TESCO UNDERWRITING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2024

COMPANY NUMBER 6967289

CONTENTS

DIRECTORS AND ADVISERS

Directors:	Simon Machell	Non-Executive Chair
	Margot Cronin	Independent Non-Executive Director
	Caroline Ramsay	Independent Non-Executive Director
	Elizabeth Buckley	Non-Executive Director (appointed 01/04/2024)
	Gary Duggan	Chief Executive Officer
	Paul Cartin	Finance Director

Company Secretary: Gail Stivey

Registered Office:
The Omnibus Building
Lesbourne Road
Reigate
Surrey
RH2 7LD

Independent Auditor:
Deloitte LLP
1 New Street Square
London
EC4A 3HQ
United Kingdom

Bankers:
HSBC Bank Plc
165 High Street
Southampton
SO14 2NZ

The directors present their Strategic Report and Directors' Report, together with the audited financial statements for the year ended 29 February 2024.

Activities

During the period Tesco Underwriting Limited ('the Company' or 'Tesco Underwriting (TU)' continued its underwriting of personal lines insurance business (car and home) distributed by Tesco Personal Finance plc ('Tesco Bank').

Results

The Company adopted IFRS 17 (Insurance Contracts) and IFRS 9 (Financial Instruments) with effect from 1 March 2023. This was adopted fully retrospectively and prior period comparatives have been restated. IFRS 17 and 9 reported profit before tax for 2023 is slightly higher than previously reported under IFRS 4/IAS 39. This increase mainly arises because of the discounting effect on claim reserves when applying IFRS 17. The results of the Company are contained in the Financial Statements on pages 21 to 83. The profit before taxation during the period to 29 February 2024 was £35.8m (2023: £51.1m). Additional explanation is included in the Business Review later in this report. The profit for the period included within retained earnings was £27.0m (2023: £41.5m). There was an increase in the market value of investments compared to their carrying value that increased the fair value reserve after tax by £10.6m (2023: £34.7m reduction). There was a decrease in the insurance finance reserve after tax of £2.8m as a result of changing payout patterns impacting the value of discounting on claims reserves (2023: an increase of £14.5m).

Financial Position

At the end of the period total assets were £871.7m (2023: £757.9m) with financial investments being £698.3m (2023: £583.9m). Financial investments are fixed rate debt securities and a property fund. Cash and cash equivalents were £53.4m (2023: £45.9m) and reinsurance contract assets were £100.6m (2023: £103.4m).

Total liabilities at the end of the period were £669.0m (2023: £590.5m) with insurance contract liabilities of £624.4m (2023: £543.2m) and loans and borrowings of £42.9m (2023: £42.8m).

Solvency

At 29 February 2024 the Company had unaudited Solvency II own funds, after foreseeable dividends, of £220.2m (2023: £195.2) compared to a Partial Internal Model (PIM) Solvency Capital Requirement (SCR) of £140.7m (2023: £122.8m) and the coverage ratio was 157% (2023: 159%). The strength of the solvency capital at the year ended 29 February 2024 supports a proposed dividend of £20m to the shareholder subject to Board approval on 26 April 2024.

Strategic Direction

The Company is an insurer authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA. It was established to underwrite Tesco branded car and home insurance policies, introduced to it by Tesco Bank. The Company is 100% owned by Tesco Bank.

The overall role of the Company is to support the Tesco Bank personal lines insurance strategy through offering products that have a strong emphasis on value, helpful benefits and rewarding loyalty, whilst driving financial returns for its shareholder by maintaining strong underwriting, risk and financial controls.

The vision for the Company continues to be the "Insurer of choice for Tesco Customers" whilst the overall role for the Company is to maintain a profitable position within the UK personal lines car and home market supporting the Tesco customer strategy. To support delivery of the Company vision the business has undertaken the “insurance transformation programme”. This investment spans the whole operation; foundational technology builds, pricing improvements, customer relationship management tools and new proposition development.

Business Review

The Board considers the key indicators that will communicate the financial performance and strength of the Company to its members are:

- Insurance Revenue
- Profit/(loss) before taxation
- Operating ratio
- Return on capital after tax
- SCR coverage ratio

The Board also uses a number of other key indicators to assess the performance of individual parts of the business, including details on the number of policies underwritten, net promoter score and various performance ratios. The policies in force for the Company were 1,486k at 29 February 2024 (2023: 1,205k). The Company's net promoter score was on target at 66 (2023: 65). Net promoter score is administrated by an independent organisation (KPMG) by measuring policyholder responses as per industry standards.

	12 months ended 29 Feb 2024 £m	12 months ended 28 Feb 2023 £m	% Change %
Insurance Revenue	420.4	309.3	35.9

Insurance Revenue for the period up to 29 February 2024 was 36% higher than 2023 reflecting an increase in policies in force combined with premium rate due to increase in cost of claims. The Company continues to be a disciplined underwriter with a clear return on capital target set by the shareholder and pricing will reflect this.

	12 months ended 29 Feb 2024 £m	12 months ended 28 Feb 2023 (restated) £m	% Change %
Profit Before Tax	35.8	51.1	(29.9)

Profit before taxation is the key performance measure for the Company which aims to deliver sustainable growth in profits over the insurance cycle by risk selection at appropriate rates, rigorous expense control and delivery of superior customer service to its policyholders.

The profit before tax in the period was £35.8m and reflects a decrease in profitability due to the lack of the one-off benefit through the profit commission received when the Company commuted a motor reinsurance contract in the prior year as well as a reduction in prior year reserve releases.

The Company intends to continue its policy of maintaining strong underwriting and pricing controls and will take appropriate action to maintain profitability moving forward.

	12 months ended 29 Feb 2024 %	12 months ended 28 Feb 2023 (restated) %	Change %
Operating Ratio	94.6	83.1	11.5

The operating ratio is considered as a measure of the Company's overall efficiency. It is calculated as the total of incurred claims, commissions, expenses and reinsurance less investment income, as a percentage of net earned premiums.

The operating ratio deteriorated from 2023 by 11.5%. The deterioration in the year mainly relates to an increase in the claims ratio.

	12 months ended 29 Feb 2024	12 months ended 28 Feb 2023 (restated)	Change
	%	%	%
Return on capital after tax	14.6	24.9	(10.3)

Return on capital after tax is a measure of the efficiency with which the Company uses its shareholders' equity. This is measured by taking profit after tax over average shareholders' equity for the 12-month period adjusted for any dividends that have been paid.

The Company reported a profit after income taxes of £27.0m for the 12-month period. The underlying performance of the motor portfolio improved over 2023 with large claims at broadly expected levels. Within the home portfolio the current period result was mainly impacted by weather.

Principal Risks and Uncertainties

The Company's principal risks and uncertainties and the way that these risks are managed are detailed in note 23 to the financial statements. Given the Company's business as a motor and home insurer the main risks it faces relate to insurance, market, credit, liquidity, operational and capital management risks. The procedures to control these risks are embedded into decision making via the Company's risk management framework and are expressed through the Company's risk appetite statements and its risk register which identifies the individual risks faced in each area of the business and the controls in place to mitigate these. During 2023 and 2024 the Management Risk Committee's reports have been provided to the Board Risk Committee which focuses on consideration of top risks including climate change. Each risk is described in more detail in note 23 apart from operational risk as this risk is not subject to audit and therefore being discussed below:

Operational Risk – definition

Operational risk is the risk of a potential error, loss, harm or failure caused by ineffective or inadequately defined processes, system failures, improper conduct, human error or from external events. It is diverse in nature and permeates all business activities but remains a distinct form of risk. Operational risk includes, for example, information technology, people, strategy, business continuity, regulatory, legal and financial crime. Operational risk incidents can lead to additional exposure to other risk types resulting from an inadequate or inappropriate control environment.

Operational Risk - Controls and risk mitigants

Tesco Underwriting has an appropriate risk framework and continually monitors emerging risks and threats.

Risks are assessed utilising the Controlled Risk Self-Assessment (CRSA) process which is defined as part of the Risk Management Framework (RMF). Accountabilities are aligned to the Three Lines of Defence model.

The CRO and the Risk function are responsible for:

- developing and maintaining the Operational Risk Policy;
- developing and maintaining the RMF;
- working with relevant business areas to make sure that Risk Management responsibilities across the Business Areas are understood and that those responsibilities are executed as defined in the RMF and;

- supporting relevant business areas to embed policies and controls, instilling a positive risk management culture

The Risk function maintains the RMF which defines the minimum requirements for the management of risk including the Policy Framework.

Business units and functions assess their operational risks on an ongoing basis via a prescribed CRSA process and Operational Risk Scenario Analysis (ORSA). The CRSA process is reviewed and updated on a quarterly basis by the Business Areas to reflect the risk and control environment and any changes arising from changes in products, processes and systems. CRSA outputs are reported to relevant governance bodies, including the Management Risk Committee (MRC) and Board Risk Committee (BRC).

Environment

The Board has also allocated Senior Management Function (SMF) responsibility for managing Climate Change risks to its Chief Risk Officer. In its supervisory statement PRA SS3/19, together with subsequent regulatory correspondence, the PRA sets out how firms should enhance their approach to managing climate related financial risks.

At the end of 2021, an external review confirmed that TU had delivered regulatory requirements and during 2023 the company has monitored the key climate related risk measures across Investments, Pricing and Procurement; and the accompanying limits and triggers for these measures continue to be refined over time as part of the RMF. TU has embedded Climate Change monitoring in the relevant governance committees and has considered in its latest ORSA scenario analysis.

TU continues to closely monitor the carbon footprint and ESG credentials of its investment portfolio and the TU Board is also monitoring the longer-term transition risks arising from the changing climate relating to the personal lines insurance market and has received regular Climate Change reporting.

Section 172 Statement

S172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing so, s172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly between members of the company.

In discharging its s172 duties, the Board has regard to the factors set out above. The Board also has regard to other factors which it considers relevant to the decisions it makes. The Board aims to provide a balanced approach to its decisions taking into consideration the Company's key stakeholder requirements. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, the Board looks to make sure that its decisions are consistent.

The Board delegates authority for the day-to-day running of the business to the CEO and, through him, to Senior Management to oversee execution of the Company's strategy and related policies. The Board reviews matters relating to financial and operational performance; business strategy; key risks; stakeholder-related matters; compliance; and legal and regulatory matters, over the course of the financial year. This is supported through the consideration of reports and presentations provided at Board meetings. Directors are supported in the discharge of their duties by provision of induction materials and ongoing training. Agendas for Board and Board Committee meetings are structured to provide sufficient time for consideration and discussion of key matters and ad hoc meetings are scheduled where necessary.

Engaging with its stakeholders is key to the way the Company runs its business and is an important consideration for the Directors when making relevant decisions. Details of how the Directors engage with colleagues and have regard to the need to foster relationships with suppliers, customers and other key stakeholders can be found in the section below on Engaging with Stakeholders.

The following is an example of decisions taken by the Board during the year ended 29 February 2024 where due consideration was given to the Company's key stakeholders:

Continuation of growth ambitions

Throughout the year the Board has supported a programme of growth and in doing so was cognisant of its shareholder and its wider role within the Tesco Bank Group as part of the Insurance Business. Capital modelling efficiencies were considered in light of shareholder expectations. The growth strategy was focussed on protecting customers, communities and our planet a little better every day. The Board was particularly motivated by the development of customer centric propositions and delivering excellent customer experiences. During the year, the Board monitored customer service by reviewing the net promoter score ('NPS') and other customer metrics. Digital capability and adoption formed part of the considerations, focussed on making processes as easy as possible for customers. A number of key priorities and enablers were identified including colleagues and the culture within the business.

Engaging with Stakeholders

The Company has a number of key stakeholder groups whom it actively engages. Listening to, understanding and engaging with these stakeholder groups is an important role of the Board in setting strategy and decision making. The Company recognises its obligations and requirements to be a well-controlled insurance underwriter, compliant with regulation and delivering good customer outcomes. The Regulators are consulted and kept closely informed in relation to key decisions made by the Board, as appropriate.

Our Shareholder

As a wholly owned subsidiary of Tesco Bank, TU's strategy continues to be aligned to Tesco Bank in order to support the Tesco commitment to the UK insurance market and to Tesco customers. The Board uses its relationship with Tesco PLC and Tesco Bank to make use of rich customer data, a strong brand and a Clubcard loyalty programme to better serve customers. TU has a strong relationship with Tesco Bank, with regular updates and meetings taking place in relation to performance and strategy. The Chief Executive Officer of TU (TU CEO) has a dual hatted role and is also the Chief Insurance Officer of Tesco Bank. Shareholder Reserved Matters have been agreed and significant matters such as the annual business plan and long term plan are referred to Tesco Bank for concurrence, as necessary. TU acknowledges the responsibility to share certain information with Tesco Bank. One of the ways it does this is by providing reports such as Insurance Business Report from the TU CEO, performance metrics as part of Board Management information and an annual report from the TU Board Audit Committee Chair.

Our Customers

Customers are at the heart of the Company's business and it is important to the Company to maintain a high standard of business conduct. During the year customer interests remained a key priority for the TU Board and customer experience reports have continued to be provided on a quarterly basis.

At TU, we strive through a customer centric approach to ensure we conclude claims quickly and fairly for our customers to deliver the best possible outcomes. We maintain at all times a keen focus on treating customers fairly and ensure our products provide value for money. Our flexible approach to meeting the needs of a diverse customer base, including specific consideration of the needs of vulnerable customers, has ensured we are well placed to respond quickly and meaningfully to the needs of our customers. Throughout the year we continually engaged with our customers and considered their feedback through 'Voice of the Customer' work, allowing us to draw out themes and issues and target improvement actions accordingly to improve customer service.

A number of digital solutions continue to enhance and simplify the end-to-end customer experience.

Our Suppliers

We ensure suppliers who provide services are able to do so without detriment to our customers, employees, community and the environment and we have carried out robust oversight measures to ensure this is the case. These measures are governed by our Outsourcing and Supply Chain Management Framework which includes detail of how we assess supplier performance and ensure their operating standards are robust. These supplier assessments are conducted to a set timetable and reported quarterly to the Board.

Our Colleagues

Colleague engagement has been a key area of focus during the year as the business embarked on and progressed through its journey to adopt agile methodology and a new operating model. Regular communications were shared with colleagues to explain the changes and the impacts across the business.

Employees are invited to provide feedback and to actively participate through continued use of engagement surveys (known as Every Voice Matters). The key themes emanating from the surveys are brought to the attention of the TU Executive Committee and Board, with resulting actions tracked. During the 12 months up to 29 February 2024 the response rate continued to be high and strong employee engagement results have continued to improve throughout the year.

Supporting colleagues to be their best so they can play their part in delivering the Tesco purpose has been a key priority. Working closely with Tesco, we are committed to actively supporting colleagues to live healthier lives and make healthier choices around their physical, financial, and emotional wellbeing. In 2023 that resulted in the introduction of the Virtual GP, enhancing their Employee Assistance Programme, increased discount on the Tesco share price and tax-free bonus on Save As You Earn, a new bonus sacrifice scheme, enhanced and new family leave policies, £1,250 cost of living pay uplift for all Work Level 1 and 2 colleagues, Work Level 1 colleagues' holiday entitlement increased and the ability for colleagues to share their second colleague Clubcard outside their home.

TU has established and promotes a culture where employees have the confidence and ability to raise their concerns. Directors and managers have a responsibility to ensure that mechanisms are in place to encourage such concerns to be raised and any wrongdoing dealt with. The whistleblowers' champion has been apportioned responsibility for oversight of TU whistleblowing policies and procedures, and a report to the TU Board Audit Committee during the year confirmed that the systems and controls in place were satisfactory. The effectiveness of these controls will continue to be monitored and reported going forward.

Our Community

In 2023, colleagues supported the charity partners, Maggie's and The Trussell Trust, through a variety of Tesco Bank-wide and local fundraising challenges, as well as volunteering at local foodbanks. Colleagues also continue to donate food to collection points across their office locations.

This report was approved by the Tesco Underwriting Board of Directors on 26 April 2024 and signed on its behalf by:

Gail Stivey
Company Secretary

Position as at 29 February 2024

Financial Position and Results

The Company's position and results are shown in the Strategic Report on page 2.

Future developments, principal risks, uncertainties and regulatory changes are considered and described within the strategic report.

Disclosure of information to auditor

The Members of the Tesco Underwriting Board are shown on page 1. The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Required actions from prior year external audit report findings relating to control deficiencies, including those impacting IT controls related to the primary underwriting system, general ledger and claims system have been remediated during the year.

Business Ownership

Tesco Underwriting Limited is a wholly owned subsidiary of Tesco Personal Finance plc. Its ultimate parent company is Tesco PLC.

Inflationary pressures

The Company has been subject to the same inflationary pressures being felt across the UK and the world. Managing this has led to an increase in premium pricing for consumers to offset some of the additional costs relating to claims on the motor and home portfolios. Inflation increases have also seen an upside in increased returns and interest from investments held. Given the overall position, the Company has assessed the risks as manageable within the context of its existing plans.

Dividends

The Company proposed a dividend of £20m to the shareholder subject to Board approval on 26 April 2024.

Future Developments

On 9 February 2024, the Group announced an agreement on the terms of a proposed sale of the majority of the Group's Banking business, comprising its Personal Loans, Credit Cards and Savings portfolios, together with certain associated assets and liabilities, including the Group's securitisation special purpose vehicles for £600m. All other existing activities of the Group, including Insurance, ATMs, Travel Money and Gift Cards will remain within the Group.

The Company plans to continue with its existing role in the UK insurance market and for Tesco insurance companies as part of the Tesco Bank ongoing commitment to the UK insurance market and to Tesco customers.

Relationships with suppliers, customers and others

Details about the Company's business relationships with suppliers, customers and others are covered in the Strategic Report.

Climate Change

The approach to managing Climate Change from a risk perspective is set out on page 4.

