

(g) Liability for incurred claims (LFIC)

The liability for incurred claims (LFIC) represents the obligation for claims arising from insured events that have occurred at the reporting date. This includes reported claims and claims incurred but not reported.

Under the PAA, the LFIC is measured as the fulfilment cash flows, comprising:

- unbiased and probability-weighted estimates of future cash flows;
- an explicit risk adjustment for non-financial risk; and
- the effect of the time value of money, where material.

Future cash flows are discounted where settlement is expected to occur more than one year after the date on which the claims are incurred.

(h) Reinsurance acquisition cash flows

Flood Re does not incur any acquisition expenses related to the reinsurance inward contracts it issues.

Acquisition expenses on reinsurance outward contracts held comprise costs directly attributable to the acquisition of those contracts. Where such costs are incurred in advance of recognising the related

Notes to the financial statements for the year ended 31 March 2026

group of reinsurance contracts, they are recognised as a separate asset. These costs are allocated on a systematic basis to the relevant contracts, including expected future renewals where appropriate.

Certain annual costs related to reinsurance outward contracts are expensed as incurred.

At each reporting date, the allocation of acquisition cash flows is reviewed and updated to reflect changes in assumptions. The asset is assessed for impairment where indicators exist. Any impairment losses or reversals are recognised in the Statement of Profit or Loss.

(i) 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.

(j) Income and expense from reinsurance outward contracts

Flood Re recognises income and expenses from groups of reinsurance outward contracts separately from the underlying reinsurance inward contracts. These include:

- Amounts recovered from reinsurers for the period; and
- Reinsurance premiums paid, net of fixed commission received.

Under quota share arrangements, reinsurers pay either a fixed commission or a sliding scale commission based on the incurred loss ratio. Where a fixed commission arrangement applies, Flood Re is entitled to receive commission at a predetermined rate irrespective of the performance of the underlying contract. Minimum contractual commissions receivable under quota share arrangements are also treated as fixed commissions.

Fixed commissions are treated as a deduction from the reinsurance outward premiums paid. Any commission received in excess of the minimum contractual amount is variable in nature, as it is dependent on the profitability of the reinsured risk period, and is recognised as part of the claims recoveries cash flows.

(k) Discounting

Flood Re applies discounting to the measurement of certain cash flows where the impact of time value of money is considered material. In particular, discounting is applied to the LFIC where related cash flows are expected to occur more than a year after the date on which the claims are incurred.

Discounting is also applied to the cash flows used to measure the loss component and loss recovery component. Refer to Note 3(c) for further detail on the discount rates applied.

(l) Risk adjustment for non-financial risk

The LFIC measurement includes an explicit risk adjustment for non-financial risk – refer to Note 3(d) for further detail on the assumptions around risk adjustment.

Notes to the financial statements for the year ended 31 March 2026

Flood Re does not disaggregate the change in risk adjustment between financial and non-financial risk components. Instead, the entire movement within risk adjustment is recognised within the insurance service result in the Statement of Profit or Loss.

(m) (Re)insurance finance income and expense

(Re)insurance finance income and expense arise from the effects of discounting and changes in discount rates on the respective reinsurance outward contracts assets and reinsurance inward contracts liabilities.

Flood Re has elected not to disaggregate (re)insurance finance income and expense between the Statement of Profit or Loss and other comprehensive income. Accordingly, all such amounts are recognised entirely within the Statement of Profit or Loss in the period in which they arise.

(n) Insurance service expense

Insurance service expenses include fulfilment and acquisition cash flows which are costs directly attributable to reinsurance contracts issued (inward) and held (outward). These expenses include both direct costs and an allocation of fixed and variable overheads to the extent that they can be allocated to groups of contracts in a systematic way.

2.10 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.

2.11 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.

Notes to the financial statements for the year ended 31 March 2026

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 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.

2.12 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 (with a lease term of 12 months or less) and leases of low value assets. For these leases, lease payments are recognised as an operating expense on a straight-line basis over the lease term.

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);
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at commencement date;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- 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 remeasured where a lease modification is not accounted for as a separate lease in accordance with IFRS 16, in which case it is remeasured by discounting the revised lease payments using a revised discount rate. The lease liability is also remeasured where there is a change in the

Notes to the financial statements for the year ended 31 March 2026

lease term, a change in the assessment of a purchase option, or a change in future lease payments resulting from a change in an index or rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, and any initial direct costs. It is subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability.

Right-of-use assets are depreciated over the shorter of lease term and useful life of the underlying asset. Where a lease transfers ownership of the underlying asset, or where 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. Depreciation starts at the lease commencement date. Right-of-use assets are presented within property, plant and equipment in the Statement of Financial Position.

Right-of-use assets are assessed for impairment 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.

2.13 Other payables

Other payables 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.

2.14 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made.

Where reimbursement is expected, it is recognised as a separate asset when it is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

2.15 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.

2.16 Revenue recognition

(a) Insurance revenue

Insurance revenue represents the consideration for insurance contract services provided during the period. Under PAA, the Company recognises insurance revenue by allocating premium receipts over

Notes to the financial statements for the year ended 31 March 2026

the coverage period. If the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is based on the expected timing of incurred insurance service expenses.

The Company reassesses the pattern of revenue recognition if facts and circumstances change. Any change is accounted for prospectively as a change in accounting estimate. For the period presented, all revenue has been recognised on a time-apportioned basis.

(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 the Company obtains an enforceable right to receive payment, which arises on 1 April of each year. The income is collected in quarterly instalments and measured at the consideration received.

(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; and
- net fair value gains/losses on derecognition of financial assets measured at fair value through other comprehensive income.

Interest income is recognised when earned and is accrued using the effective interest rate method.

2.17 Expenses recognition

Expenses are recognised in the Statement of Profit or Loss as the related goods or services are received or as the obligations are incurred.

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

These are recognised in accordance with the accounting policy described in Note 2.9 (m)-(n).

(b) Finance costs

Finance costs comprise interest expense on financial liabilities, including lease liabilities, and are recognised in the Statement of Profit or Loss 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.

Notes to the financial statements for the year ended 31 March 2026

(c) 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 related services.

A liability for bonuses is recognised when the Company has a present legal or constructive obligation.

The Company operates a defined contribution pension scheme. Contributions are recognised as an expense when they fall due. 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 related disclosures. Actual outcomes may differ from these estimates and could result in material adjustments in future reporting periods.

The key sources of estimation and uncertainty at the reporting date that may give rise to a significant risk of material adjustment within the next financial year relate to the valuation of reinsurance inward contract liabilities, in particular the LFIC and loss component (LC) within the LFRC. Sensitivities are disclosed in Note 4, and the related balances in Note 16.

The principal areas of estimation uncertainty are as follows:

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

The most significant estimate relates to the ultimate cost of claims arising from reinsurance inward contracts, including reported claims and claims incurred but not reported (IBNR). The ultimate cost of these claims may take several years to be determined with certainty.

The ultimate cost of outstanding claims is estimated using standard actuarial techniques, which assume that past claims development experience is indicative of future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred claims, average costs per claim, claims frequencies and expected loss ratios. Given the nature of flood claims experience, including variability in severity of individual events, management applies the Bornhuetter-Ferguson method for attritional claim development.

Ultimate claims costs arising from catastrophe events are inherently difficult to estimate due to their severity and variability. These are therefore less predictable than other types of claims.