	2024			2023		
	Total	Utilities	Travel	Total	Utilities	Travel
Co2e tonnes	466.5	431.9	34.6	476.8	438.9	37.9
Co2e tonnes per FTE	1.3	1.2	0.1	1.4	1.3	0.1

The figures represent TU's carbon footprint in the financial period to 29 February 2024. The calculations use emission factors from Defra's GHG Conversion Factors for Company Reporting as published by the UK government: https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2023. Emissions from utilities are considered to be Scope 2 and Travel emissions are considered as Scope 3.

The total Co2e tonnes per FTE has been assessed to be 1.3 (2023: 1.4). This is an assessment of energy usage within the 2 offices in Newcastle and Reigate and business travel.

The responsibility for managing the risks of Climate Change has been allocated to the Chief Risk Officer. At the end of 2021, an external review confirmed that TU had delivered regulatory requirements and during 2023 the company has monitored the key climate related risk measures across Investments, Pricing & Underwriting, Claims and Procurement and the accompanying limits and triggers for these measures continue to be refined over time as part of the Risk Management Framework. TU has embedded Climate Change monitoring in the relevant governance committees and has considered in its latest ORSA scenario analysis.

From an underwriting perspective, controls in relation to exposure from natural catastrophes including flood, rainstorm, windstorm, coastal, and rivers are being assessed. TU is considering a defined approach to transition risks as petrol and diesel vehicles are phased out and replaced by electric over the next decade. The claims team are focussed on third party supplier exposure to Climate Change risk as well as supply chain costs increasing due to new technology in vehicles.

TU is ensuring that reinsurance is diversified in the face of Climate Change and monitoring counterparty exposure in line with current expressed limits. Credit rating exposure to specific reinsurers are being measured and monitored, ensuring that the minimum credit rating of reinsurers is 'A-' and that the highest rated reinsurers are used for highest risk covers. Reinsurance market developments are being monitored to ensure capital availability and continuity of renewal.

Investment guidelines have been updated to include Environment, Social, Governance (ESG) considerations. This includes implementing ESG limits including those related to carbon footprint and demonstrating the monitoring of ESG in investment guidelines.

The Board is also monitoring the longer-term transition risks arising from the changing Climate relating to the personal lines insurance market and has received regular Climate Change reporting.

Employee involvement

The Company keeps employees up to date on strategy and performance through a variety of channels. Further details are included within the Strategic Report. The average number of persons employed in the United Kingdom by the Company during the period was 360 (2023: 338). The full-time equivalent number of employees adjusted for part time staff was 348 (2023: 327). The salary costs for 2023/24 were £19.5m (2022/23: £19.9m). An analysis of staff numbers is shown in note 25.

Diversity and Inclusion

The company is fully committed to creating an inclusive culture with a mix of skills, knowledge, experience, expertise, and educational and professional backgrounds. In addition, the TU Board aims to have a mix of gender, tenure, age, ethnicity and other distinctions between Directors.

The Company's equal opportunities and diversity policy and supporting guidance aim to ensure that there is a fair process to attract, develop and retain talent and ensure that all colleagues are afforded equal opportunities regardless of protected characteristics or background, creating a diverse and inclusive workplace that reflects the customers the company serves.

The Company has established a calendar of moments that matter for colleagues and the community the Company serves. This engages colleagues in conversations about diverse cultures, religious festivals, Inclusion campaigns and historical events, allowing a platform for open discussion, awareness, and education and enabling a culture of Inclusion by embracing diverse thoughts and perspectives.

As TU is a subsidiary of Tesco Bank, they are included signatories to the Women in Finance Charter and align with the Tesco Bank's diversity representation targets.

As a Women in Finance Charter signatory, the TU Board is committed to supporting the progression of women into senior roles in the financial services sector and championing the benefits of greater diversity within businesses through setting a women's representation target. Signatories are required to publicly report on progress to deliver against these internal targets in support of the accountability and transparency needed to drive change.

In the last year, the Company made positive progress in improving women's representation, achieving it's stretch target of 40% representation of women in leadership (ExCo, director of, head of department) positions ahead of the 2025 target deadline.

The TU Board has a target to increase ethnicity representation to 10% in the Company leadership team by 2025. The Company has made progress towards its target to increase ethnicity representation amongst its leadership team, reaching 6% ethnicity representation by 29 February 2024.

As a Disability Confident Employer, the Company is committed to further improving the support and experiences of its colleagues with disabilities, with the aspiration of achieving Disability Confident Leader status by the end of 2025.

Directors' Indemnities

In terms of Section 236 of the Companies Act 2006, all Executive and Non-Executive Directors have been issued a Qualifying Third-Party Indemnity Provision by TU. All Qualifying Third-Party Indemnities were in force at the date of approval of the Financial Statements and shall remain in force without any limit in time. This will not be affected by the expiration or termination of a Director's appointment, however it may arise.

Charitable donations

Charitable donations paid by TU in the period amounted to £0 (2023: £0).

Post balance sheet events

There were no events after the reporting date which have required either adjustment or disclosure in these Financial Statements.

This report was approved by the Tesco Underwriting Board of Directors on 26 April 2024 and signed on its behalf by:

Gail Stivey
Company Secretary

Registered Address
The Omnibus Building
Lesbourne Road
Reigate, Surrey
RH2 7LD

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom adopted international accounting standards. The financial statements also comply with international Financial Reporting Standards (IFRSs) as issued by the IASB.

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 the financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- 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 of the financial reporting framework are sufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern

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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TESCO UNDERWRITING LIMITED

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Tesco Underwriting Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 29 February 2024 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of profit or loss and other comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law, and United Kingdom adopted international accounting standards.

2. 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 Financial Reporting Council's (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 confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Company.

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • transition to IFRS 17 (the new standard for insurance contracts); and • insurance contract liability for large bodily injury claims and related reinsurance assets. Within this report, key audit matters are identified as follows:

	ⓘ	Newly identified
	⟨⟩	Similar level of risk

Materiality	The materiality that we used in the current period was £3.5m which was determined on the basis of 2% of net assets.
Scoping	Audit work to respond to the risks of material misstatement within the Company was performed directly by the audit engagement team.
Significant changes in our approach	Our key audit matter relating to the adoption of IFRS 17 was focussed in the prior period on the relevant disclosures, under IAS 8, but in the current period relates to the full adoption of this new accounting standard.

4. 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:

- assessing the impact of the sale of Tesco Personal Finance's banking business to a third-party external to the Tesco Group;
- obtaining an understanding of relevant controls around management's going concern assessment;
- assessing the Company's compliance with regulation, including capital requirements;
- reviewing the Own Risk and Solvency Assessment ("ORSA") to support our understanding of the risks faced by the Company;
- inspecting correspondence between the Company and its regulators, Financial Reporting Council ("FCA") and Prudential Regulation Authority ("PRA"), as well as reviewing relevant Board and Committee minutes to identify any potential areas of legislative or regulatory non-compliance that could impact upon going concern;
- assessing the assumptions used in the forecasts prepared by management, and their historical accuracy;
- assessing the appropriateness of the going concern disclosures; and
- assessing the financial position and prospects of the wider Tesco Group to which the Company is operationally linked.

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 at least twelve months from when the financial statements are authorised for issue.

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

5. 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 forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Transition to IFRS 17

Key audit matter description	IFRS 17 Insurance Contracts became effective from 1 January 2023, replacing IFRS 4 Insurance Contracts. The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts which are significantly different to those required under IFRS 4. As a result, comparative financial information has been restated from 1 January 2022, with the fully retrospective adoption of IFRS 17 resulting in a decrease of £10m in net assets upon transition. We consider the adoption of IFRS 17 a key audit matter as this is a new and complex accounting standard which has required significant judgment and interpretation in its implementation, including around: adopting the Premium Allocation Approach ("PAA"); discounting of liabilities for incurred claims; and risk adjustment. Furthermore, the new standard has introduced a number of significant changes, including new requirements regarding the presentation of insurance contracts and related account balances and classes of transactions. This resulted in an involved extent of audit effort, including significant involvement of actuarial specialists. The Company has disclosed in note 2 that it has adopted the full retrospective approach on transition to IFRS 17 and applied the PAA to the measurement of groups of insurance contracts issued and groups of reinsurance contracts held at 1 March 2022 and the key judgements in relation to this matter. In order to meet the requirements of the new standard, significant changes have also been made to the Company's processes and controls.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls governing management's retrospective application of IFRS 17 to the preceding period and adoption in the current period. We challenged the appropriateness of key technical accounting decisions, judgements, assumptions, and elections made by management to assess compliance with the requirements of the standard. In conjunction with our actuarial specialists, we evaluated the Company's IFRS 17 calculation models, including those related to PAA eligibility, discounting of liabilities for incurred claims, and risk adjustment. We tested the incremental data and other information required for IFRS 17 calculations, including the derived yield curves for IFRS 17 calculations. We tested a sample of the journal entries resulting from the IFRS 17 model outputs and other adjustments, which derive the Company's disclosed IFRS 17 position. We assessed the Company's financial statement disclosures against the requirements of IFRS 17.
Key observations	Based on the procedures performed above, we consider the IFRS 17 accounting policies and judgements adopted to be reasonable and in compliance with the standard.

5.2. Insurance contract liability for large bodily injury claims and related reinsurance assets

Key audit matter description	The Company's liability for incurred claims ("LIC") totals £624.4m as at 29 February 2024 (2023: £543.2m), with reinsurance contract assets of £100.6m (£103.4m as at 28 February 2023). Estimating the undiscounted best estimate liability ("BEL") for incurred claims is inherently subjective and requires the use of complex modelling techniques and the consistent application of judgement and estimation using appropriate methodologies and assumptions. Within the LIC, large bodily injury ("BI XS") claims relating to motor insurance policies represent the most significant area of management judgement. Our key audit matter is focused on the key assumptions used in calculating the undiscounted BEL for BI XS claims, on a gross and net basis. Management uses IT systems to maintain underwriting and claims data used in the reserving models. Given the impact of the significant judgements taken by Management in the measurement of the undiscounted BEL for BI XS, we also consider there is an inherent risk of fraud as these judgements are subject to the risk of management bias. Notes 1 and 13 of the financial statements provide further detail on critical judgements and key sources of estimation uncertainty in relation to this matter.
How the scope of our audit responded to the key audit matter	Our audit work to address the key audit matter included the procedures noted below. We obtained an understanding of relevant controls in the process of estimating the undiscounted BEL and tested that these controls were operating effectively. In conjunction with our actuarial specialists, we performed the following procedures: Calculated an independent reasonable range of the undiscounted gross and net BEL for BI XS claims using management's data and our independently determined assumptions; Assessed the reasonableness of any differences noted between our independent projection and Management's result with reference to our determined reasonable range; Obtained and inspected the reserving reports from management, and assessed and challenged methodologies and key assumptions; and Assessed management's roll forward of results from the pre-period-end full reserving review to the period-end.
Key observations	Based on our audit procedures above, we concluded that the key assumptions used in calculating the undiscounted BEL for BI XS claims, on a gross and net basis, are reasonable.

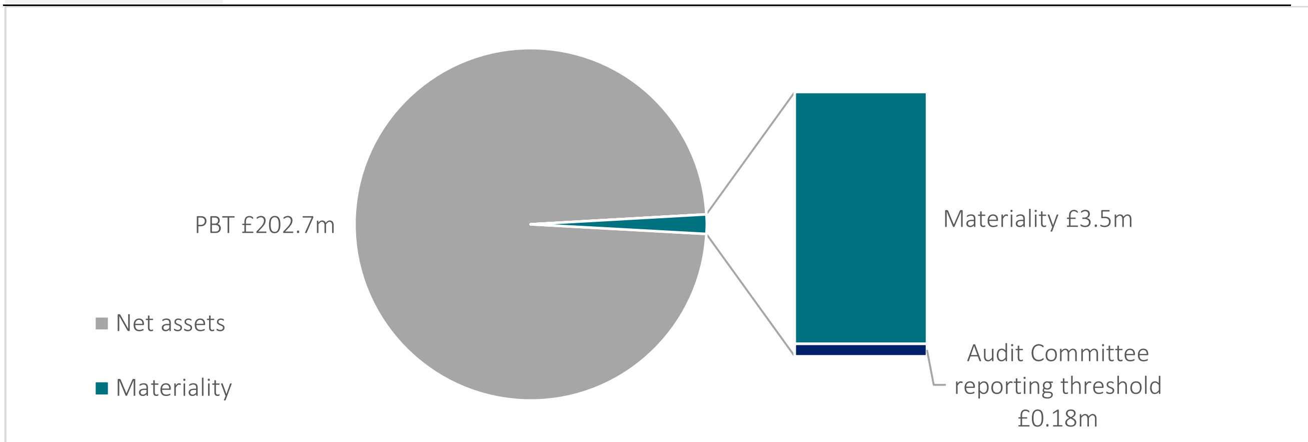
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

Materiality	£3.5m (2023: £3.1m)
Basis for determining materiality	Materiality has been determined as 2.0% of net assets (2023: 2.0% of net assets).
Rationale for the benchmark applied	We consider net assets to be the critical benchmark of the performance of the Company given the importance for an insurance company to meet capital requirements.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 60% of materiality for the 2024 audit (2023: 65%). In determining performance materiality, we considered the following factors:

a. the quality of the control environment and whether we were able to rely on controls;
b. the nature, volume and size of misstatements identified in the previous audit; and
c. complexity introduced by first time adoption of IFRS 17

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £175k (2023: £155k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the Company and its environment, including internal control, and assessing the risks of material misstatement. The Company is organised as one entity and therefore our audit work to respond to the risks of material misstatement was conducted directly by the audit engagement team. Where the Company is reliant upon IT applications provided by the wider Tesco group, we worked with our IT specialists to perform procedures on these systems as detailed in section 7.2 below.

7.2. Our consideration of the control environment

The Company is reliant upon the effectiveness of several IT applications and controls to ensure that financial transactions are processed and recorded completely and accurately.

We involved our IT specialists to obtain an understanding of general IT controls across the premiums, claims and actuarial reserving cycles, as well as the general ledger, and we were able to rely upon these controls. We have also tested manual controls over insurance revenue, insurance service expense, insurance contract liabilities, and the financial statement close process; we were able to rely upon the operating effectiveness of these controls during the period.

We reported all of our findings and observations on internal controls to the Audit Committee, together with recommendations for improvement.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Company's business and its financial statements.

The Company continues to develop its assessment of the potential impacts of environmental related risks, including climate change. As a part of our audit, we have held discussions with management to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Company's financial statements.

We performed our own qualitative risk assessment of the potential impact of climate change on the Company's account balances and classes of transactions and did not identify any additional risks of material misstatement.

8. 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 our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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.

10. 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.

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

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Company's sector;
- any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected, or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including actuarial, tax, valuations, IT, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the insurance contract liability for large bodily injury claims and related reinsurance assets.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included UK Companies Act and tax legislation, regulatory requirements of the FCA and PRA.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included regulatory solvency requirements and environmental regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified insurance contract liability for large bodily injury claims and related reinsurance assets as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with HMRC, the FCA and PRA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

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

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

13.Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board of directors at the general board meeting on 25th May 2021 to audit the financial statements for the year ending 28 February 2022 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is three years, covering the periods ending 28 February 2022 to 29 February 2024.

14.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

15. 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.

T. Noble

Tom Noble FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Bristol, United Kingdom

29 April 2024

STATEMENT OF PROFIT or LOSS and OTHER COMPREHENSIVE INCOME

	Note	29 Feb 2024 £m	28 Feb 2023 (restated) £m
Insurance revenue		420.4	309.3
Insurance service expenses	5	(359.6)	(215.2)
Insurance service result before reinsurance contracts held		**60.8**	**94.1**
Net expenses from reinsurance contracts held	6	**(40.6)**	**(50.6)**
Insurance service result		**20.3**	**43.5**
Interest revenue calculated using the effective interest method	7	22.0	13.8
Net fair value gains/(losses) on financial assets at fair value through profit or loss	7	(2.5)	(3.9)
Net credit/(debit) impairment loss on financial assets	7	0.3	(0.5)
Total investment income		**19.8**	**9.4**
Insurance finance expenses for insurance contracts issued	7	(6.5)	(4.6)
Reinsurance finance income for reinsurance contracts held	7	1.1	1.5
Net insurance financial result		**14.5**	**6.3**
Other income and expense		1.1	1.4
Profit before tax		**35.8**	**51.1**
Income tax expenses	9	(8.8)	(9.6)
Profit for the year		**27.0**	**41.5**
Other comprehensive income			
OCI to be reclassified to profit or loss in subsequent periods			
Change in fair value of financial assets		14.1	(45.5)
Debt instruments at fair value through other comprehensive income		**14.1**	**(45.5)**
Insurance finance (expenses)/income for ***insurance contracts issued***	7	(4.6)	39.8
Insurance finance (expenses)/income for ***reinsurance contracts held***	7	0.9	(20.5)
Insurance finance (expenses)/income		**(3.7)**	**19.3**
Net insurance financial result		**10.4**	**(26.2)**
Income tax relating to items that may be reclassified		(2.6)	6.0
Total other comprehensive income		**7.8**	**(20.2)**
Total Comprehensive income		**34.8**	**21.3**

[1] The prior period has been restated following the retrospective adoption of IFRS 17 in the current period. Refer to note 2 for further details.

TESCO UNDERWRITING LIMITED
Registered number 6967289

STATEMENT OF FINANCIAL POSITION

	Note	29 Feb 2024 £m	28 Feb 2023 (restated) £m	1 March 2022 (restated) £m
Assets				
Cash and cash equivalents	10	53.4	45.9	64.5
Equity and debt instruments at fair value through profit or loss	11	16.7	19.2	23.1
Debt instruments at fair value through other comprehensive income (FVOCI)	12	681.6	564.8	584.7
Reinsurance contract assets	13	100.6	103.4	152.4
Other Receivables	14	1.4	1.1	0.9
Current tax asset		0.6	0.3	0.6
Deferred tax asset	15	6.8	11.1	6.6
Intangible assets	16	9.0	9.9	11.1
Property, plant and equipment	17	1.6	2.2	1.1
Total assets		871.7	757.9	844.9
Liabilities				
Other Payables and Deferred income	19	1.8	4.6	0.8
Insurance contract liabilities	13	624.4	543.2	655.5
Financial liabilities - loans and borrowings	20	42.9	42.8	42.6
Total liabilities		669.0	590.5	698.9
Shareholders' equity				
Issued capital	21	129.7	129.7	129.7
Retained earnings		91.6	64.6	23.1
Fair value reserve		(32.0)	(42.6)	(7.9)
Insurance/reinsurance finance reserve		12.9	15.7	1.2
Share-based Payment Reserve	27	0.5	0.0	0.0
Total shareholders' equity		202.7	167.4	146.1

[1] The prior period has been restated following the retrospective adoption of IFRS 17 in the current period. Refer to note 2 for further details.

The notes on pages 25 to 83 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 26 April 2024 and were signed on its behalf by:

G Duggan
Director

P Cartin
Director

STATEMENT OF CHANGES IN EQUITY

	Notes	Share Capital	Retained Earnings	Fair Value Reserve	Insurance Finance Reserve	Share-based payment reserve	Total Equity
		£m	£m	£m	£m	£m	£m
At 28 February 2022 as previously reported		129.7	35.2	(8.5)	-	-	156.4
Impact of initial application of IFRS 17		-	(11.5)	-	1.2	-	(10.3)
Impact of initial application of IFRS 9		-	(0.6)	0.6	-	-	-
Restated balance as at 01 March 2022		129.7	23.1	(7.9)	1.2	-	146.1
Profit for the year		-	41.5	-	-	-	41.5
Fair value movement on investment securities held at FVOCI (before tax)	7	-	-	(45.5)	-	-	(45.5)
Insurance Finance Income from Insurance contracts issued (before tax)	7	-	-	-	39.8	-	39.8
Insurance Finance Income from reinsurance contracts held (before tax)	7	-	-	-	(20.5)	-	(20.5)
Income Tax on Other Comprehensive Income	9	-	-	10.8	(4.8)	-	6.0
Total comprehensive income		**-**	**41.5**	**(34.7)**	**14.5**	**-**	**21.3**
Restated balance as at 28 February 2023		**129.7**	**64.6**	**(42.6)**	**15.7**	**-**	**167.4**
Profit for the year		-	27.0	-	-	-	27.0
Fair value movement on investment securities held at FVOCI (before tax)	7	-	-	14.1	-	-	14.1
Insurance Finance Income from Insurance contracts issued (before tax)	7	-	-	-	(4.6)	-	(4.6)
Insurance Finance Income from reinsurance contracts held (before tax)	7	-	-	-	0.9	-	0.9
Income Tax on Other Comprehensive Income	9	-	-	(3.5)	0.9	-	(2.6)
Total comprehensive income		**-**	**27.0**	**10.6**	**(2.8)**	**-**	**34.8**
Dividend Payments		-	-	-	-	-	-
Share based payments	27	-	-	-	-	0.5	0.5
Total transactions with owners		**-**	**-**	**-**	**-**	**0.5**	**0.5**
Balance as at 29 February 2024		**129.7**	**91.6**	**(32.0)**	**12.9**	**0.5**	**202.7**

[1] The prior period has been restated following the retrospective adoption of IFRS 17 in the current period. Refer to note 2 for further detail

STATEMENT OF CASHFLOWS

	Notes	29 Feb 2024	28 Feb 2023 (Restated)
Cash flows from operating activities			
Profit before tax		35.8	51.1
Adjustments for:			
Investment income		(22.0)	(13.8)
Impairment (Gain) / Loss on Investment		(0.3)	0.5
Finance costs		3.7	2.4
Amortisation of intangible assets		3.3	3.2
Depreciation of property, plant and equipment		0.7	0.6
Change in valuation of Financial investments		2.5	3.9
Operating profit before working capital changes		**23.7**	**47.9**
(Increase)/decrease in reinsurance contract assets		3.8	28.5
Increase in other receivables		(0.3)	(0.2)
Increase/(decrease) in insurance contract liabilities		77.1	(72.6)
(Decrease)/increase in other payables and deferred income		(2.8)	3.8
Cash flows generated by/(used in) operations		**101.5**	**7.4**
Interest received		18.9	12.1
Dividend Received		0.8	0.6
Tax paid		(7.4)	(7.9)
Net cash flows from operating activities		**113.8**	**12.1**
Cash flows from investing activities			
Purchase of financial investments		(145.6)	(179.0)
Sale of financial investments		45.4	154.0
Purchase of intangible assets		(2.4)	(2.0)
Purchase of property, plant and equipment		0.0	(1.7)
Net cash (used in)/from investing activities		**(102.6)**	**(28.7)**
Cash flows from financing activities			
Interest paid		(3.6)	(2.1)
Net cash used in financing activities		**(3.6)**	**(2.1)**
Net increase/(decrease) in cash and cash equivalents		7.6	(18.6)
Cash and cash equivalents at 1 January/1 March		45.8	64.5
Cash and cash equivalents at 29 February		**53.4**	**45.9**
Cash and cash equivalents available to the Company		**53.4**	**45.9**

[1] The prior period has been restated following the retrospective adoption of IFRS 17 in the current period. Refer to note 2 for further details.

1. Accounting Policies

Basis of Preparation

The Financial Statements have been prepared in accordance with United Kingdom adopted International Accounting Standards.

Tesco Underwriting Limited ('the Company') is a private company, limited by shares, domiciled and incorporated in England and Wales. The Company is primarily involved in personal lines insurance. The Company is owned by Tesco Personal Finance plc.

The Financial Statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value.

The Financial Statements are presented in Sterling, which is the functional currency of the Company. The figures shown in the Financial Statements are rounded to the nearest £0.1 million unless otherwise stated.

New and amended accounting standards adopted by the Company in the year are detailed in note 2.

Onshoring of European Union (EU) Regulations After Brexit

Following the UK's withdrawal from the EU and the ending of the transition period, any reference to EU regulations and directives (including technical standards) should be read as a reference to the UK's version of such regulation or directive, as onshored into UK law under the European Union (Withdrawal) Act 2018, as amended.

Going concern

The Company has prepared the financial statements on a going concern basis. In considering the appropriateness of this assumption the Board has reviewed the Company's projections for the next twelve months from the date of this report and beyond, including cash flow forecasts and regulatory capital surpluses. The directors concluded that it is appropriate to prepare the accounts on a going concern basis. Consequently, the directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. Unaudited SCR coverage at 29 February 2024, after foreseeable dividend of £20m, is 157% (159% at 28 February 2023).

Principal accounting policies

A summary of the Company's accounting policies is set out below. These policies have been consistently applied to all of the years presented, unless otherwise stated.

(a) Revenue recognition

Insurance Service Result

The Company disaggregates the total amount recognised in the Statement of Profit or Loss and Other Comprehensive Income into an insurance service result, comprising insurance revenue and insurance service expenses, and insurance finance income or expenses. The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

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

Insurance service expenses include total claims cost for the period, as well as all directly attributable insurance expenses for policies accounted for under the Premium Allocation Approach (PAA).

Insurance acquisition cash flows are allocated to insurance service expenses on the basis of the passage of time.

The Company presents the income or expenses from a group of reinsurance contracts held as a single amount.

Net interest income recognition

Interest income and expense for all financial instruments are recognised using the Effective Interest Rate (EIR) method.

The EIR method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the expected life of the financial asset or financial liability. The EIR is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount.

Calculation of the EIR takes into account fees receivable that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual and behavioural terms of a financial instrument are considered when estimating future cash flows.

Interest income is calculated on the gross carrying amount of a financial asset unless the financial asset is impaired, in which case interest income is calculated on the net carrying amount, after allowance for Expected Credit Losses (ECLs).

Insurance finance income and expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

The Company disaggregates insurance finance income or expenses on insurance contracts issued between the Profit or Loss for the year and Other Comprehensive Income. The impact of changes in market interest rates on the carrying amount of the insurance assets and liabilities are reflected in Other Comprehensive Income in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities. The Company's financial assets backing both the Motor and Home insurance portfolios are predominantly measured at FVOCI.

The amount of insurance finance income or expenses recognised in the Profit or Loss for the year is calculated using the discount rate curve determined at the date of the incurred claim.

Dividend income recognition

Dividends are recognised in the Statement of Profit or Loss when the Company's right to receive the payment is established.

(b) Taxation

The tax charge or credit included in the Profit or Loss for the year, relating to profit or loss items, consists of current and deferred tax. Current and deferred tax relating to items recognised in Other Comprehensive Income or Equity is recognised there, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the reporting date.

Deferred tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Company Financial Statements. Deferred tax is calculated at the tax rate that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Assumptions used in determining future taxable profits are consistent with other internal financial forecasts.

The Company assesses their recoverability over a reasonably foreseeable timeframe, being typically a minimum of 5 years, considering the future expected profit profile and any potential legislative restrictions on use. This is in line with other internal financial forecasts. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be realised.

Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to set-off current tax assets against current tax liabilities and it is Management's intention to settle these on a net basis.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits with banks together with short-term highly liquid investments with short-term maturities.

(d) Financial instruments

The Company classifies a financial instrument as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement. An instrument is classified as a liability if it creates a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavourable terms. An instrument is classified as equity if it evidences a residual interest in the assets of the Company after the deduction of liabilities.

Financial assets

Classification and measurement

The Company classifies its financial assets in the following categories:

- Amortised cost ;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

Management determines the classification of the Company's financial assets at initial recognition. Purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset.

All financial assets are measured at initial recognition at fair value, plus transaction costs for those classified as FVOCI and amortised cost. Transaction costs on financial assets classified as FVPL are recognised in the Profit or Loss for the year at the time of initial recognition.

Classification and subsequent measurement of financial assets depend on:

- The Company’s business model for managing the financial asset; and
- The cash flow characteristics of the financial asset.

The business model reflects how the Company manages its financial assets in order to generate cash flows and is determined by whether the Company’s objective is solely to collect contractual cash flows from the assets or to collect both contractual cash flows and cash flows arising from the sale of assets. If neither of these models applies, the financial assets are classified as FVPL.

In determining the business model, the Company considers past experience in collecting cash flows, how the performance of these financial assets is evaluated and reported to Management and how risks are assessed.

Where the business model is to hold financial assets to collect contractual cash flows or to collect contractual cash flows and sell the assets, the Company assesses whether the financial asset's cash flows represent solely payments of principal and interest (the SPPI test). When making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement.

Financial assets at amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated as FVPL, are classified and subsequently measured at amortised cost.

Financial assets at FVOCI

Financial assets that are held for collection of contractual cash flows and for selling the assets, where those cash flows represent solely payments of principal and interest, and that are not designated as FVPL, are classified and subsequently measured at FVOCI.

The fair value of quoted investments is their quoted bid prices at the statement of financial position date. Movements in the carrying amount of debt securities classified as FVOCI are taken through other comprehensive income, except the recognition of impairment gains or losses and interest revenue using the EIR method, which are recognised through the Profit or Loss for the year.

Financial assets at FVPL

Financial assets that do not meet the criteria for recognition at amortised cost or at FVOCI are measured at FVPL.

These are measured at fair value which is the quoted bid price at the reporting date and will include an illiquidity discount if trading of the fund is suspended. Further detail is available in note 24 Financial Instruments.

Impairment

The Company assesses on a forward-looking basis the ECLs associated with its financial assets carried at amortised cost and FVOCI. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECLs reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Refer to note 23 for further details on the calculation of the allowance for ECLs.

Financial liabilities

Classification and measurement

All of the financial liabilities held by the Company are classified and measured at amortised cost using the EIR method, after initial recognition at fair value.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows have expired or where substantially all of the risks and rewards of ownership have been transferred and the transfer qualifies for derecognition. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Company's Statement of Financial Position 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 an asset and settle a liability simultaneously.

(e) Insurance contract liabilities and reinsurance contract assets

Classification of insurance contracts

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. These contracts remain insurance contracts until all rights and obligations are extinguished or expire. Insurance contracts may also transfer some financial risk.

Separating components from insurance and reinsurance contracts

The Company assesses its insurance products to determine whether they contain distinct components which must be accounted for separately.

The Company's quota share reinsurance contract contains a profit commission arrangement. Under this arrangement, there is a minimum guaranteed amount that the Company will always receive irrespective of the insured event occurring. The economic effect of the minimum guaranteed amounts received is equivalent to paying a lower premium, and therefore, those amounts represent a non-distinct investment component and are deducted from the allocation of reinsurance premiums and from the amounts recovered respectively.

Level of aggregation

The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together.

In determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e. the lowest common denominator. For aggregation purposes no group shall contain contracts issued more than one year apart.

The Company's portfolios are further divided by underwriting year and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into three groups as follows:

- A group of contracts that are onerous at initial recognition;
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently; and
- A group of the remaining contracts in the portfolio.

The profitability of groups of contracts is assessed by actuarial valuation models. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts which are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts is onerous based on:

- Pricing information;
- Results of similar contracts it has recognised; and
- Environmental factors, e.g., a change in market experience or regulations.

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

Recognition

The Company recognises groups of insurance contracts it issues from the earliest of the following:

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

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

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

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

Contract boundary

The Company includes in the measurement of a group of insurance contracts all of the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

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

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

Insurance contracts issued - initial measurement

The Company applies the PAA to all insurance contracts that it issues.

The PAA is applicable for all insurance contracts issued by the Company as the coverage period of each contract in the group is one year or less.

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition;
- Minus any insurance acquisition cash flows at that date;

For all insurance contracts accounted for under the PAA, there is no allowance for the time value of money as the premiums are due within one year of the coverage period.

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and reflects the compensation that the Company requires for bearing uncertainty in respect of the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts.

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

Reinsurance contracts held – initial measurement

The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance ceded includes quota share, excess of loss and adverse development cover contracts. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Only contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts.

Reinsurance assets include balances due from reinsurance companies for reinsurance claims. Amounts recoverable from reinsurers are estimated using consistent assumptions with the outstanding claims provision or settled claims associated with the reinsured policy.

The Company applies the PAA to all reinsurance contracts that it holds. The PAA is applicable for all reinsurance contracts as the contracts either qualify automatically for PAA having a coverage period of one year or less or there is no material difference in the measurement of these reinsurance contracts held between the PAA and the General Measurement Model (GMM).

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

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts with the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group of insurance contracts to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

For the quota share reinsurance ceded, the balance of net amounts payable to or from the reinsurer, net of the associated quota share profit commission, is maintained in accordance with contractual terms for each underwriting year on a net settlement basis. A commutation is performed for the purposes of settling the profit commission and outstanding payable balances within the terms of the contract four years after the commencement of the reinsurance contract.

Insurance contracts – subsequent measurement

The Company measures the carrying amount of the liability for remaining coverage (LRC) measured under the PAA at the end of each reporting period as:

- the LRC at the beginning of the period;
- Plus premiums received in the period;
- Minus insurance acquisition cash flows;
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group of insurance contracts;
- Minus the amount recognised as insurance revenue for the services provided in the period;

Commission payable to agents and other acquisition costs, which are incurred for acquiring new and renewal insurance business that is primarily related to the production of that business, are deferred and presented as part of the LRC. Such acquisition cash flows are amortised over the period of insurance contract services on the basis of the passage of time.

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognises a loss in the Profit or Loss for the year for the net outflow, resulting in the carrying amount of the liability for the group of insurance contracts being equal to the fulfilment cash flows. A loss component is established by the Company for the LRC for such onerous groups, depicting the losses recognised.

The Company estimates the liability for incurred claims (LIC) as the current value of fulfilment cash flows related to incurred claims and other incurred claims related expenses, plus an explicit adjustment for non-financial risk (the risk adjustment). The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. They reflect current estimates from the perspective of the Company.

Future cash flows are assessed by reviewing individual claims data and making an allowance for claims incurred but not yet reported, adjusted for the effect on the claims incurred of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, substantively enacted legislative changes and past experience and trends.

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing and liquidity of cash flows. The estimates of the present value of future cash flows reflect current expectations as at the end of the reporting period and are adjusted for events which have occurred since actuarial valuation.

Reinsurance contracts held – subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Where the Company has established a loss-recovery component, the Company subsequently reduces the loss-recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group of insurance contracts belongs.

The Company uses a systematic and rational method to allocate insurance acquisition cash flows that are directly attributable to a group of insurance contracts to that group of insurance contracts.

Insurance and reinsurance contracts – modification and derecognition

The Company derecognises insurance and reinsurance contracts when the rights and obligations relating to the contract are extinguished (i.e. discharged, cancelled or expired).

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage or asset for remaining coverage.

(f) Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company. All other repairs and maintenance costs are charged to the Profit or Loss for the year in the period in which they are incurred.

Depreciation is charged to the Profit or Loss for the year on a straight-line basis so as to allocate the costs less residual values over the useful life of the related asset and leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Depreciation commences on the date that the assets are brought into use. Work-in-progress assets are not depreciated until they are brought into use and transferred to the appropriate category of property, plant and equipment.

Estimated useful lives are:

- Furniture and equipment 3 to 5 years
- IT Equipment 3 to 5 years
- Right-of-use assets the lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in administrative expenses in the Income Statement.

(g) Intangible assets

Internally generated intangible assets - development expenditure

The Company capitalises internally developed intangible assets when the following can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The Company's intangible assets are computer software and are being amortised using the straight line method over 3 to 5 years.

(h) Leases

The Company has entered into a lease for an office building.