Notes to the financial statements for the year ended 31 March 2026

Additional qualitative judgement is applied in assessing the extent to which historical trends may not be representative of future outcomes. Adjustments are made, where appropriate, to reflect factors such as economic conditions, claims inflation, legal and regulatory developments, portfolio mix, policy features and claims handling practices. Further details are disclosed in Note 16.

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

As the reinsurance inward contracts underwritten by Flood Re are priced on a non-risk reflective basis, they are expected to be onerous. Accordingly, estimates are required to determine the loss component in respect of contracts within the contract boundary.

This involves estimating:

- the expected volume of business that will be ceded to Flood Re within the 12-month contract boundary; and
- the expected ultimate claims that will arise from this future business.

In projecting future cession volumes, management considers historical trends, cedant behaviour and expected future conditions, together with broader insurance market developments, including merger and acquisition activity and other factors that may influence participation.

Historical experience is also used in selecting expected loss ratios applied in estimating the ultimate cost of claims and the resulting loss component. Given the uncertainty in forecasting future claims, particularly for catastrophe events, these estimates are subject to variability.

Further details are disclosed in Note 16.

(c) Discount rates

Flood Re applies a bottom-up approach under IFRS 17 to determine discount rates. In doing so, the Company uses Sterling-denominated risk-free yield curves prescribed by the Bank of England, which reflect observable market prices. This approach is consistent with the Solvency UK (SUK) process and allows the Company to leverage existing Solvency UK risk-free yield curves as the starting point for IFRS 17 discounting.

These rates are applied to determine the present value of the LFIC, as well as the loss component and loss-recovery component within LFRC and AFRC respectively.

No illiquidity premium has been applied in the bottom-up approach. This reflects the short-tailed nature of Flood Re's liabilities, with claims typically settled within 12 to 18 months. Given the relatively short duration of liabilities, any illiquidity adjustment would not be expected to have a material impact on the valuation. Accordingly, the risk-free yield curve is considered an appropriate approximation of the IFRS 17 discount rate.

Notes to the financial statements for the year ended 31 March 2026

The discount rates applied are as follows:

		1 Year	3 Years	5 Years	10 Years
2024-25	GBP	0.31%	0.33%	0.35%	0.39%
2025-26	GBP	0.31%	0.32%	0.33%	0.39%

(d) 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.

The Company estimates the risk adjustment for the LFIC using a confidence level approach, targeting a probability of sufficiency within the 75th to 85th percentile range, although the resulting risk adjustment as at 31 March 2026 is broadly equivalent to a confidence level around the 90th percentile range (Prior Year: 75th to 85th percentile). This is determined by modelling a probability distribution of the future claims cash flows and calculating the additional amount required above the mean estimate to achieve these target percentiles.

No additional risk adjustment is held for the loss component or the loss recovery component within the LFRC and AFRC respectively. The fulfilment cash flows used to determine the loss component are based on probability-weighted expected values. Due to the skewed distribution of outcomes, the mean exceeds the median, reflecting uncertainty in future cash flows including high-severity and low-frequency events. Management therefore considers that the inherent prudence in the best estimate of the liability cash flows is sufficient, and no additional risk adjustment is required.

4. Risk

4.1 Insurance risk

(a) Premium risk

Premium risk is defined as the risk of fluctuations in the timing, frequency and severity of insured events relative to expectations at the time of underwriting.

The Company's premiums are designed not to fully reflect underlying risk. The Company's purpose is to promote the availability and affordability of flood insurance for eligible homes and to manage the transition to risk-reflective pricing by 2039. Accordingly, cedants are charged a subsidised fixed premium based on the property's Council Tax Band.

Premium levels are set such that they:

- Are below the maximum permissible charges for Council Tax Bands A to E, and at the maximum for Bands F to H;
- Remain below fully risk-reflective pricing for the highest risk properties, therefore providing targeted affordability support; and
- Are sufficiently high to ensure that insurers only cede those properties at high risk; while retaining lower-risk business within the open market (noting that current Scheme rules prevent the Company from charging rates that would achieve this objective more effectively).

Notes to the financial statements for the year ended 31 March 2026

As a result, expected premium income is not sufficient to cover the mean cost of claims. This shortfall is funded by an industry levy applied to all UK home insurers. Levy 1 was set at £180 million per annum for the first six years of the Scheme, reduced to £135 million from 1 April 2022 for three years, and increased to £160 million from 1 April 2025.

The reinsurance programme is structured alongside the levy setting cycle (every three years) to manage the Company's solvency position and Loss Limit risk appetite.

(b) Reserve risk

Reserve risk is defined as the risk of loss or of adverse change in the value of insurance liabilities due to inappropriate reserving assumptions. This is influenced by claim frequency and severity, the timing of actual claims payments and the development of claims over time.

The Company provides reinsurance for a single risk (property damage) and a single peril (flood) within the UK, with claims managed and settled by cedants. Claims are linked to weather and other events that cause floods. 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.

Given the relatively high cost of flood claims compared with the size of typical household claims, most flood claims are assessed by loss adjusters before being notified to the Company. The Company supplements this with robust claims governance, including regular reviews, detailed oversight of claims handling, and investigation of potential fraud. Active claims management and prompt settlement reduce exposure to adverse development.

Claims bordereaux are received monthly, and the Company is required to pay a claim within 30 days once the underlying claim has been settled by the cedant. While many claims settle within 12-18 months, more complex cases can take up to 4-5 years to settle.

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. Estimates are based on historical development patterns, adjusted where necessary to reflect changes in experience or environment. Qualitative judgements are used to assess the extent to which past trends may not apply in the future. Key sources of uncertainty include:

- The underlying flood risk profile of ceded properties;
- The portfolio mix of business impacting average claims cost assumptions, for example the split of business by Council Tax Band, or type of policy (buildings only, contents only, or combined cover);
- Variability in the actual claims pay-out patterns;
- Delays in notification of claims to the Company;
- Cost of claims, including 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; and
- Recoverability of amounts under the reinsurance outward programme.

A risk adjustment is held to reflect uncertainty and is determined by management judgement. The Board targets a reserve sufficiency range of 75%–85%, though this may vary depending on flooding

Notes to the financial statements for the year ended 31 March 2026

activity; at 31 March 2026, the level held is estimated to correspond to approximately 90% sufficiency. Reinsurance recoveries are assessed consistently with the underlying claims and in accordance with the related reinsurance contracts.

Sensitivity analysis

The valuation of claims liabilities is sensitive to assumptions across attritional, large and catastrophe losses. Scenario analysis is used to assess the impact of changes in key assumptions on gross and net reserves, supporting the risk adjustment assessment.

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.

Estimated sensitivities are set out below:

	2026	2026	2025	2025
	Change in gross claim reserves	Change in net claim reserves	Change in gross claim reserves	Change in net claim reserves
	£000	£000	£000	£000
10% increase in liability for incurred claims	53,827	17,509	63,589	15,394
10% decrease in liability for incurred claims	(53,827)	(17,512)	(63,589)	(15,398)
5% increase in inflation	26,913	8,755	31,795	7,697
2.5% decrease in inflation	(13,457)	(4,378)	(15,510)	(3,756)

The Company defines a large loss as an individual claim in excess of £0.4 million. Large losses may exhibit different characteristics to attritional claims and are subject to closer monitoring on a case-by-case basis. During the year ended 31 March 2026, the Company incurred 19 new large losses, mainly related to past year events, making a total of 105 large losses to date since inception (Prior Year: 86 large losses to date since inception).

Uncertainty is highest for more recent accident years, where claims are less developed. As claims mature, estimates typically become more stable and the level of risk adjustment may reduce. However, inherent uncertainty means actual outcomes may differ from initial estimates. The table below shows the development of ultimate claim cost, calculated on an accident year basis and gross of reinsurance outward purchased.