The lease is recognised as a right-of-use asset and corresponding lease liability at the date on which the leased asset becomes available for use by the Company.

Right-of-use assets are included within property, plant and equipment in the Statements of Financial Position.

Right-of-use assets are measured at cost, which comprises:

- the amount of the initial lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are depreciated over the lease term on a straight-line basis.

Lease liabilities are initially calculated as the net present value of expected lease payments, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate.

Following initial recognition, lease payments are allocated between the outstanding lease liability and interest expense. The interest expense is charged to the Profit or Loss for the year over the lease period through interest expense and similar charges so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(i) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest groups of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in other comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Employee benefits

The Company accounts for pension costs on a contributions basis in line with the requirements of IAS 19 'Employee Benefits' (IAS 19). The Company made contributions in the year to a funded defined contribution scheme.

Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the Profit or Loss for the year when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(k) Share based payments

Employees of the Company receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for Tesco shares or rights over shares (equity-settled transactions) or in exchange for entitlements to cash-based payments based on the value of the shares (cash-settled transactions).

The fair value of employee share option plans is calculated at the grant date using the Black-Scholes model. The resulting cost is recognised in the Profit or Loss for the year over the vesting period. The value of the charge is adjusted to reflect expected and actual levels of vesting.

The grant by Tesco of options over its equity instruments to the employees of the Company is treated as a capital contribution in equity. The social security contribution payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge is treated as a cash-settled transaction.

(l) Provisions for liabilities and charges and contingent liabilities

A provision is recognised where there is a present legal or constructive obligation as a result of a past event; it is more likely than not that an outflow of economic resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation.

A contingent liability is a possible obligation which is dependent on the outcome of uncertain future events not wholly within the control of the Company, or a present obligation where an outflow of economic resources is not likely or the amount cannot be reliably measured.

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed in the notes to the Financial Statements unless the possibility of an outflow of economic resources is remote.

(m) Dividends paid

Dividends paid are recognised in equity in the period they are approved by the Company's Board.

2. Transition to IFRS 17

IFRS 17 'Insurance Contracts' became effective with relevant UK endorsement by the UK Endorsement Board for accounting periods beginning on or after 1 January 2023. IFRS 17 is a replacement for IFRS 4 'Insurance Contracts'. The Company adopted IFRS 17 on 1 March 2023.

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and includes an optional simplified premium allocation approach (PAA) which is permitted for contracts with a coverage period of one year or less.

Under IFRS 17, insurance contract liabilities include both a liability for incurred claims (LIC) and a liability for remaining coverage (LRC). The LIC, which represents outstanding claims and incurred but not reported claims and other incurred insurance expenses, is measured as the weighted average of discounted cash flows plus a risk adjustment for the uncertainty of the cash flows.

The LRC is the obligation for insured events related to the unexpired portion of the coverage period. The Company applies the PAA to all material insurance and reinsurance contract groups, resulting in the LRC being equal to the previous unearned premium reserve less acquisition cash flows.

Contracts have been grouped into Motor and Home portfolios. In addition, within these portfolios, IFRS 17 requires grouping by ‘onerous’, ‘no significant possibility of becoming onerous’ or ‘other’. The Company has grouped all its business as ‘other’ at the opening balance sheet date.

The Company has taken the option to disaggregate part of the movement in LIC from changes in discount rates and present this in the Statement of Comprehensive Income. LRC is not discounted.

Changes to presentation and disclosure

In the Statement of Financial Position, the Company now presents separately:

- Portfolios of insurance contracts issued that are liabilities as ‘Insurance contract liabilities’. These liabilities are net of insurance acquisition cash flows, insurance premium debtors (which were previously presented in loans and advances to customers) and salvage and subrogation recoveries.
- Portfolios of reinsurance contracts held that are assets as ‘Reinsurance contract assets’. These assets include all reinsurance receivables and reinsurers' share of insurance acquisition cash flows and are net of reinsurance funds withheld and other reinsurance liabilities.

These portfolios are those established at initial recognition in accordance with the IFRS 17 requirements.

In the Income Statement the following new lines are presented:

- ‘Insurance revenue’ which replaces ‘Gross insurance premium revenue’;
- ‘Insurance service expenses’ which replaces ‘Claims and benefits incurred’, ‘Net Acquisition Costs’ and directly attributable administration expenses;
- ‘Net expenses from reinsurance contracts held’ which includes reinsurers share of both premiums and claim recoveries; and
- ‘Net insurance financial result’ which includes ‘Investment Income’ and the net impact of the unwind of the discount on insurance liabilities and reinsurance assets.

Transition

On transition date, being 1 March 2022, the Company:

- Has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied;
- Derecognised any existing balances that would not have existed had IFRS 17 always applied; and
- Recognised the resulting net reduction in equity of £10.3m from £156.4m to £146.1m.

Restatements

In accordance with the transitional provisions of IFRS 17, the new standard has been applied fully retrospectively and comparatives for the 2023 financial year have been restated. In addition, a third restated balance sheet has been presented at 1st March 2022 in accordance with IAS 1:40A.

3. Transition to IFRS 9 'Financial Instruments'

IFRS 9 is a replacement for IAS 39 '*Financial Instruments'* for annual periods beginning on or after 1 January 2018. However, the Company elected, under the amendments to IFRS 4, to apply the temporary exemption from IFRS 9, thereby deferring the initial application date of IFRS 9 to align with the initial application of IFRS 17.

The Company has applied IFRS 9 retrospectively and restated comparative information for the previous financial year for financial instruments in the scope of IFRS 9. Differences arising from the adoption of IFRS 9 were recognised in retained earnings as of 1 March 2022.

Changes to classification and measurement of financial instruments

The measurement category of financial assets and liabilities in accordance with IAS 39 and IFRS 9 are as follows:

Asset/Liability	**Classification and Measurement category**	
	IAS 39	**IFRS 9**
Financial assets		
Cash and cash equivalents	Amortised cost	Amortised cost
Financial investments:		
- Bond portfolio	Available for sale (AFS)	Debt instruments at fair value through other comprehensive income (FVOCI)
- Property fund	Fair value through profit and loss	Equity and debt instruments at fair value through profit and loss (FVPL)
Other receivables	Amortised cost	Amortised cost
Financial liabilities		
Loans and borrowings	Amortised cost	Amortised cost
Other payables and deferred income	Amortised cost	Amortised cost

The measurement of each category of financial asset and liability is not affected by the transition from IAS 39 to IFRS 9. Each item has been reclassified in its entirety to each IFRS 9 category as shown in the table.

The following explains how applying the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the Company as shown in the table above.

(a) Mandatory reclassification of debt investment securities from AFS to FVOCI

Debt instruments previously classified as AFS under IAS 39 have been reclassified under IFRS 9 as the IAS 39 category has been removed. The Company concluded that these investments are managed within a business model of collecting the contractual cash flows and selling the financial assets, and has therefore reclassified these investments at FVOCI. There has been no change in the measurement basis as a result of this reclassification.

(b) Designation of investment in property fund at FVPL

The Company's investment in a property fund previously designated at FVPL under IAS 39 has been mandatorily measured at FVPL under IFRS 9 as the business model is to manage this investment on a fair value basis. There has been no change in the measurement basis as a result of this designation.

Changes to the impairment calculation

The adoption of IFRS 9 has changed the Company's accounting for impairment losses for debt instruments held at FVOCI IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to record an allowance for ECLs for all debt instruments not held at FVPL.

For debt instruments, the ECL is based on the portion of lifetime ECLs that would result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination or purchase of the assets, the allowance is based on the full lifetime ECL.

The Company's debt instruments at FVOCI comprise quoted bonds that are graded in the top investment category and, therefore, are considered to be low credit risk investments. It is the Company's policy to measure such instruments on a 12-month ECL basis. Where the credit risk of any bond deteriorates, the Company will sell the bond and purchase bonds meeting the required investment grade.

The adoption of the ECL requirements of IFRS 9 has resulted in increases in impairment allowances in respect of the Company's debt instruments. The increase in allowance was adjusted to retained earnings.

As it was possible to do so without the use of hindsight, the Company restated the statement of financial position as at 1 March 2022, resulting in decreases in retained earnings amounting to £0.8m. The profit or loss for the year ended 28 February 2023 was also restated, resulting in increases in impairment loss on financial assets amounting to £0.5m.

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the closing impairment allowance at 28 February 2023 measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 March 2023:

	Loss allowance under IAS 39 28-Feb-23	Remeasurement	Loss allowance under IFRS 9 01-Mar-23
	£m	£m	£m
Measurement category			
AFS financial assets (IAS 39)/Financial assets at FVOCI (IFRS 9)			
Financial Investments*		1.3	1.3
Total		1.3	1.3

* The above loss allowance is not recognised in the carrying amount of financial investments as the carrying amount is their fair value.

The following table reconciles the closing impairment allowance at 28 February 2022 measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 March 2022:

	Loss allowance under IAS 39 28-Feb-22	Remeasurement	Loss allowance under IFRS 9 01-Mar-22
	£m	£m	£m
Measurement category			
AFS financial assets (IAS 39)/Financial assets at FVOCI (IFRS 9)			
Financial Investments*		0.8	0.8
Total		0.8	0.8

* The above loss allowance is not recognised in the carrying amount of financial investments as the carrying amount is their fair value.

Changes to the disclosures – IFRS 7

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 (Financial Instruments: Disclosures) was also amended. The Company applied the amended disclosure requirements of IFRS 7, together with IFRS 9, for the year beginning 1 March 2023. Changes include transition disclosures as shown above. Detailed qualitative and quantitative information about the ECL calculations, such as the assumptions and inputs used, are set out in note 23.

Impact of restatements

The impact of the changes relating to IFRS 17 and IFRS 9 on the relevant financial statement lines is as follows:

	As previously reported	IFRS 17 reclassification	IFRS 17 remeasurement	IFRS 9 reclassification	Restated	
	£m	£m	£m	£m	£m	
At 1 March 2022						
Statement of Financial Position						
Assets						
Financial investments	599.6	0.0	0.0	8.3	607.8	a
Reinsurance contract assets	245.1	(107.6)	14.9	0.0	152.4	
Deferred acquisition costs	11.0	(11.0)	0.0	0.0	(0.0)	
Insurance and other receivables	52.0	(42.9)	0.0	(8.3)	0.9	b
Current income tax asset	0.6	(0.0)	0.0	0.0	0.6	
Deferred income tax asset	3.1	0.0	3.4	0.0	6.6	
		(161.5)	18.3	0.0		
Liabilities						
Reinsurance payables	0.6	(0.6)	0.0	0.0	0.0	c
Insurance payables, other payables and deferred income	26.3	(25.5)	0.0	0.0	0.8	d
Insurance funds withheld	114.8	(114.8)	0.0	0.0	0.0	e
Insurance contract liabilities	647.5	(20.6)	28.6	0.0	655.5	
		(161.5)	28.6	0.0		
Net assets impact		(0.0)	(10.3)	0.0		
Equity						
Retained earnings	35.2	0.0	(11.5)	(0.6)	23.1	
Other reserves	(8.5)	0.0	1.2	0.6	(6.7)	
		0.0	(10.3)	0.0		

a. Financial Investments is the sum of Debt instruments at fair value through other comprehensive income and Equity and debt instruments at fair value through profit or loss.

b. Insurance receivables are included within Insurance Contract Liabilities, reinsurance receivables within Reinsurance Contract Assets and the remaining asset is classified as Other Receivables.

c. Reinsurance payables are included within Reinsurance Contract Assets.

d. Insurance payables are included within Insurance Contract Liabilities and the remaining liabilities classified as Other payables and deferred income.

e. Funds Withheld are included within Reinsurance Contract Assets.

4. Critical accounting judgements and key sources of estimation uncertainty

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its Financial Statements. The Company's principal accounting policies are set out in note 1. UK company law and IFRSs require the Directors, in preparing the Company's Financial Statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. Where accounting standards are not specific and management have to choose a policy, IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', requires management to adopt policies that will result in relevant and reliable information in the light of the requirements and guidance in IFRSs dealing with similar and related issues and the IASB Framework for the Preparation and Presentation of Financial Statements.

In the course of preparing the Financial Statements, the following judgements have been made in the process of applying the Company's accounting policies, as well as those using estimations (which are presented separately below), that have had a significant effect on the amounts recognised in the Financial Statements. The significant accounting estimates with a significant risk of a material change to the carrying value of assets within the next year are discussed below. The use of estimates, assumptions or models that differ from those adopted by the Company would affect its reported results.

Critical accounting judgements:

Premium Allocation Approach (PAA)

The Company applies the PAA to all of its insurance and reinsurance contracts.

The coverage period of insurance contracts as well as losses occurring reinsurance contracts are typically one year or less and are therefore automatically eligible for the PAA.

The company's risk attaching reinsurance contracts are not automatically eligible for the PAA given that the coverage period is greater than one year. The Company has modelled the expected cashflows and reasonably possible future scenarios for its reinsurance contracts, and as a result expects that the measurement of the asset for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. All reinsurance contracts are therefore eligible for the PAA.

The modelling of the cashflows associated with the Company's reinsurance contracts, and reasonably possible future scenarios, is a key area of judgement that impacts the PAA eligibility assessment and the resulting measurement of and presentation of reinsurance contracts in these financial statements.

Presentation of quota share reinsurance funds withheld

The Company has quota share reinsurance contracts with a funds withheld feature, whereby the ceded premiums are deposited into the fund and related recoveries are net off in the same fund. The fund is settled on a net basis on commutation. The only initial cashflows during the coverage period are the payment of the reinsurer margin. Under IFRS 17, the reinsurance assets related to these funds withheld and the fund itself are presented on a net basis within reinsurance assets.

Risk adjustment for non-financial risk

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

Solvency II (SII) risk margin considers premium risk, counterparty default risk, operational risk and reserve risk, however under IFRS 17 only reserve risk is required to be considered within the Risk Adjustment for Non-Financial Risk for the Liability for Incurred Claims under the PAA.

Diversification benefits are reflected by using the reserve risk distribution from the SII model as this allows for the distribution of all best estimate cashflows. The reserve risk distribution from the SII capital model is provided both gross and net of reinsurance and these are applied respectively under IFRS 17 to gross and net of reinsurance best estimate cashflows.

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile. That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 75th percentile confidence level less the mean of an estimated probability distribution of the future cash flows (the ABE). The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles and applied this as a percentage to the ABE. A single percentage uplift will be used for all lines of business. This uplift will be assessed annually.

Accounting estimates

ECLs on financial assets

The measurement of ECLs for financial assets measured at FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and the resulting losses. Further explanation of the inputs, assumptions and estimation techniques used at the reporting date in measuring ECLs, of which macro-economic assumptions are the critical estimates, are set out in note 23.

Insurance contract liabilities

The Company establishes reserves for fulfilment cash flows in respect of the anticipated losses incurred in respect of business it has underwritten. These reserves reflect the expected ultimate cost of settling claims occurring prior to the Statement of Financial Position date, but remaining unsettled at that time. Additionally and separately, reinsurance recovery reserves are established in relation to these unsettled claims. Such reserves are established separately for each line of business underwritten by the Company and fall into two categories – reserves for reported losses and reserves for losses incurred but not reported (IBNR) as of the Statement of Financial Position date. Refer note 13 for detailed analysis of insurance contract liabilities and reinsurance contract assets.

Case reserves for reported losses are established on a case-by-case basis and are based largely on past experience of settlements managed within the Company, as well as market experience on similar claims. The case reserves are set initially on an undiscounted basis and reflect the anticipated cost of final settlement, taking into account inflation and other factors which might influence the final outcome. Such reserves are reviewed on a regular basis to take account of changing circumstances, such as enacted or substantively enacted changes in the law and changes in costs relating to settlement.

Technical provisions for losses IBNR as of the Statement of Financial Position date are initially assessed on an undiscounted basis. They are estimated based on historical data using various actuarial techniques and statistical modelling methodologies and calculated separately for each line of business underwritten and take into account trends in settlement costs in arriving at the final estimates. Gross to net ratios are applied to the gross provisions allowing for the reinsurance contracts in place at the appropriate period and historical development of the reinsurance recoveries.

Technical provisions on a discounted basis are set up in respect of claims of all duration. The expected cash flows arising from known and potential claims are calculated at a gross level and a related calculation is carried out to consider expected reinsurance cash flows. The future related cash flows are discounted using a yield curve as described below. This yield curve is used to derive discounted claims provisions and discounted reinsurance provisions.

Discount rates

Insurance contract liabilities are calculated by discounting expected future cash flows using a yield curve based on a replicating portfolio and utilising a top-down approach. The replicating portfolio is adjusted for credit risk and allows for the duration of the Company's liabilities. The GBP curve used is aligned with the currency of the Company's liabilities.

The spot discount rates applied for discounting of future cash flows for both Motor and Home are shown below:

	1 year	3 years	5 years	10 years	15 years	Mean 16-100 Years
February 2024	4.94%	4.75%	4.59%	4.42%	4.36%	4.29%
February 2023	4.44%	4.65%	4.47%	4.18%	4.30%	4.14%

Scenarios, such as the Ogden discount rate changing or incorrect claims handlers' initial assessments in relation to expenses and interest rates, are assessed for the material components of the Company's reserves. For motor damage and smaller bodily injury claims, material scenarios lie in a range between £15m above and £15m below the chosen actuarial best estimate (ABE). Those associated with larger bodily injury claims are in a range between £30m above and £30m below the chosen ABE. This assumes an Ogden discount rate for valuing larger claims of -0.25%. The impact of a +/-2% recovery rate on accidental damage can be in a range of +/- £10m. Volatility in the average claim size for bodily injury capped claims could result in a difference of +/- £10m. Uncertainty in the outstanding claims provisions arises from the settlement of bodily injury claims given the time to settlement and reliance on case estimation which may be based on relatively limited information. At this time there is heightened risk from claims inflation and supply chain issues which may have been impacted from either Brexit or the economic environment. These uncertainties create pressure in relation to late reported claims and also increases in average claims size. Scenarios relating to the impact of inflation and claims lifecycle were considered as part of the reserving process.

5. Insurance Service Expenses

	29 February 2024		
	Motor	**Home**	**Total**
	£m	**£m**	**£m**
Incurred claims and other expenses	(317.5)	(68.9)	(386.4)
Amortisation of insurance acquisition cash flows	(15.1)	(6.8)	(21.9)
Changes to liabilities for incurred claims	54.9	(6.2)	48.7
Total	**(277.8)**	**(81.8)**	**(359.6)**

	28 February 2023		
	Motor	**Home**	**Total**
	£m	**£m**	**£m**
Incurred claims and other expenses	(224.5)	(65.0)	(289.5)
Amortisation of insurance acquisition cash flows	(5.0)	(6.0)	(11.0)
Changes to liabilities for incurred claims	85.2	0.0	85.2
Total	**(144.3)**	**(71.0)**	**(215.2)**

Incurred claims and other expenses in the table above include auditor's remuneration for audit work of £0.9m (28 Feb 2023: £0.6m) and staff costs of £19.5m (28 Feb 2023: £19.9m).

Audit remuneration: the Company will pay its auditor £851,974 (28 Feb 2023: £619,650): £731,866 (28 Feb 2023: £547,410) for the audit of these financial statements, £84,108 (28 Feb 2023: £72,240) for the audit of the Solvency and Financial Condition Report; and £36,000 for audit required by the Financial Conduct Authority in respect of the Civil Liability Act 2018.

Staff costs: the Company incurred wages and salaries £17.0m (28 Feb 2023: £17.2m); social security costs £1.7m (28 Feb 2023: £1.9m) and defined contribution pension plans £0.9m (28 Feb 2023: £0.8m).

6. Net expenses from reinsurance contracts held

	29 Feb 2024	28 Feb 2023
	£m	£m
Allocation of reinsurance premiums	(182.6)	(139.1)
Amounts recoverable from reinsurers for incurred claims	142.0	88.5
	(40.6)	(50.6)

7. Total Investment Income and Net Insurance Finance Result

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

	29 February 2024			
	Insurance Related		Non-insurance Related	Total
	Motor	Home		
Interest revenue calculated using the effective interest method			22.0	22.0
Net fair value gains/(losses) on financial assets at fair value through profit or loss			(2.5)	(2.5)
Net credit/(debit) impairment loss on financial assets			0.3	0.3
Total amounts recognised in the profit or loss			19.8	19.8
Amounts recognised in OCI			14.1	14.1
Total investment income			**33.9**	**33.9**
Insurance finance income/(expenses) from insurance contracts issued				
Interest accreted to insurance contracts using locked-in rate	(5.4)	(1.1)		(6.5)
Due to changes in interest rates and other financial assumptions	(4.3)	(0.3)		(4.6)
Total insurance finance income/(expenses) from insurance contracts issued	**(9.7)**	**(1.5)**		**(11.1)**
Represented by:				
Amounts recognised in profit or loss	(5.4)	(1.1)		(6.5)
Amounts recognised in OCI	(4.3)	(0.3)		(4.6)
Reinsurance finance income/(expenses) from reinsurance contracts held				
Interest accreted to insurance contracts using locked-in rate	1.0	0.2		1.1
Due to changes in interest rates and other financial assumptions	0.9	0.0		0.9
Reinsurance finance income/(expenses) from reinsurance contracts held	**1.9**	**0.2**		**2.1**
Represented by:				
Amounts recognised in profit or loss	1.0	0.2		1.1
Amounts recognised in OCI	0.9	0.0		0.9
Total net investment income, insurance finance expenses and reinsurance finance income				
Represented by:				
Amounts recognised in profit or loss	(4.4)	(1.0)	19.8	14.5
Amounts recognised in OCI	(3.4)	(0.3)	14.1	10.4

	28 February 2023			
	Insurance Related		Non-insurance Related	Total
	Motor	Home		
Interest revenue calculated using the effective interest method			13.8	13.8
Net fair value gains/(losses) on financial assets at fair value through profit or loss			(3.9)	(3.9)
Net credit/(debit) impairment loss on financial assets			(0.5)	(0.5)
Total amounts recognised in the profit or loss			9.4	9.4
Amounts recognised in OCI			(45.5)	(45.5)
Total investment income			(36.1)	(36.1)
Insurance finance income/(expenses) from insurance contracts issued				
Interest accreted to insurance contracts using locked-in rate	(4.3)	(0.2)		(4.6)
Due to changes in interest rates and other financial assumptions	39.4	0.4		39.8
Total insurance finance income/(expenses) from insurance contracts issued	**35.1**	**0.1**		**35.2**
Represented by:				
Amounts recognised in profit or loss	(4.3)	(0.2)		(4.6)
Amounts recognised in OCI	39.4	0.4		39.8
Reinsurance finance income/(expenses) from reinsurance contracts held				
Interest accreted to insurance contracts using locked-in rate	1.5	0.0		1.5
Due to changes in interest rates and other financial assumptions	(20.4)	(0.0)		(20.5)
Reinsurance finance income/(expenses) from reinsurance contracts held	**(19.0)**	**(0.0)**		**(19.0)**
Represented by:				
Amounts recognised in profit or loss	1.5	0.0		1.5
Amounts recognised in OCI	(20.4)	(0.0)		(20.5)
Total net investment income, insurance finance expenses and reinsurance finance income				
Represented by:				
Amounts recognised in profit or loss	(2.9)	(0.2)	9.4	6.3
Amounts recognised in OCI	19.0	0.3	(45.5)	(26.2)

8. Directors' Emoluments

	29 Feb 2024 £m	28 Feb 2023 £m
Short-term employee benefits	1.0	1.1
Post-employment benefits (see note below)	0.1	0.0
Share-based payments (Note 27)	0.0	0.0
	1.1	1.1

The aggregate of emoluments of the highest paid director was £420,028, with £29,092 post-employment benefits (28 February 2023: £407,395, with no post-employment benefits). Post-employment benefits for all Directors in the 12-month period ended 29 February 2024 were £58,169 (28 February 2023: nil).

In addition to their salaries, the Company also provides non-cash benefits to directors (medical insurance).

9. Income Tax

	29 Feb 2024 £m	28 Feb 2023 £m
Analysis of tax charge in the period		
Current tax		
UK corporation tax on profits of the period	7.1	8.2
Prior period (over)/under provision in respect of current tax	0.1	-
	7.1	8.1
Deferred tax		
Origination and reversal of timing differences	1.8	2.0
Prior period (over)/under provision in respect of deferred tax	(0.1)	(0.5)
	1.7	1.5
Tax on profit on ordinary activities	8.8	9.6
Profit on ordinary activities before tax	35.8	51.1
Profit on ordinary activities at the standard rate of corporation tax in the UK at 19% (2024:24.5%)	8.8	9.7
Effect of variable tax rates	-	0.5
Prior period (over)/under provision in respect of current tax	0.1	-
Prior period (over)/under provision in respect of deferred tax	(0.1)	(0.5)
Tax on profit on ordinary activities	8.8	9.6
Statement of other comprehensive income		
Current tax recognised through OCI	-	-
Deferred tax recognised through OCI	2.6	(6.0)
Total tax recognised directly in equity	2.6	(6.0)

10. Cash and Cash Equivalents

	29 Feb 2024 £m	28 Feb 2023 £m
Cash at bank	25.9	19.2
Cash equivalents	27.5	26.7
Cash and cash equivalents	53.4	45.9

Cash equivalents include liquidity funds of £21.8m (28 Feb 2023: £21.2m) and custodian funds of £5.7m (28 Feb 2023: £4.4m).

11. Equity and debt instruments at fair value through profit and loss

	29 Feb 2024 £m	28 Feb 2023 £m
Property Fund	16.7	19.2

12. Debt Instruments at fair value through other comprehensive income

	29 Feb 2024 £m	28 Feb 2023 £m
Debt instruments at FVOCI		
Government debt instruments	66.4	31.0
Other debt instruments		
Financial institutions	306.2	285.3
Non-financial institutions	309.1	248.5
Total other debt instruments	615.2	533.8
Total debt instruments at FVOCI	681.6	564.8

13. Insurance Contract Liabilities and Reinsurance Contract Assets

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

	Feb-24	Feb-23
Insurance contract liabilities - Contracts Issued		
Motor insurance	523.9	463.0
Home insurance	100.4	80.2
Total insurance contracts issued	**624.4**	**543.2**
Reinsurance Contract Assets - Contracts Held		
Motor reinsurance	90.2	95.0
Home reinsurance	10.3	8.4
Total reinsurance contracts held	**100.6**	**103.4**
Net Insurance and Reinsurance Contracts	**523.8**	**439.7**

The Company disaggregates information to provide disclosure in respect of major product lines separately: Motor and Home. This disaggregation has been determined based on how the company is managed.

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for motor insurance product line, is disclosed in the table below:

i. **Motor Insurance Contracts issued**

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for motor insurance product line, is disclosed in the table below:

	29 February 2024				
	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss componen t	Loss componen t	Estimates of the present value of future cash flows	Risk adjustmen t	
Insurance contract liabilities as at 01/03	**133.5**	**-**	**313.8**	**15.7**	**463.0**
Insurance revenue	(346.6)	-	-	-	(346.6)
Insurance service expenses	-	-	-	-	-
Incurred claims and other expenses	-	-	319.8	(2.3)	317.5
Amortisation of insurance acquisition cash flows (a)	15.1	-	-	-	15.1
Losses on onerous contracts and reversals of those losses	-	-	-	-	-
Changes to liabilities for incurred claims	-	-	(54.9)	-	(54.9)
Insurance service result	**(331.4)**	**-**	**264.9**	**(2.3)**	**(68.8)**
Insurance finance expenses (b) - Unwind	-	-	5.4	-	5.4
Insurance finance expenses (b) - OCI	-	-	4.3	-	4.3
Total changes in the statement of comprehensive income	**(331.4)**	**-**	**274.6**	**(2.3)**	**(59.1)**
Cash flows					
Premiums received (c)	447.3	-	-	-	447.3
Claims and other expenses paid	5.6	-	(301.8)	-	(296.2)
Insurance acquisition cash flows (d)	(31.0)	-	-	-	(31.0)
Total cash flows	**421.9**	**-**	**(301.8)**	**-**	**120.1**
Insurance contract liabilities as at 29/02	**223.9**	**-**	**286.6**	**13.4**	**523.9**

	28 February 2023				
	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
Insurance contract liabilities as at 01/03	**115.9**	**-**	**455.3**	**23.7**	**595.0**
Insurance revenue (earning of new YTD Premium)	(246.3)	-	-	-	(246.3)
Insurance service expenses	-	-	-	-	-
Incurred claims and other expenses	-	-	232.5	(8.0)	224.5
Amortisation of insurance acquisition cash flows (a)	5.0	-	-	-	5.0
Losses on onerous contracts and reversals of those losses	-	-	-	-	-
Changes to liabilities for incurred claims	-	-	(85.2)	-	(85.2)
Insurance service result	**(241.4)**	**-**	**147.3**	**(8.0)**	**(102.1)**
Insurance finance expenses (b) - Unwind	-	-	4.3	-	4.3
Insurance finance expenses (b) - OCI	-	-	(39.4)	-	(39.4)
Total changes in the statement of comprehensive income	**(241.4)**	**-**	**112.2**	**(8.0)**	**(137.2)**
Cash flows					
Premiums received (c)	258.3	-	-	-	258.3
Claims and other expenses paid	3.4	-	(253.7)	-	(250.3)
Insurance acquisition cash flows (d)	(2.8)	-	-	-	(2.8)
Total cash flows	**258.9**	**-**	**(253.7)**	**-**	**5.1**
					-
Insurance contract liabilities as at 28/02	**133.5**	**-**	**313.8**	**15.7**	**463.0**

ii. Home Insurance Contracts Issued

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for home insurance product line, is disclosed in the table below:

	29 February 2024				
	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
Insurance contract liabilities as at 01/03	**29.9**	**-**	**47.8**	**2.4**	**80.2**
Insurance revenue	(73.9)	-	-	-	(73.9)
Insurance service expenses	-	-	-	-	-
Incurred claims and other expenses	-	-	68.7	0.2	68.9
Amortisation of insurance acquisition cash flows (a)	6.8	-	-	-	6.8
Losses on onerous contracts and reversals of those losses	-	-	-	-	-
Changes to liabilities for incurred claims	-	-	6.2	-	6.2
Insurance service result	**(67.1)**	**-**	**74.9**	**0.2**	**8.0**
Insurance finance expenses (b) - Unwind	-	-	1.1	-	1.1
Insurance finance expenses (b) - OCI	-	-	0.3	-	0.3
Total changes in the statement of comprehensive income	**(67.1)**	**-**	**76.3**	**0.2**	**9.4**
Cash flows					
Premiums received (c)	87.5	-	-	-	87.5
Claims and other expenses paid	0.8	-	(65.0)	-	(64.3)
Insurance acquisition cash flows (d)	(12.3)	-	-	-	(12.3)
Total cash flows	**75.9**	**-**	**(65.0)**	**-**	**10.8**
					-
Insurance contract liabilities as at 29/02	**38.7**	**-**	**59.1**	**2.6**	**100.4**

	28 February 2023				
	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
Insurance contract liabilities as at 01/03	**27.6**	**-**	**31.3**	**1.6**	**60.5**
Insurance revenue	(62.9)	-	-	-	(62.9)
Insurance service expenses	-	-	-	-	-
Incurred claims and other expenses	-	-	64.2	0.8	65.0
Amortisation of insurance acquisition cash flows (a)	6.0	-	-	-	6.0
Losses on onerous contracts and reversals of those losses	-	-	-	-	-
Changes to liabilities for incurred claims	-	-	(0.0)	-	(0.0)
Insurance service result	**(57.0)**	**-**	**64.2**	**0.8**	**8.0**
Insurance finance expenses (b) - Unwind	-	-	0.2	-	0.2
Insurance finance expenses (b) - OCI	-	-	(0.4)	-	(0.4)
Total changes in the statement of comprehensive income	**(57.0)**	**-**	**64.1**	**0.8**	**7.9**
Cash flows					
Premiums received (c)	62.5	-	-	-	62.5
Claims and other expenses paid	0.6	-	(47.5)	-	(46.9)
Insurance acquisition cash flows (d)	(3.8)	-	-	-	(3.8)
Total cash flows	**59.3**	**-**	**(47.5)**	**-**	**11.8**
					-
Insurance contract liabilities as at 28/02	**29.9**	**-**	**47.8**	**2.4**	**80.2**

Notes:

a. Insurance acquisition cash flows were allocated on a straight-line basis during the coverage period of the respective group of contracts. Please see extracts from accounting policy for details on Note 1.
b. The Company has made an accounting policy choice for the product line to disaggregate insurance finance expense between profit or loss and other comprehensive income. Please refer to Note 1 for details.
c. Any refunds of premiums have been included in this line.
d. Insurance acquisition cash flows paid after the related group is initially recognised are adjusted to the liability for remaining coverage.

iii. Reinsurance Contracts Held

	29 February 2024				
	Assets for remaining coverage		Assets for incurred claims		Total
	Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment	
Net Reinsurance Contract Assets as at 01/03	**(179.0)**	**-**	**275.8**	**6.6**	**103.4**
An allocation of reinsurance premiums	(182.6)	-	-	-	(182.6)
Amounts recoverable from reinsurers for incurred claims:	-	-	-	-	-
Amounts recoverable for incurred claims and other expenses	19.6	-	129.2	(1.3)	147.5
Loss-recovery on onerous underlying contracts and adjustments (a)	-	-	-	-	-
Changes to amounts recoverable for incurred claims	-	-	(5.5)	-	(5.5)
Net income or expense from reinsurance contracts held	**(163.0)**	**-**	**123.7**	**(1.3)**	**(40.6)**
Reinsurance Finance Income (b)	-	-	1.1	-	1.1
Effect of changes in non-performance risk of reinsurers (c)	-	-	0.9	-	0.9
Total changes in the statement of comprehensive income	**(163.0)**	**-**	**125.8**	**(1.3)**	**(38.5)**
Cash flows					
Premiums paid	42.1	-	-	-	42.1
Amounts received	-	-	(6.5)	-	(6.5)
Total cash flows	**42.1**	**-**	**(6.5)**	**-**	**35.6**
Other movements	58.9	-	(58.9)	-	-
Reinsurance contract assets at 31/08	**(241.0)**	**-**	**336.3**	**5.3**	**100.6**

	28 February 2023				
	Assets for remaining coverage		Assets for incurred claims		Total
	Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment	
Net Reinsurance Contract Assets as at 01/03	**(134.6)**	**-**	**276.0**	**11.0**	**152.4**
An allocation of reinsurance premiums	(139.1)	-	-	-	(139.1)
Amounts recoverable from reinsurers for incurred claims:	-	-	-	-	-
Amounts recoverable for incurred claims and other expenses	24.8	-	49.3	(4.4)	69.7
Loss-recovery on onerous underlying contracts and adjustments (a)	-	-	-	-	-
Changes to amounts recoverable for incurred claims	-	-	18.8	-	18.8
Net income or expense from reinsurance contracts held	**(114.3)**	**-**	**68.1**	**(4.4)**	**(50.6)**
Reinsurance Finance Income (b)	-	-	(19.0)	-	(19.0)
Effect of changes in non-performance risk of reinsurers (c)	-	-	-	-	-
Total changes in the statement of comprehensive income	**(114.3)**	**-**	**49.1**	**(4.4)**	**(69.6)**
Cash flows					
Premiums paid	45.8	-	-	-	45.8
Amounts received	-	-	(25.2)	-	(25.2)
Total cash flows	**45.8**	**-**	**(25.2)**	**-**	**20.6**
Other movements	24.1	-	(24.1)	-	-
Reinsurance contract assets at 28/02	**(179.0)**	**-**	**275.8**	**6.6**	**103.4**

TU has put in place a quota share contract as part of its overall reinsurance protection strategy. A funds withheld account is maintained which represents the balance due to reinsurers in accordance with the terms of this reinsurance agreement. The balance of £140.5m (28 Feb 2023: £123.5m) is the net of premiums payable, commission receivable, claims recoveries receivable and profit commission receivable or payable, with the reinsurance margin paid over eight quarterly instalments. The funds withheld account is made up of quota share funds withheld of £136.6m and a profit commission of £3.9m (which is part of the contract but is a separate payable). The contract will be commuted four years from inception.