Notes to the financial statements for the year ended 31 March 2026

Claims development table

Gross of reinsurance inward contracts							
Accident year ending 31 March	Before 2022	2022	2023	2024	2025	2026	Total
	£000	£000	£000	£000	£000	£000	£000
At the end of accident year		30,817	20,055	207,305	156,021	65,737	
One year later		32,064	19,064	202,902	140,817		
Two years later		31,639	18,631	201,820			
Three years later		31,149	18,940				
Four years later		31,450					
Gross estimates of the undiscounted amount of the claims		31,450	18,940	201,820	140,817	65,737	458,765
Other directly attributable expenses incurred		7,141	6,694	7,681	9,222	8,838	
Gross claims paid		(37,343)	(23,021)	(148,358)	(60,833)	(9,554)	
Net payments related to gross claims only		(30,202)	(16,327)	(140,677)	(51,611)	(716)	(239,533)
- Claims liabilities	2,600	1,249	2,614	61,144	89,205	65,020	221,832
- Effect of discounting - cumulative							(3,711)
- Gross cumulative claims liabilities after discounting							218,121
- Risk adjustment margin for non-financial risk							18,672
Liabilities for incurred claims - gross of reinsurance							236,793

Reinsurance outward contracts							
Accident year ending 31 March	Before 2022	2022	2023	2024	2025	2026	Total
	£000	£000	£000	£000	£000	£000	£000
At the end of accident year		(16,341)	(9,836)	(112,583)	(76,643)	(15,669)	
One year later		(34,510)	(9,756)	(109,895)	(74,168)		
Two years later		(35,955)	(9,052)	(107,836)			
Three years later		(36,140)	(9,087)				
Four years later		(36,309)					
Gross estimates of the undiscounted amount of the claims		(36,309)	(9,087)	(107,836)	(74,168)	(15,669)	(243,069)
Other directly attributable expenses incurred		(3,997)	(3,641)	(6,663)	(4,775)	(197)	
Claims and other directly attributable expenses paid		39,809	11,489	70,393	26,922	2,739	
Net receipts related to reinsurance recoveries only		35,812	7,848	63,730	32,147	2,542	142,079

Notes to the financial statements for the year ended 31 March 2026

- Claims liabilities	3,739	(497)	(1,239)	(44,106)	(42,021)	(13,127)	(97,251)
- Effect of discounting							996
- Effect of risk of reinsurers non-performance							(605)
- Cumulative claims liabilities							(96,860)
- Risk adjustment margin for non-financial risk							(8,993)
Incurred claims - outward reinsurance							(105,853)

(c) Catastrophe risk

The Company's most significant insurance risk exposure arises from infrequent, high severity catastrophe flood events. Flood occurrence in the UK significantly varies year on year, due to the inherent volatility in the peril.

During the 2025-2026 flood season, several named storms occurred; however, none resulted in significant losses. This reflected a combination of factors, including the fast-moving nature of storms and concentration of rainfall in areas with relatively low exposure. As a result, claims activity remained low and operational focus was primarily on the settlement of prior-year events, contributing to a reduction in overall level of reserves. A small number of minor events, including Storms Claudia and Chandra, did occur.

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.

(d) Risk mitigation

Reinsurance is the Company's primary mechanism for managing and mitigating insurance risk and is placed on both proportional and non-proportional bases.

The reinsurance outward programme is designed to limit the financial impact of severe events. Coverage is structured using catastrophe modelling outputs, together with consideration of the Company's risk appetite and cost of cover. The programme is set to provide cover up to the Company's Liability Limit which is set to be above the 1-in-200 year modelled loss.

Under the Scheme, the Company sets an annual aggregate loss amount ('Liability Limit'), which was £3.2 billion for the year ended 31 March 2026 (Prior Year: £2.2 billion), indexed annually for inflation. 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.

The reinsurance programme is structured to protect the full Liability Limit and to comply with HM Government requirements to limit annual accounting losses (currently £250 million per annum from

Notes to the financial statements for the year ended 31 March 2026

1 April 2025) on a 1-in-200 year basis. The Company's 3-year reinsurance programme renews alongside the review of Liability Limit and Loss Limit which also takes place every 3 years.

While reinsurance reduces exposure to large losses, it introduces counterparty credit risk, as the Company remains liable if reinsurers fail to meet their obligations. Amounts recoverable from reinsurers are estimated in a manner consistent with the liability for incurred claims and in accordance with the reinsurance contracts.

The Company is also seeking to mitigate its risk through ongoing review of the Scheme's pricing and capital model. The purpose of the review is to seek more powers to control its exposure, targeting premiums more accurately to properties in genuine need of affordable flood protection, and incentivising property-level flood resilience.

4.2 Market risk

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

The Company's exposure to interest rate risk is limited due to the short-term nature of its assets and liabilities. However, investment income and the valuation of debt securities and insurance liabilities (which are discounted) remain sensitive to prevailing rates.

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 as shown below.

	Change in Interest rate	2025-26 Impact on equity £000	2024-25 Impact on equity £000
Debt instruments	+100bp	(£2,485)	(£3,123)
Debt instruments	-100bp	£2,545	£3,218

The sensitivity analysis above has £nil impact on profit before tax (Prior Year: £nil), as the relevant debt instruments are measured at fair value through other comprehensive income (FVOCI) and the resulting fair value movements are recognised within equity.

Interest rate exposure is managed through defined risk tolerances and is monitored using duration analysis, capital modelling, and stress and scenario testing.

(b) Market concentration risk

Concentration risk arises from a lack of diversification in the investment portfolio or excessive exposure to any single issuer or sector.

Notes to the financial statements for the year ended 31 March 2026

The Company's investment strategy prioritises capital preservation and limits exposure to high-quality, predominantly UK government-backed instruments (Gilts and Treasury Bills), Supranational Bonds and certificates of deposit.

The Company also utilises the UK Debt Management Office (DMO) for short-term deposits. As at 31 March 2026, the Company had £35.0 million (Prior Year: £765.0 million) of short-term deposits invested with the DMO, representing 3% (Prior Year: 76%) of its total invested and liquid assets portfolio including debt instruments.

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

The Company does not currently have any risk appetite or exposure to equity risk, property risk, corporate credit spread risk or foreign currency risk. All material transactions are denominated in pounds sterling.

4.3 Liquidity risk

Liquidity risk is the risk of not being able to meet current and future financial obligations as they fall due, or only being able to do so at excessive cost.

The Company maintains a high level of liquidity to ensure timely settlement of claims to cedants. Cash inflows arise from levy income, premiums and investment income, while outflows primarily relate to claims costs (mitigated by reinsurance recoveries), reinsurance costs and operating expenses.

Liquidity is actively monitored through regular cash flow forecasting and stress testing. Given uncertainty in the timing and severity of claims, the investment portfolio is structured with a short duration and high-quality assets to align with the short-tailed nature of liabilities, which are typically incurred and settled within 1-2 years.