Of the above balance of £140.5m, £14.2m (28 Feb 2023: £24.6m) is classified as current, and £126.4m (£98.9m) as non-current at the period-end.

iv. Process used to determine the assumptions

The sources of data used as inputs for the assumptions behind insurance provisions are internal, using detailed studies that are carried out at least annually. The assumptions are checked to ensure that they are consistent with observable market prices or other published information. There is more emphasis on current trends, and where in more recent periods there is insufficient information to make a reliable best estimate of claims development, suitable benchmark assumptions are used.

The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The impact of many of the items affect ting the ultimate costs of the loss is difficult to estimate. The degree of complexity involved will also differ by line of business due to differences in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

The cost of outstanding claims and the IBNR provisions are estimated using various statistical methods. Such methods extrapolate the development of paid and incurred claims, average cost per claims and ultimate claim numbers for each accident period based upon observed development of earlier periods, with reference to suitable benchmarks.

The key methods are:

- development factor methods, which use historical data to estimate the paid and incurred to date as proportions of the ultimate claim cost;
- individual claim assessment methods, which use claim specific details for large individual claims to estimate the ultimate claim cost; and
- benchmarking methods, which use the experience of comparable, more mature classes, or market data to estimate the cost of claims.

The actual method or blend of methods used varies by accident period being considered, the class of business and observed historical claims development.

To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- changes in processes that affect the development / recording of claims paid and incurred (such as changes in claim reserving procedures and/or the introduction of a new claims system);
- economic, legal, political and social trends (resulting in, for example, a difference in expected levels of inflation);
- changes in mix of business; and
- random fluctuations, including the impact of large losses.

IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries. The Company is covered by a variety of excess of loss reinsurance programmes. The methods used by the Company take account of historic data, specific details for individual large claims and details of the reinsurance programme, to assess the expected size of reinsurance recoveries.

The Company considers that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions, which could differ when claims arise.

Recoveries through salvage and subrogation are estimated and recorded as part of the liability for incurred claims based on a combination of suitable benchmark assumptions and the observed development to date.

v. **Analysis of claims development – gross of reinsurance and net of salvage and subrogation recoveries**

The Company changed its financial year-end from 31 December to 28 February during 2022, however accident years remained consistent with a calendar year. Consequently, the first development year from 2022 onwards represents only 2 months.

	Accident year ending											
Estimate of gross undiscounted ultimate claims costs	**Feb-14 and Prior**	**Feb-15**	**Feb-16**	**Feb-17**	**Feb-18**	**Feb-19**	**Feb-20**	**Feb-21**	**Feb-22**	**Feb-23**	**Feb-24**	**Total**
At end of the financial year		301.9	255.3	386.7	253.1	283.3	243.2	174.7	245.7	280.1	369.8	2,793.7
One financial year later		356.5	328.3	372.9	312.4	294.8	294.9	198.6	233.2	286.6		2,678.1
Two financial years later		359.1	324.7	324.6	273.6	266.5	274.8	167.9	208.5			2,199.8
Three financial years later		368.4	306.2	319.7	263.1	271.4	238.1	159.4				1,926.4
Four financial years later		364.5	296.7	317.6	255.4	257.3	224.1					1,715.6
Five financial years later		359.9	294.1	303.0	252.4	253.2						1,462.6
Six financial years later		362.8	294.8	298.2	251.9							1,207.7
Seven financial years later		356.3	295.1	298.7								950.0
Eight financial years later		357.5	294.2									651.8
Nine financial years later		354.5										354.5
Ten financial years later												
Eleven financial years later												
Twelve financial years later												
Thirteen financial years later												
Current Estimate of Cumulative Claims	**1,259.2**	**354.5**	**294.2**	**298.7**	**251.9**	**253.2**	**224.1**	**159.4**	**208.5**	**286.6**	**369.8**	**3,960.2**
Cumulative payments to date	**-1,213.0**	**-330.6**	**-293.4**	**-287.2**	**-250.5**	**-237.1**	**-211.7**	**-129.5**	**-168.7**	**-212.6**	**-197.1**	**-3,531.4**
Gross undiscounted liabilities for incurred claims	**46.2**	**24.0**	**0.8**	**11.5**	**1.4**	**16.2**	**12.4**	**29.9**	**39.8**	**74.0**	**172.7**	**428.8**
Value of Risk Adjustment												16.0
Effect of discounting												-100.5
Gross Claims Liabilities												**344.3**
Ancillary Claims and Expense Liabilities												17.4
Total gross liabilities for incurred claims												**361.7**

vi. Analysis of claims development – net of reinsurance (net of salvage and subrogation recoveries)

	Accident year ending											
Estimate of net undiscounted ultimate claims costs	**Feb-14 and Prior**	**Feb-15**	**Feb-16**	**Feb-17**	**Feb-18**	**Feb-19**	**Feb-20**	**Feb-21**	**Feb-22**	**Feb-23**	**Feb-24**	**Total**
At end of the financial year		280.1	251.3	304.6	228.9	213.5	192.7	111.3	160.7	180.1	220.6	2,143.8
One financial year later		329.2	308.0	316.3	277.0	259.6	247.5	143.3	142.6	163.5		2,187.0
Two financial years later		329.8	317.3	296.2	255.1	230.0	230.3	109.5	127.7			1,896.0
Three financial years later		343.2	300.7	287.0	243.1	235.5	198.1	107.1				1,714.7
Four financial years later		336.5	292.9	287.5	238.9	224.0	187.5					1,567.1
Five financial years later		342.1	291.1	281.3	237.5	219.6						1,371.6
Six financial years later		344.4	291.1	282.0	236.1							1,153.6
Seven financial years later		339.1	291.2	279.5								909.8
Eight financial years later		339.3	291.2									630.4
Nine financial years later		336.6										336.6
Ten financial years later												
Eleven financial years later												
Twelve financial years later												
Thirteen financial years later												
Current Estimate of Cumulative Claims	**1,216.8**	**336.6**	**291.2**	**279.5**	**236.1**	**219.6**	**187.5**	**107.1**	**127.7**	**163.5**	**220.6**	**3,386.0**
Cumulative payments to date	**-1,191.6**	**-325.0**	**-290.0**	**-276.6**	**-234.8**	**-210.3**	**-179.6**	**-87.8**	**-102.0**	**-132.3**	**-108.8**	**-3,138.8**
Net undiscounted liabilities for incurred claims	**25.2**	**11.6**	**1.2**	**2.8**	**1.3**	**9.3**	**7.9**	**19.2**	**25.7**	**31.2**	**111.8**	**247.2**
Value of Risk Adjustment												10.7
Effect of discounting												-51.4
Net Claims Liabilities												**206.5**
Quota Share Funds Withheld (a)												**-202.9**
Ancillary Claims and Expense Liabilities												16.5
Total Net liabilities for incurred claims												**20.1**

14. Other Receivables

	29 Feb 2024 £m	28 Feb 2023 (restated) £m
Amounts due from group undertakings	0.0	0.3
Deferred other charges	1.4	0.8
Total other receivables	1.4	1.1

15. Deferred Tax Asset/Liability

In the March 2021 Budget Statement, the Chancellor announced that the standard rate of corporation tax in the UK will increase from 19% to 25% from 1 April 2023. This rate change was substantively enacted on 24 May 2021, and as a result deferred taxes at the balance sheet date are measured at the enacted rate at the end of the reporting period of 25%.

Deferred tax (liabilities) and assets are attributable to the following:	29 Feb 2024 £m	28 Feb 2023 £m
Insurance Finance Reserve through OCI	(4.3)	(5.2)
Unrealised loss on debt instruments held at fair value through OCI	10.7	14.5
Other temporary differences	0.4	1.8
	6.8	11.1

Movement in temporary differences during the period:

Balance at 1 March	11.1	6.6
Differences between depreciation and capital allowances	0.1	(0.1)
Other temporary differences	(1.8)	(1.3)
Unrealised (loss)/gain on debt instruments at FVOCI	(3.5)	10.9
Movement in Insurance / Reinsurance Finance Reserve	0.9	(4.9)
Balance at 29 February/28 February	6.8	11.1
Deferred tax asset to be recovered within one year	(0.4)	(0.1)
Deferred tax asset to be recovered after more than one year	(4.0)	(5.2)
Total deferred income tax asset	(4.3)	(5.3)
Deferred tax liability to be recovered within one year	0.6	2.0
Deferred tax liability to be recovered after more than one year	10.5	14.3
Total deferred income tax liability	11.1	16.4
Deferred tax liability (net)	6.8	11.1

The deferred income tax recognised through OCI during the period relates to unrealised movements on financial investments.

16. Intangible Assets

	IT software £m
Cost	
Balance at 01 March 2022	37.7
Additions	2.0
Balance at 28 February 2023	39.7
Additions	2.4
Balance at 29 February 2024	42.1
Amortisation and impairment losses	
Balance at 01 March 2022	26.6
Amortisation charge for the period	3.2
Balance at 28 February 2023	29.8
Amortisation charge for the period	3.3
Balance at 29 February 2024	33.1
Carrying amounts	
Balance at 28 February 2023	9.9
Balance at 29 February 2024	9.0

IT software represents specialised software development costs. These costs are recognised at fair value.

17. Property, Plant & Equipment

	Right of Use Asset: Lease £m	Furniture £m	IT equipment £m	Total £m
Cost				
Balance at 01 March 2022	1.3	1.7	1.5	4.5
Acquisitions/(Disposals)	1.0	0.7	-	1.8
Balance at 28 February 2023	2.4	2.5	1.5	6.3
Acquisitions/(Disposals)	-	0.0	-	0.0
Balance at 29 February 2024	2.4	2.5	1.5	6.3
Depreciation and impairment losses				
Balance at 01 March 2022	1.1	1.7	0.5	3.4
Depreciation charge for the period	0.2	0.0	0.4	0.7
Balance at 28 February 2023	1.4	1.8	0.9	4.1
Depreciation charge for the period	0.1	0.2	0.4	0.6
Balance at 29 February 2024	1.5	1.9	1.3	4.7
Carrying amounts				
Balance at 28 February 2023	1.0	0.7	0.5	2.2
Balance at 29 February 2024	0.9	0.6	0.2	1.6

The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term. It includes the leasehold asset of £0.8m at February 2024 (see note 18), plus a dilapidation provision of £0.1m.

18. Leases

The Company leases office premises. The lease contains a rent-free period of 18 months from the commencement date and has a break option after five years, for which the Company considers it reasonably certain not to exercise. The lease liability therefore includes all future lease payments including those subsequent to the break date.

The interest expense charged on lease liabilities during the period was £55,034 (28 Feb 2023: £29,827).

(i) Income statement amounts relating to leases

The income statement includes the following amounts relating to leases:

	29 Feb 2024 £m	28 Feb 2023 £m
Depreciation charge on right of use assets	0.2	0.2
Interest expense on lease liabilities	0.1	0.0
Total	0.3	0.3

(ii) Statement of financial position amounts relating to leases:

The statement of financial position includes the following amounts relating to leases:

	29 Feb 2024 £m	28 Feb 2023 £m
Right of use assets		
Office buildings	0.8	0.9
Total right of use assets	0.8	0.9
Lease liabilities (Note 19)		
Current	0.1	0.1
Non-current	0.9	0.9
Total lease liabilities	1.0	1.0

(iii) Cash flow statement amounts relating to leases:

The cash flow statement includes the following amounts relating to leases:

	29 Feb 2024 £m	28 Feb 2023 £m
Interest paid on lease liabilities	0.1	0.0
Principal payments on lease liabilities	0.0	0.2
Total cash outflow for lease liabilities	0.1	0.2

19. Other Payables and Deferred Income

	29 Feb 2024	28 Feb 2023 (restated)
	£m	£m
Amounts due to group undertakings	-	0.2
Other payables and accrued expenses	0.1	0.3
Investment Fund Cash in Transit	-	2.7
Lease liability (note 18)	1.0	1.0
VAT and other taxes payable	0.8	0.4
Total other payables and deferred income	1.8	4.6

Amounts due to group undertakings are unsecured, interest free and repayable on demand in cash.

20. Financial liabilities - Loans and Borrowings

	29 Feb 2024	28 Feb 2023
	£m	£m
Non-current liabilities		
Subordinated Debt	42.3	42.3
Accrued interest	0.5	0.4
Total loans and borrowings	42.9	42.8

The subordinated debt, payable to Tesco Personal Finance plc, bears interest at 3.5% plus the SONIA rate on the first day of the interest period on £28m and 4.5% plus the SONIA rate on the first day of the interest period on £14.3m. Interest is paid quarterly. The loan has no stated maturity.

21. Share Capital

In millions of shares	29 Feb 2024	28 Feb 2023
Ordinary shares in issue at 29 February	129.7	129.7
Ordinary shares authorised at 29 February	500	500

At 29 February 2024, the issued share capital comprised 64,704,166 ordinary A shares and 64,963,501 ordinary B shares. Both A and B ordinary shares have a par value of £1 and were fully paid up at the end of the period.

The beneficial owners of A and B ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

22. Pension Scheme

The Company participates in the Tesco Retirement Savings Plan in respect of all staff; it is a defined contribution scheme. The assets of the plan are held by Legal & General. The pension cost in respect of members represents contributions payable by the Company to both funds over the 12-month period and amounted to £905,907 (28 Feb 2023: £797,094).

23. Risk Management

Objectives and policies for mitigating business risk

The Company has identified the following risk areas: insurance, market, credit, counterparty default, liquidity, operational, capital management and outsourcing which are aligned with the Company's Risk Framework Policy, which details the procedures in place to manage these exposures. These procedures are embedded in decision making processes and the culture of the business. They include an overall risk management framework together with a set of clearly defined risk policies which articulate the Company's risk appetite.

The Company also maintains a comprehensive risk register which identifies and articulates the individual risks faced in each area of the business and the controls in place to mitigate these. The Company's Management Risk Committee meets regularly to review both the risk profile and adherence to the risk framework, including risk appetite and risk policies, to ensure they are up-to-date, reflecting the risks currently facing the business, and that corresponding control issues and risk mitigation actions are being addressed in a timely manner. The Management Risk Committee's reports are provided to the Company's Board Risk Committee and Audit Committee.

The Company believes the risk exposures presented as at the end of the year are representative of its exposure to risk during 2022 and 2023.

i. Insurance Risk

The Company's primary insurance business is the assumption of risk of loss from individuals directly subject to the risk. The classification of insurance risks are underwriting, claims reserving, claims management, reinsurance and expenses.

Insurance risk is the risk of the loss event occurrence, or the timing and amount of the loss being different from expectation.

a. Underwriting Risk

Underwriting risk occurs when the Company underwrites a policy at a given price which obliges it to pay claims under certain specified conditions, thus exposing the Company to the risk that the policy was not priced correctly due to underestimating the frequency and/or severity of the claims and/or that payments are required under conditions that were not anticipated. Underwriting risk is at the core of the Company's business and is a major source of exposure for the Company's capital. The systems and controls required to manage and control this area of risk are therefore of critical importance.

The Company principally issues personal lines car and home insurance contracts, as shown below:

	29 February 2024			28 February 2023		
Insurance Revenue (£m)	Insurance	Reinsurance	Net	Insurance	Reinsurance	Net
Motor Insurance	346.6	(173.9)	172.7	246.3	(131.0)	115.3
Home Insurance	73.9	(8.7)	65.2	62.9	(8.0)	54.9

Total net insurance contracts	420.4	(182.6)	237.8	309.3	(139.1)	170.2

The Company's objective for underwriting risk is to manage the risks in line with the strategic plan and deliver the required return on capital and ensure that its plans are aligned to the strategies and plans of its distribution channel, i.e. Tesco Personal Finance plc.

The Company's approach to underwriting risk is characterised by large numbers of policyholders with homogeneous exposures such as car and home policies. Products are priced based on the Company's knowledge and the technical price is given to its sole intermediary, Tesco Personal Finance plc. Tesco Personal Finance plc has no discretion over this rate and must always provide the Company with this rate, irrespective of the final premium that has been agreed with the client; consequently underwriting is tightly controlled. The main technique to determine the price to be charged is to use past exposures, historical losses (plus an appropriate allowance for losses incurred but not reported (IBNR)) and external data sources with the appropriate adjustments to reflect anticipated future market conditions, expenses and the required profit margin.

The Company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Company buys primarily excess of loss (i.e. non-proportional) reinsurance treaties to reduce its net exposure to agreed levels for each line of business in accordance with the Company's risk appetite. The Company has also purchased Adverse Development Cover (ADC) against the risk of low frequency high impact scenarios. Since 2018, the Company entered into a quota share reinsurance treaty in which the Company and the reinsurers share premiums and losses at an agreed percentage for each underwriting year. A commutation is performed for the purposes of settling the profit commission and funds withheld balance within the terms of the contract, four years after commencement. Consequently, the Company commuted the 2018 Quota Share contract in December 2021, the 2019 Quota Share contract in December 2022 and the 2020 Quota Share contract in December 2023.

Sensitivity analysis of insurance risk

A well designed and executed Stress and Scenario Testing (SST) programme is part of TU's Contingency Planning which is consistent with previous periods.