Fair value of financial assets and insurance contract liabilities, analysed by contractual maturity:

As at 31 March 2026	Within 1 year £000	Between 1- 2 years £000	Between 2- 5 years £000	Total £000
Debt and fixed income holdings	933,234	13,493	63,208	1,009,935
Short-term deposits	35,000	-	-	35,000
Cash at bank	29,781	-	-	29,781
	998,015	13,493	63,208	1,074,717
Reinsurance inward contracts liabilities	128,377	56,352	33,392	218,121
	128,377	56,352	33,392	218,121
As at 31 March 2025	Within 1 year £000	Between 1-2 years £000	Between 2-5 years £000	Total £000
Debt and fixed income holdings	96,154	47,619	76,769	220,542

Notes to the financial statements for the year ended 31 March 2026

Short-term deposits	765,000	-	-	765,000
Cash at bank	25,576	-	-	25,576
	886,730	47,619	76,769	1,011,118
Reinsurance inward contracts liabilities	185,207	80,111	32,144	297,462
	185,207	80,111	32,144	297,462

As at 31 March 2026, the Company has invested and liquid assets of £1,074.7 million, made up of cash, DMO, Certificates of Deposit and treasury bills (Prior Year: £1,011.1 million), representing 87% (Prior Year: 78%) of its total equity and liabilities and 409% (Prior Year: 285%) of the (unaudited) Solvency Capital Requirement.

4.4 Counterparty credit risk

Counterparty credit risk is the risk of financial loss arising from a third party's failure to meet its obligations. The Company's maximum exposure is represented by the carrying value of its financial assets, including levy receivables, reinsurance-related balances, other receivables, debt instruments and cash 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.

Reinsurance is placed with counterparties that have a minimum credit rating of A- (or equivalent), unless appropriate collateral arrangements are in place. Exposure limits are set through Credit Risk Appetite Statements, which define maximum concentrations by counterparty and rating, balancing credit risk with placement and pricing considerations.

Operationally, reinsurance premiums are settled on standard terms following submission of bordereaux, while levy income is collected quarterly in advance under a statutory framework. Outstanding receivables are monitored regularly to manage credit exposure.

(a) Credit rating

The table below presents financial assets by credit rating:

31 March 2026		AAA	AA	AA-	A+	A	Total
	Note	£000	£000	£000	£000	£000	£000
Reinsurance assets outward contracts	16	-	55,207	87,588	-	5,097	147,892
Accrued interest	17	-	1,559	60	-	190	1,809
Debt instruments at fair value through other comprehensive income	18	98,582	831,786	14,914	64,654	-	1,009,935
Cash and short-term deposits	19	-	35,000	-	-	29,781	64,781
Total		98,582	923,552	102,562	64,654	35,068	1,224,418
		8.05%	75.43%	8.38%	5.28%	2.86%	100.00%

Notes to the financial statements for the year ended 31 March 2026

31 March 2025		AAA	AA	AA-	A+	A	Total
	Note	£000	£000	£000	£000	£000	£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	97,591	122,951	-	-	-	220,542
Cash and short-term deposits	19	-	765,000	-	-	25,576	790,576
Total		97,591	963,493	144,447	-	63,944	1,269,475
		7.97%	75.90%	11.38%	0.00%	5.04%	100.00%

(b) Age analysis

The table below shows the aged debtor analysis by asset type:

As at 31 March 2026	Note	Not yet due	30 days	60 days	90 days	Total
		£000	£000	£000	£000	£000
Reinsurance assets outward contracts	16	143,257	4,635	-	-	147,892
Other receivables	17	2,797	-	-	-	2,797
Debt instruments at fair value through other comprehensive income	18	1,009,935	-	-	-	1,009,935
Cash and short-term deposits	19	64,781	-	-	-	64,781
Total		1,220,770	4,635	-	-	1,225,405
% of total		99.62%	0.38%	-	-	100.0%
As at 31 March 2025	Note	Not yet due	30 days	60 days	90 days	Total
		£000	£000	£000	£000	£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
% of total		99.99%	0.00%	0.01%	0.00%	100.0%

Notes to the financial statements for the year ended 31 March 2026

As at 31 March 2026, the Company has received £29.2 million (Prior Year: £30.0 million) of the 2026 levy in advance (see Note 21).

(c) Impaired financial assets

The Company's exposure to credit risk and the measurement of expected credit losses ("ECLs") are described in the accounting policy in Note 2.8(d).

Other receivables

Other receivables disclosed in Note 17 are subject to the simplified approach for impairment. At 31 March 2026, the expected credit loss provision was £nil (Prior Year: £nil), reflecting the low credit risk and short-term nature of these balances.

Cash, deposits and debt instruments

The Company held cash deposits with a UK financial institution and short-term deposits with the UK Debt Management Office, as disclosed in Note 19, totalling £64.8 million at 31 March 2026 (Prior Year: £790.6 million). The Company also held debt instruments, as disclosed in Note 18, totalling £1,009.9 million (Prior Year: £220.5 million).

These assets comprise exposures to the UK government and UK financial institutions. All counterparties are assessed as having low credit risk at the reporting date based on their strong external credit ratings and the short-term nature of the instruments. These balances have not experienced a significant increase in credit risk and are therefore measured on a 12-month expected credit loss basis.

No significant increase in credit risk was identified during the year. The resulting expected credit loss provision on these balances was not material to the financial statements, and accordingly no provision has been recognised (Prior Year: £nil).

4.5 Operational risk

Operational Risk is the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events impacting the Company's services or operations. Such risks may result in financial loss, reputational damage or legal and regulatory consequences. The Company seeks to manage operational risk to minimise these impacts.

The Company's operating model relies on a number of outsourced service providers, some of which are classified as critical or important to the delivery of core activities (Material Outsourcers). These providers support key functions including the Property Data Hub (PDH), IT services and the Bordereaux Management System (BMS). The Company also engages Guy Carpenter for specialist support in catastrophe modelling, geocoding and capital modelling.

The oversight and management of outsourced providers is a key component of the Company's operational risk framework. Policies and procedures define how operational risks are managed within Board-approved risk appetite statements. Key areas of focus include information security and cyber risk, business continuity, and data quality.

Notes to the financial statements for the year ended 31 March 2026

Day-to-day oversight of outsourcing performance and the broader operational risk profile is delegated to the Operations Sub-Committee.

5. Capital management

(a) Capital objectives

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

- Preserve capital to ensure the long-term financial stability of the Company;
- Protect policyholders by maintaining capital levels in excess of regulatory requirements; and
- Maintain an appropriate Standard & Poor's financial strength 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 may include the following items:

- Retained profits (Tier 1 basic own funds);
- Mutual Members accounts (Tier 1 restricted basic own funds);
- Uncalled Levy 2 income (Tier 2 ancillary own funds); and
- 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 qualify as basic own funds.

The Company charges cedants subsidised fixed-rate premiums. To meet the costs of this subsidy, Levy 1 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 2 top up mechanism. Levy 2 contributions received from the Ordinary Members of the Company are initially recognised in a mutual member account (MMA) within equity. Levy 2 contributions received from non-Members are treated as income in accordance with Levy 1. Ordinary Members of the Company are potentially eligible for their Levy 2 contributions to be returned, subject to Board and Prudential Regulatory Authority approval.

Notes to the financial statements for the year ended 31 March 2026

(c) Capital adequacy

The table below shows the Company's Own Funds, capital requirements and solvency coverage ratios as at 31 March 2026, with comparatives for the prior year.

		2026	2025
		£000	£000
		<i>Unaudited</i>	<i>Unaudited</i>
Basic own funds (Tier 1 unrestricted)	A	776,446	760,336
Deferred tax assets (Tier 3)	B	-	-
Total basic own funds		776,446	760,336
Ancillary own funds (Tier 2) – 50% of the SCR, capped at a maximum of £75m.	C	75,000	75,000
Available own funds	A+B+C	851,446	835,336
Eligible own funds to support SCR	A+C	851,446	835,336
SCR (Approved model) ¹		262,813	74,744
Capital Add-on ¹ (CAO)		-	280,000
Minimum Capital Requirement (MCR)		65,703	88,686
Ratio of eligible own funds to meet the SCR		324%	235%
Ratio of basic own funds to meet the MCR		1182%	857%
Reconciliation of equity to basic own funds		2026	2025
		£000	£000
Equity on an IFRS 17 basis		707,382	672,010
Adjustments in respect of:			
Valuation differences on assets		500	(7,021)
Valuation differences on technical provisions		113,849	137,583
Valuation differences on other liabilities		(45,285)	(42,236)
Total basic own funds		776,446	760,336

¹The SCR of £74.7m was calculated using the Partial Internal Model. Total SCR £354.7m for Year End 2024/25 includes a voluntarily capital add on of £280m as described in (d) below.

The calculation of own funds, Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) are not subject to audit and consequently are marked "unaudited".

The Company complied with the MCR and SCR throughout the year.

(d) Partial Internal Model (PIM)

The Company's Partial Internal Model (PIM) was approved by the PRA for use in calculating the SCR from 1 April 2020. Since approval, four Major Model Changes (MMCs) have been implemented, with the most recent approved on 2 February 2026.

Notes to the financial statements for the year ended 31 March 2026

The PIM is used to calculate the SCR in accordance with Article 112 of Directive 2009/138/EC. The SCR comprises:

- Internally modelled elements, using stochastic and deterministic parameters and methods for Premium and catastrophe risk, Reserve risk, Counterparty credit risk and Operational risk;
- Market risk calculated using Standard Formula; and
- Aggregation of risks using the Standard Formula correlation approach, allowing for dependencies between risk types.

The model has been developed to reflect the Company's risk profile, with scope informed by its Risk Register to ensure all material and quantifiable risks are captured.

The key uses of the model include:

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

As at 31 March 2026, the SCR was £262.8 million (Prior Year: £354.7 million). The prior year SCR included a voluntary capital add-on (CAO) of £280.0 million, applied while a major model change was undertaken. Excluding the CAO, the underlying SCR was £74.7 million. The relatively low underlying SCR in the prior year reflected the previously approved model, which did not fully capture the impact of the revised reinsurance structure and Scheme parameters. The CAO was therefore applied to ensure the overall capital requirement appropriately reflected the Company's forward-looking risk profile during this period. The major model change has now been approved by the PRA and the CAO no longer applies.

(e) Ancillary own funds

The PRA has approved the Company to recognise uncalled Levy 2 as ancillary own funds of up to 50% of the SCR, subject to a monetary cap of £75m. The initial approval covered the period from 29 March 2019 to 31 March 2022 and was subsequently extended during 2021/22 for a further five years to 31 March 2027.

Ancillary own funds are recalculated at least quarterly.

(f) Eligibility and limits applicable to own funds

The Company is required to maintain sufficient capital of an appropriate quality to meet both the SCR and MCR eligibility requirements.

Under Solvency UK requirements:

- At least 50% of the SCR must be covered by Tier 1 own funds, of which no more than 20% may be restricted.
- No more than 15% of the SCR may be covered by Tier 3 own funds.

Notes to the financial statements for the year ended 31 March 2026

- Combined Tier 2 and Tier 3 own funds may not exceed 50% of the SCR.

The MCR must be covered by:

- At least 80% basic Tier 1 own funds; and
- No more than 20% basic Tier 2 own funds.

As at 31 March 2026, 100% of the SCR and MCR requirements were covered by unrestricted Tier 1 own funds (Prior Year: 100% of SCR and MCR covered by unrestricted Tier 1 own funds).

(g) Dividend distributions

There is no obligation for the Company to return the accumulated surplus held within the Mutual Membership Account (MMA) to its Ordinary Members.

Repayments of MMA balances relating to previous Levy 2 calls may be made, subject to the following conditions:

- The Company's accumulated surplus capital is in excess of its SCR;
- At least five years have elapsed since the original Levy 2 call was made; and
- The PRA approves the distribution to Ordinary Members.

The Company did not call or receive any Levy 2 contributions during the year ended 31 March 2026 (Prior Year: £nil). The accumulated MMA as at 31 March 2026 was £nil (Prior Year: £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 1.

Levy 1 is set out in the Regulations and is payable by UK household insurers. Levy 1 income for the year ended 31 March 2026 was £160 million (Prior Year: £135 million).

The Company may also issue a compulsory call for additional funding from UK household insurers through a Levy 2 top up mechanism. Levy 2 contributions received from the Ordinary Members are initially recognised within equity in a Mutual Member Account. Levy 2 contributions received from non-members are treated as income, consistent with Levy 1.

No Levy 2 has been raised since the inception of the Scheme.

8. Investment income and net insurance financial result

The table below presents an analysis of total investment income and net insurance finance result recognised in profit or loss for the period:

**Notes to the financial statements
for the year ended 31 March 2026**

31 March 2026	Reinsurance related		Non-	Total
	Inward	Outward	Reinsurance	
	£000s	£000s	related	£000s
			£000s	
Income recognised in the profit or loss:				
Interest accreted to insurance contracts using current financial assumptions	(12,106)	3,146	-	(8,960)
Due to changes in interest rates and other financial assumptions	(81)	23	-	(58)
Net interest from debt investments calculated using the effective interest method	-	-	4,846	4,846
Net fair value gain on derecognition of financial assets measured at fair value through other comprehensive income	-	-	22,752	22,752
Interest income from DMO calculated using the effective interest method	-	-	14,038	14,038
Interest income from savings account calculated using the effective interest method	-	-	948	948
Amounts recognised in the profit or loss	(12,187)	3,169	42,584	33,566
Amounts recognised in OCI	-	-	(1,616)	(1,616)
Total investment income	(12,187)	3,169	40,968	31,950
31 March 2025	Reinsurance related		Non-	Total
	Inward	Outward	Reinsurance	
	£000s	£000s	related	£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
Net fair value gain on derecognition of financial assets measured at fair value through other comprehensive income	-	-	2,340	2,340
Interest income from DMO calculated using the effective interest method	-	-	37,492	37,492

Notes to the financial statements for the year ended 31 March 2026

Interest income from savings account calculated using the effective interest method	-	-	779	779
Amounts recognised in the profit or loss	(13,321)	4,908	43,650	35,237
Amounts recognised in OCI	-	-	746	746
Total investment income	(13,321)	4,908	44,396	35,983

During the year, the Company invested in short-term deposits with the DMO and earned total net interest income of £14.0 million (Prior Year: £37.5 million).

9. Insurance service result

The breakdown of insurance service result is presented below:

	2026	<i>Restated</i> 2025
	£000	£000
Reinsurance inward contracts		
Insurance revenue	80,547	65,826
Total revenue from reinsurance inward contracts	80,547	65,826
Insurance service expenses		
Incurred claims and other directly attributable expenses	(46,433)	(156,772) ¹
Losses on onerous contracts and reversal of those losses	12,960	(20,929) ¹
Total insurance service expenses from reinsurance inward contracts	(33,473)	(177,701)
Total insurance service result from reinsurance inward contracts	47,074	(111,875)
Reinsurance outward contracts	2026	2025
	£000s	£000s
Allocation of reinsurance premiums	(210,883)	(76,150)
Income on initial recognition of onerous reinsurance inward contracts	39,893	44,398
Reversals of loss-recovery component	(60,944)	(72,545)
Effect of changes in the risk of reinsurers non-performance	605	2,426
Claims and other insurance service expenses recovered	67,681	78,441
Changes related to adjustments to incurred claims and premiums recovered	(17,966)	(12,633)
Total insurance service result from reinsurance outward contracts	(181,614)	(36,063)
Net insurance service result	(134,540)	(147,937)

Notes to the financial statements for the year ended 31 March 2026

¹In prior year the reversals of losses on onerous contracts were incorrectly disclosed within the incurred claims and other directly attributable expenses line. This has been re-presented in these accounts with the impact of moving £139.7m of reversals of losses from the previously disclosed total of (£17.0m) for incurred claims and other directly attributable expenses to losses on onerous contracts and reversal of those losses which was previously shown as (£160.6m).