Insurance stresses tested will consider:

- TU's market competitiveness - to assess the impact of lower profitability from writing lower than expected volumes or the capital strain from writing higher than expected volumes;
- Multiple weather events - to model events as a result of increasing aggravating climate changes and the impact on TU's catastrophe reinsurance covers;
- Large bodily injury claims - to assess the impact of insufficient loss reserves;
- Reinsurance contracts - to assess the benefits versus the costs of TU's QS reinsurance contract and ADC contact; and
- Ogden discount rate - to assess the impact of a reduction in the Ogden rate that is used in assessing large bodily injury claims.

The liability for incurred claims is sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following sensitivity analysis shows the impact on gross and net liabilities, profit before tax and equity for reasonably possible movements in key assumptions with all other assumptions (refer Note 4) held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. It should be noted that movements in these assumptions are non linear. The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

The tables below show the sensitivity of changes on the LIC and AIC in the following risk variables on Profit or Loss and Equity:

			2024			
	Line of Business	**Scenario**	**Impact on profit before tax gross of reinsurance (£m)**	**Impact on profit before tax net of reinsurance (£m)**	**Impact on equity gross of reinsurance (£m)**	**Impact on equity net of reinsurance (£m)**
1	Motor, Home	BEL increase by 5%	18.3	14.8	13.7	11.1
2	Motor, Home	BEL decrease by 5%	(18.3)	(14.8)	(13.7)	(11.1)
3	Motor: Large Bodily Injury Claims	Increase inflation assumption for 2024 and 2025 by 2% and 1.75%	4.2	3.6	3.1	2.7
4	Motor: Large Bodily Injury Claims	Additional Lump Sum claims of £20m, £10m and £5m on 2022 UWY	35.0	10.7	26.3	8.1
5	Home	£30m Home Weather event (all claims within 96hrs)	30.0	13.5	22.5	10.1
6	Motor: Large Bodily Injury Claims	XOL RI Recovery Rate (assumed 28%) +8% 2018 – 2022	0.0	(11.8)	0.0	(8.9)
7	Motor: Large Bodily Injury Claims	XOL RI Recovery Rate (assumed 28%) -8% 2018 – 2022	0.0	11.8	0.0	8.9
8	Motor, Home	Yield Curve +1%	(3.0)	(1.9)	(8.7)	(5.0)
9	Motor, Home	Yield curve -1%	3.4	1.9	10.5	5.8

			2023			
	Line of Business	**Scenario**	**Impact on profit before tax gross of reinsurance (£m)**	**Impact on profit before tax net of reinsurance (£m)**	**Impact on equity gross of reinsurance (£m)**	**Impact on equity net of reinsurance (£m)**
1	Motor, Home	BEL increase by 5%	18.3	14.7	14.9	11.9
2	Motor, Home	BEL decrease by 5%	(18.3)	(14.7)	(14.9)	(11.9)

3	Motor: Large Bodily Injury Claims	Increase inflation assumption for 2024 and 2025 by 2% and 1.75%	4.4	3.8	3.5	3.1
4	Motor: Large Bodily Injury Claims	Additional Lump Sum claims of £20m, £10m and £5m on 2022 UWY	35.0	7.2	28.4	5.8
5	Home	£30m Home Weather event (all claims within 96hrs)	30.0	11.5	24.3	9.3
6	Motor: Large Bodily Injury Claims	XOL RI Recovery Rate (assumed 28%) +8% 2018 – 2022	0.0	(16.6)	0.0	(13.4)
7	Motor: Large Bodily Injury Claims	XOL RI Recovery Rate (assumed 28%) -8% 2018 – 2022	0.0	16.6	0.0	13.4
8	Motor, Home	Yield Curve +1%	(2.7)	(1.7)	(8.9)	(5.5)
9	Motor, Home	Yield curve -1%	3.3	2.0	10.8	6.5

Concentrations of insurance risk

A key aspect of the insurance risk faced by the Company is the degree of concentration of insurance risk, which may exist where a particular event or series of events could impact significantly upon the Company's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts and relate to circumstances where significant liabilities could arise.

Concentrations of risk can arise in both high-severity, low frequency events, such as natural and other disasters and in situations where underwriting is biased towards a particular group, such as a particular geographical concentration or demographic trend. Material geographical concentrations of risk can exist in property portfolios such that natural perils of windstorm and floods may give rise to a large number of material damage and business interruption claims.

High-severity, low frequency concentrations

The timing and frequency of high severity events are, by their nature, uncertain. They represent a material risk as the occurrence of such an event would have a significant adverse impact on the Company's cash flows and profitability.

The Company manages these risks by making appropriate allowance within the price calculated by underwriters and by purchasing a reinsurance programme that limits the impact of these events. The Company uses non-proportional reinsurance treaties to manage retention levels and the limits of protection.

Geographic and demographic concentrations

Material geographical concentrations of risk can exist in property portfolios such that natural perils of windstorm and floods may give rise to a large number of material damage and business interruption claims. TU only writes policies in the UK. The Company models its exposure to this risk to estimate its probable maximum loss and purchases reinsurance to significantly reduce its exposure to such events.

Economic conditions

The Company's insurance portfolio exposes it to a potential accumulation of different risks in the event of difficult economic conditions or more challenging points in the underwriting cycle. The Company's strategy has been to ensure that it charges the right premium for the business underwritten and it focuses on maintaining prices in such difficult market conditions. It also monitors claims closely to identify any that may be exaggerated or fraudulent.

Total aggregate exposure

The Company identifies the total aggregate exposure that it is prepared to accept in relation to concentrations of risk. It monitors these exposures on a regular basis by reviewing reports which show the key aggregations to which the Company is exposed.

The Company uses a number of modelling tools to monitor aggregation and to simulate catastrophe losses in order to measure the effectiveness of the reinsurance programmes, and to quantify the net exposure to which the Company is exposed. Additional stress and scenario tests are run using these models during the year.

Claims reserving risk

Reserving and the ultimate cost of claims risk occurs where the Company's estimates of its insurance liabilities prove to be insufficient through inaccurate forecasting, adverse random variation, or additional expenses.

The methods used to estimate the insurance liabilities in respect of outstanding claims and provisions are detailed in Note 1 to the financial statements. The methods of managing and measuring reserve risk have not changed from the previous period.

The aim of the reserving policy of the Company is to produce estimates of insurance liabilities that are accurate and reliable across each line of business and are consistent over the time period required to settle all the claims.

The Company's reserving position is reviewed at the regular Reserving Committee and is presented to the Board. In addition an independent reserve review is undertaken as appropriate.

For further details on outstanding claims and provisions or loss reserves see Note 16.

b. Claims management risk

Claims management risk may arise in the event of inaccurate or incomplete case reserving or settlement, poor customer service, claims fraud, ineffective or inefficient claim processes or excessive costs of handling claims.

The Company's approach to claims management focuses upon creating a successful balance between satisfying the needs of the customer against control of the overall cost of the provision of the service that meets those needs in agreement with its service provider. Customers include both the insured as well as others that believe our insured has breached a duty of care. The Company's philosophy is based upon the following principles:

- inception of claims – work on claims commences at first notification of a loss where the components to satisfy a customer's claim are taken;
- predicament management – tailoring the Company's service to meet each individual customer's predicament created by the claim event and to meet their individual needs; and
- reducing failure demand – reducing the additional rework created by initially failing to take the right action for the customer.

These principles support the Company's objectives to:

- create empathy with the customer and to offer processes that successfully deal with the resolution of their individual predicament, not just their damaged assets;
- provide claims settlement that treats the Company's customers fairly, reflects Company policy, values and legal liability and complies fully with all other regulatory requirements;
- exercise control over claims reserves, indemnity claims costs, subrogated recoveries and payments to other parties; and
- exercise control over the expense costs associated with handling and settling claims.

c. Reinsurance risk

Reinsurance is placed to reduce the Company's exposure to specific risks, events and accumulations. The risk is that the reinsurance contracts fail to perform as planned and do not reduce the gross cost of claims in terms of the limits purchased, either by risks not being appropriately covered or by there being gaps in the programme. The reinsurance programme is subject to considerable scenario planning, including by the Company's reinsurance broker, and is approved by the Reinsurance Committee and the Board.

The failure of a reinsurer to pay a valid claim is categorised as a credit risk.

d. Market risk

Market risk is the risk of change in the fair value of financial assets due to changes in interest rates and debt security market values and changes in fair value in relation to the property fund investment.

The Company holds the material proportion of its investments in fixed rate debt securities. It will normally hold these securities to their maturity in line with the investment strategy. This reduces the variation in future cash flows and provides security over future income and redemption values.

Interest rate risk

The Company's exposure to changes in interest rates is primarily concentrated in its investment portfolio. To mitigate changes in interest rates the Company holds the material proportion of its investments in fixed rate debt securities. It will normally hold these securities to their maturity in line with the investment strategy. This reduces the variation in future cash flows and provides security over future income and redemption values.

Spread risk

The Company is exposed to changes in the market values of debt securities for reasons other than changes in interest rates. This may be due to the credit rating changes, anticipated future interest rate changes, trading performance or market sentiment of the issuer.

The Company mitigates this risk by investing in high quality issuers in line with its investment strategy and normally holding debt securities until their maturity.

e. Credit risk

Credit risk within the Company arises principally from placement of surplus funds with other banks, and holdings in transferable securities. Credit risk may materialise when an adverse change in an entity's credit rating causes a fall in the fair value of the Company's holding in that entity's financial instrument.

- **Credit risk: ECL measurement**

The Company assesses, on a forward-looking basis, the ECLs associated with its financial assets carried at FVOCI. The Company has not recognised an ECL allowance for cash and advances to banks and other financial assets balances at 29 February 2024 due to the short term nature of these balance, the frequency of origination and settlement of balances.

ECLs are calculated in line with the requirements of IFRS 9 using the three-stage model for impairment:

- Stage 1 Financial asset is not credit impaired and has not had a significant increase in credit risk since initial recognition.

- Stage 2 Financial asset is not credit impaired but has had a significant increase in credit risk since initial recognition.
- Stage 3 Financial asset is credit impaired.

The measurement of ECLs is dependent on the classification stage of the financial asset. For financial assets in stage 1, loss allowances are calculated based on ECLs arising from default events that are possible within 12 months from the reporting date. For financial assets in stages 2 and 3, loss allowances are calculated based on lifetime ECLs. The measurement of ECLs for financial assets measured at amortised cost or FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. A number of significant judgements are also required in applying the accounting requirements for measuring ECLs. The sections below provide further explanations of the factors taken into account in the measurement of ECLs.

Significant increase in credit risk

At each reporting date, the change in credit risk of the financial asset is observed using a set of quantitative and qualitative criteria, together with a backstop based on arrears status.

Quantitative criteria:

For each financial asset, the Group compares the lifetime probability of default (PD) at the reporting date with the lifetime PD that was expected at the reporting date at initial recognition (PD thresholds). The Group has established PD thresholds for each type of product which vary depending on initial term and term remaining.

Inputs, assumptions and techniques used for estimating impairment

The ECL is determined by multiplying together the PD, exposure at default (EAD) and loss given default (LGD) for the relevant time period and for each collective segment and by discounting back to the balance sheet date. Each of these inputs is explained further below.

Probability of default: Represents the likelihood an issuer of a financial instrument will default over the relevant period, being either 12 months or the expected lifetime.

Exposure at default: Represents the expected amount due from the issuer of a financial instrument at the point of default. The Company derives the EAD from the current exposure and future changes to that exposure to the point of default.

Loss given default: Represents the Company’s expectation of the extent of the loss if there is a default. The LGD assumes that once an account has defaulted, the portion of the defaulted balance will be recovered over a maximum period of 60 months from the point of default.

These inputs are adjusted to reflect forward-looking information as described below.

Expected lifetime

The expected lifetime of a financial asset is generally the contractual term.

Incorporation of forward-looking information

The ECL calculation and the measurement of significant deterioration in credit risk both incorporate forward-looking information using a range of macro-economic scenarios. The key economic variables are based on historical patterns observed over a range of economic cycles.

- **Credit risk: credit risk exposure**

Maximum exposure to credit risk

The table below represents the Company's maximum exposure to risk, by IFRS 9 stages at the reporting date. The balances are based on gross carrying amounts as reported in the Statement of Financial Position.

	Stage 1	Stage 2	Stage 3	Total
29-Feb-24	£m	£m	£m	£m
Gross exposure	680.6	0.0	0.0	680.6
Loss allowance	1.0	0.0	0.0	1.0
Net exposure	681.6	0.0	0.0	681.6

	Stage 1	Stage 2	Stage 3	Total
28-Feb-23	£m	£m	£m	£m
Gross exposure	563.4	0.0	0.0	563.4
Loss allowance	1.3	0.0	0.0	1.3
Net exposure	564.8	0.0	0.0	564.8

Concentration risk

Concentration risk is the risk of losses arising as a result of concentrations of exposures to a specific counterparty, economic sector, segment or geographical region. The Company could become exposed to this risk were it to become concentrated in certain geographic areas. Such concentrations could produce unacceptable levels of default in some adverse but plausible situations. The Company does not consider itself to be overly concentrated, other than its geographic concentration as a UK business.

Concentration profiles

The following tables provides the geographical distribution of the Company's total credit risk exposures.

	29-Feb-24	28-Feb-23
	£m	£m
UK	216.5	179.3
Europe	191.9	162.3
Other	273.2	223.2
Net exposure	681.6	564.8

Industry type profile

The table below represents the distribution of exposures by industry type.

	29-Feb-24	28-Feb-23

	£m	£m
Financial institutions	242.2	213.5
Industrial	229.2	179.7
Non-US Government	108.4	98.0
Utilities	86.3	73.6
Developed Market Government	15.5	
Net exposure	681.6	564.8

- **Credit risk: loss allowance**

The following table provides a reconciliation of the movements in the loss allowance in the year:

29-Feb-24	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
At 1 March 2023	1.3	0.0	0.0	1.3
Income statement charge				
New financial assets originated	0.4			0.4
Financial assets derecognised during the period	(0.0)			(0.0)
Changes in risk parameters	(0.7)			(0.7)
ECL allowance at 29 February 2024	1.0	0.0	0.0	1.0

28-Feb-23	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
At 1 March 2022	0.8			0.8
Income statement charge				
New financial assets originated	0.4			0.4
Financial assets derecognised during the period	(0.0)			(0.0)
Changes in risk parameters	0.1			0.1
ECL allowance at 28 February 2023	1.3	0.0	0.0	1.3

The following table provides a reconciliation of the movements in the gross carrying amounts of the financial instruments to help explain their significance to the changes in the loss allowance during the year as set out in the above table:

29-Feb-24	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
At 1 March 2023	564.8			564.8
New financial assets originated or purchased	145.6			145.6

Financial assets derecognised during the period	(45.4)			(45.4)
Other movements	16.7			16.7
At 29 February 2024	681.6	0.0	0.0	681.6

	Stage 1	Stage 2	Stage 3	Total
28-Feb-23	£m	£m	£m	£m
At 1 March 2022	584.7			584.7
New financial assets originated or purchased	179.0			179.0
Financial assets derecognised during the period	(154.0)			(154.0)
Other movements	(44.9)			(44.9)
At 29 February 2024	564.8	0.0	0.0	564.8

f. Counterparty default risk

Credit risk is where counterparties fail to meet their obligations in full as they fall due. The main sources of credit risk are:

- Investments
- Tesco Personal Finance plc (intermediary)
- Reinsurers
- Other financial assets

None of the above are past due or impaired.

The Company has an Investment Committee, a Reinsurance Committee, a Board Risk Committee and a Management Risk Committee that monitor the different exposure, rating and accumulation risks. They review policies to ensure risk is controlled.

The table below provides information regarding the credit risk exposure of the Company at 29 February 2024 by classifying assets according to the credit ratings of counterparties. The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

At 29 Feb 2024 (£m)

	AAA	AA	A	BBB	Other	Total
Reinsurance assets	-	125.0	(14.1)	-	(10.3)	100.6
Financial assets FVPL	-	-	-	-	16.7	16.7
Financial assets FVOCI	117.2	99.5	287.0	177.9	-	681.6
Cash and cash equivalents	27.5	-	25.9	-	-	53.4
Other receivables	-	-	-	0.0	1.4	1.4
	144.7	224.5	298.7	177.9	7.8	853.7

At 28 Feb 2023 (£m)

	AAA	AA	A	BBB	Other	Total
Reinsurance assets	-	69.6	22.7	-	11.1	103.4
Financial assets FVPL	-	-	-	-	19.2	19.2
Financial assets FVOCI	93.6	83.6	233.9	153.7	-	564.8
Cash and cash equivalents	26.7	-	19.2	-	-	45.9
Other receivables	-	0.0	0.0	0.3	0.8	1.1
	120.3	153.2	275.9	154.0	31.1	734.4

Investment ratings are provided by three credit rating agencies, Standard & Poor's, Moody's and Fitch. The ratings used are taken from the middle rating of the three agencies.

Included in the table above are bonds of £681.6m (28 Feb 2023: £555.4m) and a property fund of £16.7m (28 Feb 2023: £19.2m). All the bonds are considered to be financial instruments that pass the SPPI test as required by IFRS 9, as described in Note (b) of the significant accounting policies. The property fund does not meet the SPPI test and is valued at fair value through the profit and loss account. There are no other financial instruments that do not meet the SPPI test.

The Company's maximum exposure to credit risk from insurance contract assets issued is £12.5m (28 Feb 2023: £14.0m) and reinsurance contracts held is £100.6m (28 Feb 2023: £103.4m). The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

Investments

The risk is managed within the Company's investment guidelines by the Investment Committee who regularly update the Board. The investment risk appetite is low as the return is required to meet future liabilities arising from the Company's insurance business. The debt securities that the Company holds are held at fair value through other comprehensive income (FVOCI). These are held in a high quality, fixed income portfolio and are intended to be held for an indefinite period and which may be sold in response to needs for liquidity or in response to changes in market conditions.