10. Other operating and administrative expenses

		2026	2025
	Note	£000	£000
Service contracts including outsourcing		1,800	1,713
Employee benefits expense	11	10,938	9,862
Other staff costs		1,254	1,287
Office costs		109	48
IT costs		2,301	1,972
Amortisation of Intangible Assets	14	1,290	1,290
Depreciation of Fixed Assets	15	1,429	1,503
Consultancy and other third-party costs		2,431	3,264
Legal, rating agency, regulatory and audit		1,371	1,581
Capital model fees and validation		169	169
PR and communications		750	1,255
Allocation of attributable expenses		(13,191)	(13,764)
Total other operating and administrative expenses		10,651	10,180

The allocation of attributable expenses of £13.2m (Prior Year: £13.8m) have been reclassified to 'Insurance service expenses' in accordance with IFRS 17.

11. Employee benefits expense

	2026	2025
	£000	£000
Wages and salaries	8,869	8,181
Social security costs	1,321	1,052
Employer pension contributions	748	629
Total employee benefits expense	10,938	9,862
Full time equivalent (FTE) staff for the year	76	71
Average number of staff employed during the year	78	76

12. Auditor's remuneration

2026	2025
£000	£000

Notes to the financial statements for the year ended 31 March 2026

Fees payable for the audit of the financial statements	480	523
Total Auditor's remuneration	480	523

The final audit fees for the period to 31 March 2026 totalled £480k.

13. Income tax

The components of income tax expense for the years ended 31 March 2026 and 2025 are as follows:

	2026 £000	2025 £000
Current tax		
Current income tax	12,203	3,378
Deferred tax		
Relating to origination and reversal of temporary differences	(3)	(2)
	12,200	3,376
	2026 £000	2025 £000
Net (loss)/gain on debt instruments at fair value through other comprehensive income	(1,616)	746
Income tax (credit)/charge at 25% (Prior Year: 25%)	(404)	186
Deferred tax		
The deferred tax asset/(liability) is in relation to the following temporary differences:		
	2026 £000	2025 £000
OCI debt instrument fair value movements	77	(327)
Depreciation profile	-	(3)
	77	(330)

The UK corporation tax rate year ended 31 March 2026 was 25% (Prior Year: 25%).

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 2026 and 2025 is as follows:

	2026 £000	2025 £000
Accounting profit before tax	48,784	13,498

Notes to the financial statements for the year ended 31 March 2026

Income tax charge at 25% (Prior Year: 25%)	12,196	3,375
Disallowed expenses	7	4
Deferred tax on temporary differences	(3)	(3)
	<u>12,200</u>	<u>3,376</u>

14. Intangible assets

	Software £000
At Cost	
Opening balance as at 1 April 2025	6,451
Closing balance as at 31 March 2026	<u>6,451</u>
Accumulated amortisation	
Opening balance as at 1 April 2025	2,059
Amortisation charge	1,290
Closing balance as at 31 March 2026	<u>3,349</u>
Carrying amount at 31 March 2026	<u>3,102</u>
	Software £000
At Cost	
Opening balance as at 1 April 2024	6,451
Closing balance as at 31 March 2025	<u>6,451</u>
Accumulated amortisation	
Opening balance as at 1 April 2024	769
Amortisation charge	1,290
Closing balance as at 31 March 2025	<u>2,059</u>
Carrying amount at 31 March 2025	<u>4,392</u>

Intangible assets comprise internally generated software only. Development costs that are separable from, and not integral to, the related hardware are capitalised as intangible assets. There were no additions to intangible assets during the current financial year.

15. Property, Plant and Equipment

	Computer Equipment £000	Right of Use Assets			Office equipment £000	Total £000
		Property £000	Software £000	Trailer £000		
At Cost						
Opening balance as at 1 April 2025	52	1,743	2,360	-	96	4,251
Additions	-	-	75	81	-	156
Closing balance as at 31 March 2026	52	1,743	2,435	81	96	4,407
Accumulated Depreciation						
Opening balance as at 1 April 2025	52	218	1,165	-	85	1,520
Depreciation charge	-	872	532	14	11	1,429

Notes to the financial statements for the year ended 31 March 2026

Closing balance as at 31 March 2026	52	1,090	1,697	14	96	2,949
Carrying amount at 31 March 2026	-	653	738	67	-	1,458

Additions to right-of-use assets during the year relate to an extension of the software license for Sun Systems through to July 2026. The trailer represents the Floodmobile, a mobile demonstration unit deployed to flood-risk communities to raise awareness of flood resilience measures.

	Computer Equipment £000	Right of Use Assets		Office equipment £000	Total £000
		Property £000	Software £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

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 2026			31 March 2025		
	Assets £000	Liabilities £000	Net £000	Assets £000	Liabilities £000	Net £000
Reinsurance outward contracts assets	147,892	-	147,892	247,535	-	247,535
Reinsurance inward contracts liabilities	-	487,732	487,732	-	580,654	580,654

Notes to the financial statements for the year ended 31 March 2026

(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 2026	Liability for remaining coverage		Liability for incurred claims		Total
Reconciliation by Liability type	Excluding Loss Component	Loss Component	Present Value FCF	Risk Adjustment	
	£000	£000	£000	£000	£000
Opening balance					
Opening reinsurance inward contracts liabilities	28,828	226,005	297,462	28,359	580,654
Net opening balance	28,828	226,005	297,462	28,359	580,654
Insurance service result					
<u>Insurance revenue</u>					
Revenue from reinsurance inward contracts	(80,547)	-	-	-	(80,547)
Total insurance revenue	(80,547)	-	-	-	(80,547)
<u>Insurance service expenses</u>					
Claims and other insurance service expenses incurred;					
Claims and insurance service expenses, IBNR and RBNP	-	-	71,841	6,537	78,378
Changes that relate to past service-adjustment to LIC	-	-	(15,721)	(16,224)	(31,945)
Reinsurance inward contracts;					
Changes in the LRC allocated to loss component	-	(160,742)	-	-	(160,742)
Claims and other insurance service expenses from reinsurance inward contracts	-	(160,742)	56,120	(9,687)	(114,309)
Onerous groups of reinsurance inward contracts originated;					
Reinsurance inward contracts	-	147,782	-	-	147,782

**Notes to the financial statements
for the year ended 31 March 2026**

Total insurance service expenses	-	(12,960)	56,120	(9,687)	33,473
Total insurance service result	(80,547)	(12,960)	56,120	(9,687)	(47,074)
Net finance income or expenses from reinsurance inward contracts;					
- Interest accreted	-	6,907	5,199	-	12,106
- Effect of changes in interest rates and other financial assumptions	-	-	81	-	81
Net finance income or expenses from reinsurance inward contracts	-	6,907	5,280	-	12,187
<i>Of which:</i>					
- recognised in profit or loss	-	6,907	5,280	-	12,187
- recognised in other comprehensive income	-	-	-	-	-
Total changes in the statement of profit and loss and other comprehensive income	(80,547)	(6,053)	61,400	(9,687)	(34,887)
Cash flows					
Claims and other insurance service expenses paid	-	-	(140,741)	-	(140,741)
Premiums received, including (i) overdue premiums or (ii) premiums paid in advance	82,705	-	-	-	82,705
Total cash flows	82,705	-	(140,741)	-	(58,036)
Closing balance					
Closing reinsurance inward contracts liabilities	30,986	219,953	218,121	18,672	487,732
Net closing balance	30,986	219,953	218,121	18,672	487,732