An analysis of income from debt securities at FVOCI and income from other financial assets is shown in Note 17.

Agents, brokers and intermediaries

The Company only trades through Tesco Personal Finance plc which is authorised by the PRA and regulated by the FCA and the PRA. The levels of debt are regularly monitored and appropriate action is taken in respect of slow and non-payment within the terms of credit.

	2024	2024	2023	2023
	£m	%	£m	%
Within terms	19.0	100.0	18.8	100.0
Total	19.0	100.0	18.8	100.0

Reinsurance

The Company is exposed to credit risk through its reinsurance arrangements, where amounts due under a reinsurance contract may not be paid. The Company manages this risk by using only A grade (or better) reinsurers, or group companies supported by parent guarantee. The ratings of reinsurers are monitored by the Reinsurance Committee.

Other financial assets

The credit risk arising from the other financial assets of the Company, comprising cash and cash equivalents, instalments and other receivables, but excluding related party balances, from the default of the counterparty. Default on instalment payments results in the Company cancelling the underlying policy in order to reduce its exposure.

The maximum exposure is equal to the carrying amount of those assets.

An analysis of other receivables is shown in Note 14.

g. Liquidity risk

The Company is exposed to liquidity risks arising from daily calls on its cash resources, notably from claims arising on its insurance contracts. There is therefore a risk that cash will not be available to settle liabilities when due.

The liquidity risk needs to be balanced against the aim to match the maturity of financial assets with the estimate of the settlement of insurance liabilities and also optimise the yield on the investment portfolio.

The Company manages its liquidity risk by having investment guidelines that it maintains sufficient liquidity or its financial assets can be realised at short notice in the event of a major event or catastrophe. The Company may also make use of borrowing facilities if required.

The following tables show information about the estimated timing of the net undiscounted cash flows based on the claims assets and liabilities at 29 February 2024 and contractual maturity profile for the other financial assets (including undiscounted cashflows) and liabilities as at 29 February 2024. The estimated phasing of the claims liabilities is based on current estimates and the actual timing of future settlement cash flows may differ from that disclosed below. The Company undertakes liquidity stress tests to assess the impact on the cash flow from these events.

Maturity profile of financial assets 2024

	£m				
	Within 1 year	2 -5 years	5 years and above	No term	Total
Reinsurance contract assets	133.6	(77.8)	44.8	0.0	100.6
Financial assets where change in fair value is recognised in the profit and loss account	0.0	0.0	0.0	16.7	16.7
Financial assets where change in fair value is recognised in other comprehensive income	108.0	382.1	191.6	0.0	681.6
Other Receivables	1.4	0.0	0.0	0.0	1.4
Cash and cash equivalents	53.4	0.0	0.0	0.0	53.4
Deferred Tax Asset	0.2	6.6	0.0	0.0	6.8
	296.5	310.9	236.4	16.7	860.4

Maturity profile of financial assets 2023

	£m				
	Within 1 year	2 -5 years	5 years and above	No term	Total
Reinsurance contract assets	107.3	(50.7)	46.8	0.0	103.4
Financial assets where change in fair value is recognised in the profit and loss account	-	-	-	19.2	19.2
Financial assets where change in fair value is recognised in other comprehensive income	48.9	325.9	190.0	-	564.8
Other Receivables	1.1	0.0	0.0	0.0	1.1
Cash and cash equivalents	45.9	0.0	0.0	0.0	45.9
Deferred Tax Asset	2.0	9.1	0.0	0.0	11.1
	205.1	284.3	236.8	19.2	745.4

Maturity profile of financial liabilities 2024

	£m				
	Within 1 year	2 -5 years	5 years and above	No term	Total
Insurance contract provisions	420.2	126.7	77.5	0.0	624.4
Loans and borrowings	3.8	12.8	43.3	0.0	59.9
Other Payables	0.8	0.0	0.0	0.0	0.8
Lease Liability	0.1	0.2	0.7	0.0	1.0
	424.8	139.7	121.6	-	686.1

Maturity profile of financial liabilities 2023

	£m				
	Within 1 year	2 -5 years	5 years and above	No term	Total
Insurance contract provisions	339.6	128.0	75.6	0.0	543.2
Loans and borrowings	3.5	13.1	46.4	0.0	63.0
Other Payables	3.6	0.0	0.0	0.0	3.6
Lease Liability	0.1	0.4	0.5	0.0	1.0
	346.7	141.4	122.5	-	610.7

An analysis of insurance contract provisions is shown in Note 13.

h. Capital management (unaudited)

Aims of capital management policy

The Company has established standards for the efficient management of capital, to meet the needs of the business and return on capital requirements of shareholders. This includes the capital required to support the Solvency Risk Appetite as specified in the Company's Risk Appetite Policy in full compliance with the requirements of the PRA. Under the Own Risk and Solvency Assessment (ORSA) process the Company also carries out a regular programme of stress and scenario testing to assess the impact on potential future capital requirements.

The Company has a Resolution Plan document, which has been agreed in principle by the Board, based on the guidelines provided in the PRA's Supervisory Statement on Resolution Planning. This contains the baseline information needed to determine a resolution strategy, including details of the Company's ownership structure, business model, internal dependencies and external interconnectedness; and provides the PRA with sufficient information for them to assess the preferred resolution strategy for the firm.

Definitions of capital management (and supporting terms)

Capital management is the collection of processes and activities undertaken to provide sufficient capital to enable the organisation to meet its liabilities and ultimately ensure its survival, particularly in case of losses arising from adverse events.

Capital management includes the assessment of capital required to support the Company's plans and objectives, the structure of its shareholders' funds, arrangements to secure capital, and the ongoing monitoring of capital against business requirements, as well as the assessments required by the PRA under the Solvency II regime, including the minimum capital requirement (MCR) and solvency capital requirement (SCR), assessed using its approved Solvency II partial internal model (PIM) and Solvency II standard formula (SF). During the period, the Company has principally measured its available capital against the PIM required capital.

The Company has a capital contingency plan which sets out the approach to the risk that it could breach its SCR and require an additional, unplanned capital injection.

Approach to capital management

Each year the Company will prepare a three-year strategic plan, which will be reviewed and restated annually and then formally approved by the Company's Board.

A key factor in the formulation of the Strategic Plan is the ORSA process which covers the assessment of the capital required to support the business objectives (i.e. growth and profit targets) and the appropriateness of the supporting capital structure.

Overall capital requirements and structure are assessed taking account of the following:

- capital required to support the planned growth in new business and renewal premiums and profit targets;
- the required rate of return on capital employed;
- the required dividend; and
- PRA solvency capital requirements based on the Company's approved Partial Internal Model.

The Company's available capital is compared to its risk appetite above the Solvency II PIM SCR. At 29 February 2024 the Company had unaudited Solvency II own funds of £220.2m (2023: £195.2m) against unaudited PIM SCR of £140.7m (2023: £122.8m). The coverage ratio is 157% post dividend (2023: 159%).

Sensitivity to key business drivers

The impact of the changes in key business drivers is each assumed to be a discrete change. All other factors will be unchanged. The method and assumptions remain unchanged from previous periods.

Some of these changes cannot be guaranteed to have a linear effect and as a whole range of other factors will impact the results they cannot be guaranteed to predict the result detailed. In addition the Company's risk management processes are designed to ensure that corrective action is implemented to mitigate or reverse the changes.

Interest yields sensitivity

The Company will be exposed to the impact of interest yield changes on its financial assets and liabilities. If interest yields fall there would be a reduction in income on short-term cash balances and an increase in the market value of fixed interest debt securities. If interest yields rise there would be an increase in income on short-term cash balances and a decrease in the market value of fixed interest debt securities.

As the Company will normally hold its fixed interest debt securities for an indefinite period, it will neither benefit from an increase nor suffer any reduction in its future cash flow. It will either benefit from an increase or suffer a reduction in the yield on any future fixed interest debt securities purchased from surplus funds and the maturity of current investments.

The Company classifies all its debt securities as Fair Value Through Other Comprehensive Income (see note 24) and has also chosen to disaggregate Insurance Finance Income or Expenses through Other Comprehensive Income.(refer to the Sensitivity analysis of insurance risk section above for the impact of changing yields on insurance risk).

The table below shows the sensitivity of changes in interest yields on debt securities measured through FVOCI.

Interest yields 2024	2024 £m	2024 £m	2024 £m	2024 £m
Interest yield change	+ 0.5%	+ 0.25%	- 0.25%	- 0.5%
Increase/(reduction) in profit	0.5	0.2	(0.2)	(0.5)
Increase/(decrease) in net assets	(3.4)	(1.7)	1.7	3.4

Total estimated increase/(decrease) in net assets excluding tax impact	(2.9)	(1.5)	1.5	2.9

Interest yields 2023	2023 £m	2023 £m	2023 £m	2023 £m
Interest yield change	+ 0.5%	+ 0.25%	- 0.25%	- 0.5%
Increase/(reduction) in profit	0.3	0.2	(0.2)	(0.3)
Increase/(decrease) in net assets	(3.4)	(1.7)	1.7	3.4
Total estimated increase/(decrease) in net assets excluding tax impact	(3.1)	(1.5)	1.5	3.1

Expenses increase by 5.0%

If all three expense areas (acquisition, administration, and claims) were to increase by 5.0% each, in addition to the impact on profit of the additional costs, it will also increase the Liability for incurred claims and the provision for insurance acquisition cash flows within the Liability for Remaining Coverage to the extent that these will be recovered by unearned premiums. The £14.5m profit commission received on the commutation of the Motor excess of loss contract reduced the net acquisition costs and therefore contributed to the reduction in the current year impact (refer note 7 for more details).

	2024 £m	2023 (Restated) £m
Total reduction in profit before tax	2.7	2.0
Total reduction in net assets before tax	2.7	2.0

Gross loss ratio increases by 1.0%

If the cost of claims were to increase the gross loss ratio (gross incurred claims as a proportion of gross earned premium) by 1.0% there would be a reduction in profits. It is assumed that a similar portion of claims costs would be recoverable from reinsurers. There would also be an increase in claims handling reserve as a proportion of the claims would be unpaid at the statement of financial position date. This sensitivity analysis support the monitoring of outstanding claims and provisions that has been identified on page 41 as a key source of estimation uncertainty.

	2024 £m	2023 £m

Total reduction in profit before tax	4.2	3.1
Total reduction in net assets before tax	4.2	3.1

24. Financial Instruments

Classification of financial assets and liabilities

The following tables analyse the financial assets and financial liabilities in accordance with the categories of financial instruments in IFRS 9:

	29 February 2024			
	Amortised cost	FVPL - Designated at initial recognition	FVOCI - Debt instruments	Total
	£m	£m	£m	£m
Financial assets				
Cash and balances with central banks	53.4			53.4
Investment securities:				
- FVPL		16.7		16.7
- FVOCI			681.6	681.6
Other financial assets	1.4			1.4
Total Financial Assets	54.8	16.7	681.6	753.1
Subordinated liabilities	42.9			42.9
Other financial liabilities	1.8			1.8
Total Financial Liabilities	44.7	-	-	44.7

	28 February 2023			
	Amortised cost	FVPL - Designated at initial recognition	FVOCI - Debt instruments	Total
	£m	£m	£m	£m
Financial assets				
Cash and balances with central banks	45.9			45.9
Investment securities:				
- FVPL		19.2		19.2

- FVOCI			564.8	564.8
Other financial assets	1.1			1.1
Total Financial Assets	47.0	19.2	564.8	630.9
Subordinated liabilities	42.8			42.8
Other financial liabilities	4.6			4.6
Total Financial Liabilities	47.4	-	-	47.4

The movements in financial assets are as follows:

	FVOCI 29 Feb 2024 £m	FVPL 29 Feb 2024 £m	Total 29 Feb 2024 £m	FVOCI 28 Feb 2023 £m	FVPL 28 Feb 2023 £m	Total 28 Feb 2023 £m
Balance at 1 March	555.5	19.2	**574.7**	576.5	23.1	**599.6**
Additions	145.6	-	**145.6**	179.0	-	**179.0**
Sales and redemptions	(45.4)	-	**(45.4)**	(154.0)	-	**(154.0)**
Fair value unrealised gains and losses - FVOCI assets	14.3	-	**14.3**	(46.0)	-	**(46.0)**
Fair value through profit and loss gains and losses	-	(2.5)	**(2.5)**	-	(3.9)	**(3.9)**
Amortisation of premiums and discounts	(0.0)	-	**(0.0)**	0.0	-	**0.0**
Balance at 29 February/28 February	669.9	16.7	**686.7**	555.5	19.2	**574.7**

As at 29 February 2024 the current portion of financial investments held at FVOCI is £108.0m (28 Feb 2023: £48.9m) and the non-current portion is £573.6m (28 Feb 2023: £515.9m). As at 29 February 2024 the property investment's fair value is through the profit and loss account is non-current £16.7m (28 Feb 2023: £19.2m).

The effective annual interest rate at the statement of financial position date on sterling investments is 2.5% (28 Feb 2023: 2.11%).

During the year £nil (28 Feb 2023: £0.02m) of debt securities held at FVOCI has been reclassified from previously unrecognised gains or losses within OCI to profit or loss on disposal.

Valuation of financial instruments

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

- Level 2: Valuation techniques based on observable inputs other than quoted prices included within Level 1 either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data;
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. The category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.
- The Company receives a valuation statement of our share of the property fund (Level 3) each month. In addition, the underlying assets are valued each month by independent 3rd party surveyors, governed by the code within the RICS Red Book (RICS Valuation - Global Standards). The valuers apply “material uncertainty” clauses in the valuations if they believe there is uncertainty in the valuations they are producing and there remains no adjustment for this fund. The fund has been suspended since October 2023 due to a lack of liquidity. The Company applied a levy discount provision of 10% (£1.9m) to the net asset valuation (£18.6m) of the fund to reflect this ongoing uncertainty.

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	29 Feb 2024			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit and loss				
Property Fund	-	-	16.7	16.7
Financial assets at fair value through Other Comprehensive Income				
Debt securities - fixed rate	681.6	-	-	681.6
Total financial investments	681.6	-	16.7	698.4

	28 February 2023			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit and loss				
Property Fund	-	-	19.2	19.2
Financial assets at fair value through Other Comprehensive Income				
Debt securities - fixed rate	555.5	-	-	555.5
Total financial investments	555.5	-	19.2	574.7

25. Staff Numbers

	29 Feb 2024	28 Feb 2023
Business acquisition	40	36
Claims handling	300	262
Administration	38	34
	378	332

The full time equivalent number of employees was as follows:

	29 Feb 2024	28 Feb 2023
Business acquisition	39	35
Claims handling	288	251
Administration	37	33
	365	319

The average number of persons employed by the Company during the period was as follows:

	29 Feb 2024	28 Feb 2023
Total number of employees	361	338
Full time equivalent number of employees	348	327

26. Related Party Transactions

Identity of related parties

The Company has a related party relationship with its directors. The directors include the key management of the Company. There were no balances outstanding with the directors at year-end. There were no transactions entered into with the directors during the year up to 29 February 2024 or 28 February 2023 other than the remuneration disclosed in Note 8.

In the ordinary course of business, the Company carries out transactions with related parties as defined in IAS 24, Related Party Disclosures. Material transactions and balances due to and (from) related parties are set out below:

	29 Feb 2024		28 Feb 2023	
	Costs £m	Balances £m	Costs £m	Balances £m
Tesco Personal Finance plc	44.2	(17.7)	8.1	(17.8)
Tesco Personal Finance plc - subordinated loan	3.7	42.9	2.4	42.7
	47.8	25.1	10.5	24.9

	29 Feb 2024		28 Feb 2023	
	Costs £m	Balances £m	Costs £m	Balances £m

Tesco Personal Finance plc	44.2	(17.7)	8.1	(17.8)
Tesco Personal Finance plc - subordinated loan	3.7	42.9	2.4	42.7
	47.8	25.1	10.5	24.9

	29 Feb 2024		28 Feb 2023	
	Costs £m	Balances £m	Costs £m	Balances £m
Tesco Personal Finance plc	44.2	(17.7)	8.1	(17.8)
Tesco Personal Finance plc - subordinated loan	3.7	42.9	2.4	42.7
	47.8	25.1	10.5	24.9

Tesco Personal Finance plc provides the Company with IT and management services.

Tesco Personal Finance plc has provided the Company with a subordinated loan of £42.5m. Refer to Note 19 for more details on the loan.

27. Share-based payments

Long-term incentive plans are in place for selected executives and senior managers. Awards in shares made under these plans will normally vest 3 to 5 years after the vesting date(s) set on the date of the award for nil consideration. Vesting is conditional on the achievement of specified performance targets over a three year performance period and/or continuous employment. No payments have been made from this scheme to date. The charge for the year recognised in respect of share based payments is £0.6m, which is made up of share option schemes and share bonus payments. Of this amount, £0.5m will be equity-settled and £0.1m cash-settled representing employee tax and National Insurance contributions.

28. Ownership

The Company is owned by Tesco Personal Finance plc, a company registered in Scotland, whose registered address is 2 South Gyle Crescent, Edinburgh, United Kingdom, EH12 9FQ. Financial Statements for Tesco Personal Finance plc can be downloaded from the link below.

https://bank.tescoplc.com/financial-information/accounts-and-disclosures

The ultimate parent company of Tesco Personal Finance plc is Tesco PLC incorporated in England and Wales, whose registered office at Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA. The smallest group into which the Company is consolidated is Tesco Personal Finance plc and the largest group is Tesco PLC. The Financial Statements for Tesco PLC can be downloaded from the link below. https://www.tescoplc.com/investors/reports-results-and-presentations/results-and-presentations

29. Events After the Reporting Date

There were no events after the reporting date which have required either adjustment or disclosure in these Financial Statements.