Notes to the financial statements for the year ended 31 March 2026

31 March 2025	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	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					
<u>Insurance revenue</u>					
Revenue from reinsurance inward contracts	(65,826)	-	-	-	(65,826)
Total insurance revenue	(65,826)	-	-	-	(65,826)
<u>Insurance service expenses</u>					
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
<i>Of which:</i>					
-recognised in profit or loss	-	6,211	7,110	-	13,321
-recognised in other comprehensive income	-	-	-	-	-

Notes to the financial statements for the year ended 31 March 2026

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

(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 2026 Reconciliation by Liability type	Asset for remaining coverage		Recoverable on incurred claims		Total
	Excluding Loss Recovery Component	Loss Recovery Component	Present Value FCF	Risk Adjustment	
	£000	£000	£000	£000	£000
Opening balance					
Opening reinsurance outward contracts assets	(13,562)	(79,980)	(139,218)	(14,775)	(247,535)
Net opening balance	(13,562)	(79,980)	(139,218)	(14,775)	(247,535)
<u>Allocation of reinsurance premiums</u>					
Reinsurance outward contracts	210,883	-	-	-	210,883
Total allocation of reinsurance premiums	210,883	-	-	-	210,883
<i>Increase in reinsurance outward contracts assets from contracts recognised:</i>					
- underlying reinsurance inward contracts	-	(39,893)	-	-	(39,893)
Total Increase in reinsurance outward contracts assets from contracts recognised	-	(39,893)	-	-	(39,893)

Notes to the financial statements for the year ended 31 March 2026

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	-	60,944	-	-	60,944
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Total reversals of recoveries of losses from reinsurance contracts result from changes in the LRC	-	60,944	-	-	60,944
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Claims and other insurance service expenses recoverable from reinsurers	-	-	(65,961)	(1,720)	(67,681)
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<i>Changes that relate to past service - adjustments to the incurred claims assets</i>			10,464	7,502	17,966
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Changes relate to future service - FCF of reinsurance outward contracts:

Effect of changes in the risk of reinsurers non-performance	-	-	(605)	-	(605)
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Total (income) expenses from reinsurance outward contracts	210,883	21,051	(56,102)	5,782	181,614
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Insurance acquisition cash flows recoverable from reinsurers	-	-	-	-	-
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Net (income) expenses from reinsurance outward contracts	210,883	21,051	(56,102)	5,782	181,614
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Net finance income or expenses from reinsurance outward contracts;

- Interest accreted	-	(1,663)	(1,483)	-	(3,146)
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- Effect of changes in interest rates and other financial assumptions	-	-	(23)	-	(23)
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Net finance income or expenses from reinsurance outward contracts	-	(1,663)	(1,506)	-	(3,169)
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Of which:

-recognised in profit or loss	-	(1,663)	(1,506)	-	(3,169)
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-recognised in other comprehensive income	-	-	-	-	-
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Notes to the financial statements for the year ended 31 March 2026

Total changes in the statement of profit and loss and other comprehensive income	210,883	19,388	(57,608)	5,782	178,445
Cash flows					
<i>Premiums paid net of ceding commissions and other directly attributable expenses paid</i>					
- reinsurance premiums paid	(178,768)	-	-	-	(178,768)
- other cash flows	-	-	-	-	-
Total premiums paid net of ceding commissions and other directly attributable expenses paid	(178,768)	-	-	-	(178,768)
<i>Recoveries from reinsurance</i>					
- claims and benefits recoveries	-	-	99,966	-	99,966
- other recoveries	-	-	-	-	-
Total cash flow	(178,768)	-	99,966	-	(78,802)
Closing balance					
Closing reinsurance outward contracts assets	18,553	(60,592)	(96,860)	(8,993)	(147,892)
Net closing balance	18,553	(60,592)	(96,860)	(8,993)	(147,892)

31 March 2025	Asset for remaining coverage		Recoverable on incurred claims		Total
	Excluding Loss Recovery Component	Loss Recovery Component	Present Value FCF	Risk Adjustment	
Reconciliation by Liability type	£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:

Notes to the financial statements for the year ended 31 March 2026

- 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)
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<i>Changes that relate to past service - adjustments to the incurred claims assets</i>			7,619	5,015	12,634
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Changes relate to future service - FCF of reinsurance outward contracts:

Effect of changes in the risk of reinsurers non-performance	-	-	(2,426)	-	(2,426)
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Net (income) expenses from reinsurance outward contracts	76,150	28,147	(66,011)	(2,222)	(36,064)
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Insurance acquisition cash flows recoverable from reinsurers	(1,422) ¹	-	-	-	(1,422)
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Net (income) expenses from reinsurance outward contracts	74,728	28,147	(66,011)	(2,222)	34,642
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Net finance income or expenses from reinsurance outward contracts;

- Interest accreted	-	(3,327)	(1,575)	-	(4,902)
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Notes to the financial statements for the year ended 31 March 2026

- 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)
<i>Of which:</i>					
- 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	(67,592)	(2,222)	29,734
Cash flows					
<i>Premiums paid net of ceding commissions and other directly attributable expenses paid</i>					
- 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)
<i>Recoveries from reinsurance</i>					
- 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)

¹The reinsurance acquisition cash flows are incurred on the reinsurance outward contracts. The carrying amount is £1.4m (2023/24: £nil) with movement for the year attributed to acquisition cost cash flows.

17. Other receivables

	2026	2025
	£000	£000
Prepayments	965	1,133
Accrued interest	1,809	10,822

**Notes to the financial statements
for the year ended 31 March 2026**

Other	23	3
Total other receivables	2,797	11,958
Current	2,797	11,958
Non-current	-	-

Prepayments on annual licence fees and insurances are paid in advance and can cover a period of 6-12 months. Accrued interest from deposits and investments vary in maturity between 1 day and a maximum of 6 months. The carrying amounts disclosed above approximate fair value at the reporting date.

18. Debt instruments at fair value through other comprehensive income

	2026	2025
	£000	£000
Balance as at 1 April	220,542	343,643
Additions at cost	1,465,541	188,419
Proceeds upon maturity or disposal	(697,284)	(314,606)
(Loss)/Gain on fair valuation of investments	(1,616)	746
Net fair value gain on derecognition of financial assets measured at fair value through other comprehensive income	22,751	2,340
Closing balance as at 31 March	1,009,935	220,542

Maturity analysis for financial assets

The following table summarises the maturity profile of financial assets of the Company based on remaining undiscounted contractual cash flows:

	2026			31 March 2026
	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	
	£000	£000	£000	
UK Treasury gilts	13,423	13,493	-	26,916
Treasury bills	804,870	-	-	804,870
Supranational	35,373	-	63,209	98,582
Certificates of deposit	79,567	-	-	79,567
	933,233	13,493	63,209	1,009,935

	2025			31 March 2025
	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	
	£000	£000	£000	
UK Treasury gilts	31,356	13,401	13,396	58,153
Treasury bills	64,797	-	-	64,797
Supranational	-	34,218	63,373	97,591
	96,154	47,619	76,769	220,542

Notes to the financial statements for the year ended 31 March 2026

The fair value hierarchy defines Level 1 as fair values measured using quoted prices (unadjusted) in active markets for identical instruments. During the year, £1,009.9 million (Prior Year: £220.5 million), representing 100% (Prior Year: 100%) of total debt instruments, were classified as Level 1.

19. Cash and short-term deposits

	2026	2025
	£000	£000
Cash at bank	29,781	25,576
Short-term deposits with a duration of less than 3 months on placement	35,000	10,000
Cash and cash equivalents	64,781	35,576
Short-term deposits with a duration of more than 3 months on placement	-	755,000
Total cash and short-term deposits	64,781	790,576

Short-term deposits invested with the DMO vary in maturity between 1 day and 6 months. The carrying amounts disclosed above approximate fair value at the reporting date.

20. Lease arrangements

The Company has two categories of leases:

- Rental of office space in London and Cheltenham, and
- Leased elements of various IT infrastructure assets, including the Bordereaux Management System, Property Data Hub, the Sun General Ledger, and the IFRS 17 IAB reporting solution.

	2026	2025
	£000	£000
Opening balance as at 1 April	2,393	2,097
Lease liability recognised during the year	156	1,743
Lease payments	(1,493)	(1,503)
Interest payable	72	56
Closing balance as at 31 March	1,128	2,393

Maturity analysis of lease liability

	2026	2025
	£000	£000
Year 1	1,105	1,262
Year 2	23	1,105
Year 3	-	26
Total lease payments	1,128	2,393

The new lease liability recognised in the year relates to the extension of Sun Systems licence and the new trailer, as described in Note 15.

Notes to the financial statements for the year ended 31 March 2026

21. Other payables

	2026	2025
	£000	£000
Levy receipts in advance	29,271	30,003
Expense accruals	2,970	2,949
Staff costs	305	264
Other payable	301	35
Total other payables	32,847	33,251
Current	32,847	33,251
Non-current	-	-

Accruals comprise expenses incurred but not yet invoiced, together with levy payments received in advance of the due date relating to the first quarter of the 2026–27 financial year. Other payable includes amounts owed to HMRC in respect of VAT and corporation tax. The carrying amounts disclosed above approximated fair value at the reporting date.

22. Related party transactions

(a) Compensation of key management personnel

Key management personnel include Executive and Non-Executive Directors. Two Directors are members of the Company's pension scheme. The aggregate compensation of key management personnel for the year is set out below.

	2026	2025
	£000	£000
Short-term employee benefits	1,191	1,423
Pension allowance	39	92
Post-employment pension and medical benefits	21	4
Total Directors' emoluments	1,251	1,519

(b) Compensation of highest-paid Director

	2026	2025
	£000	£000
Short-term employee benefits	442	533
Pension allowance	36	37
Post-employment pension and medical benefits	1	10
Total compensation of the highest-paid Director	479	580

During the year, 2 directors (Prior Year: 2) accrued retirement benefits under money purchase schemes; and no directors (Prior Year: nil) accrued retirement benefits under defined benefit schemes.

Notes to the financial statements for the year ended 31 March 2026

(c) Department of Environment, Food and Rural Affairs (Defra)

In accordance with the UK Government Resources and Accounts Act 2000 (Estimates and Accruals) (Amendment) Order 2015, the Company is consolidated into the Defra Annual Report and Accounts.

(d) Directors and Officers shared with other entities

In the normal course of its operations, the Company enters into transactions with its Ordinary Members, including entities in which the Company's Executive or Non-Executive Directors also act as Directors and Officers.

These entities may contribute to Levy 1 income, cede premiums and associated claims under inward reinsurance contracts, or participate in the Company's reinsurance outward and commercial insurance programmes. Certain Directors also hold public policy roles, and these relationships are subject to the Company's established governance and conflict management procedures.

Transactions with such entities are undertaken in the ordinary course of business. These transactions are not considered to be individually material in the context of the Company's overall activities and are therefore not disclosed separately.

Directors are required to declare their interests, and appropriate governance processes are in place to manage potential conflicts of interest. Where relevant, Directors are excluded from decision-making relating to entities with which they are connected.

There were no outstanding balances with Directors or their related entities at the reporting date (Prior Year: £nil).

23. Ordinary Members

The Company is limited by guarantee and has 32 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 2026 are:

- Accelerant UK Limited
- Accredited Insurance UK 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)
- Canopus Managing Agents Limited for and on behalf of Syndicate 4444
- China Taiping Insurance (UK) Co Limited

Notes to the financial statements for the year ended 31 March 2026

- 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)
- Intact Insurance Limited
- 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 the normal course of business, the Company undertakes a number of transactions with its Ordinary Members:

- Levy income: Insurers that write UK household insurance business are required to contribute to the Company's annual levy in proportion to their relevant market share of UK household insurance.
- Premium and related claims: Insurers that participate in the Company's standard reinsurance inward contracts may cede the associated flood peril on their underlying policies to the Company.
- Reinsurance outward premiums and related technical balances: The Company places its reinsurance outward programme in the global reinsurance market via the public procurement process.
- Commercial insurance: Ordinary Members may participate in the commercial insurance cover purchased by the Company.

Notes to the financial statements for the year ended 31 March 2026

For the years ended 31 March 2026 and 2025, the following two Ordinary Members each held 10% or more of the voting rights of Ordinary Members:

- Aviva Insurance Limited; and
- Lloyds Bank General Insurance Holdings Limited.

Both the Ordinary Members above underwrite UK household insurance business and, as such, contribute to the Levy 1 income and gross written premium assumed by the Company. They may also provide commercial insurance services to the Company.

24. Contingencies and commitments

(a) Legal proceedings and regulations

The Company operates in the insurance industry and is subject to legal proceedings arising in the normal course of business. While it is not practicable to predict the outcome of all pending or potential claims, management does not consider that any such matters would have a material adverse effect on the Company's financial position or results. There are no active legal proceedings against the Company at the reporting date.

The Company is also subject to insurance Solvency UK regulatory requirements and has complied with all applicable regulations. Management is not aware of any contingencies arising from regulatory compliance.

(b) Capital commitments

The Company has no capital commitments at the reporting date.

(c) Contractual commitments excluding leases

	2026	2025
	£000	£000
Service contracts	2,701	2,222
Staff contractual commitments	4,201	2,775
Other financial commitments	865	1,651
Total commitments	7,767	6,648
Due within one year	7,767	6,648
Total commitments	7,767	6,648

All other contractual commitments have cancellation clauses of one year or less. Other financial commitments represent software subscriptions, insurance and regulatory fees.

25. Events after the reporting period

On 31 March 2026, the Company cancelled its 2025/26 spread loss reinsurance contract. This cancellation was in line with market practice for such structures where contracts may be reset following positive performance. With effect from 1 April 2026, this has been replaced by a new 3-year

**Notes to the financial statements
for the year ended 31 March 2026**

contract covering the period from 2026/27 to 2028/29. Under the revised arrangement, which takes effect from 1 April 2026, the spread loss reinsurance cover (with capacity of £133m) is expected to extend to 31 March 2029. The revised arrangement does not give rise to any adjusting event at the reporting date.

The catastrophe bond was also reset as expected on 1 April 2026, reflecting the annual recalibration of terms and pricing to reflect updated exposure levels and risk profile for the forthcoming underwriting year.



**Notes to the financial statements
for the year ended 31 March 2026**

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