TESCO UNDERWRITING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2025

COMPANY NUMBER 6967289

CONTENTS

DIRECTORS AND ADVISERS

Directors:	Elizabeth Buckley	Independent Non-Executive Director and Chair (appointed 01/04/2024)
	Margot Cronin	Independent Non-Executive Director
	Caroline Ramsay	Senior Independent Non-Executive Director
	Simon Machell	Independent Non-Executive Director
	Gary Duggan	Chief Executive Officer (resigned 11/02/2025)
	Paul Cartin	Finance Director (resigned 01/11/2024)
	Gillian Cass	Chief Financial Officer (appointed 29/11/2024)
	Gary Reader	Independent Non-Executive Director (appointed 23/01/2025)

Company Secretary: Gail Stivey (resigned 01/11/2024)
Patricia Mitchell (appointed 01/11/2024)

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 28 February 2025.

Activities

During the period Tesco Underwriting Limited ('the Company' or 'Tesco Underwriting (TU)') continued its underwriting of personal lines insurance business (motor and home) distributed by Tesco Personal Finance Ltd ('TPF') within financial service arm of Tesco, branded as Tesco Insurance and Money Services (Tesco IMS).

Results

The results of the Company are contained in the Financial Statements on pages 22 to 83. The profit before taxation during the period to 28 February 2025 was £41.5m (2024: £35.8m). Additional explanation is included in the Business Review later in this report. The profit for the period included within retained earnings was £31.5m (2024: £27.0m). There was an increase in the market value of investments compared to their carrying value, thus the negative fair value reserve after tax reduced by £9.6m (2024: an increase of £10.6m). There was a decrease in the insurance/reinsurance finance reserve after tax of £0.8m as a result of yields on longer tail cashflows increasing, impacting reinsurance recovery more than insurance claim liabilities. (2024: a decrease of £2.8m).

Financial Position

At the end of the period total assets were £1,061.2m (2024: £871.7m) with financial investments being £869.8m (2024: £698.3m). Financial investments are fixed rate debt securities and a property investment fund. Cash and cash equivalents were £87.1m (2024: £53.4m) and reinsurance contract assets were £90.0m (2024: £100.6m).

Total liabilities at the end of the period were £795.1m (2024: £669.0m) with insurance contract liabilities of £792.4m (2024: £624.3m). Loans and borrowings became nil as the loan with no stated maturity of £42.3m was converted into share capital during the financial year. (2024: £42.9m).

Solvency

At 28 February 2025 the Company had unaudited Solvency II own funds of £287.7m (2024: £220.2m) compared to a Standard Formula (SF) Solvency Capital Requirement (SCR) of £188.8m (2024: £140.7m, based on a Partial Internal Model) and the coverage ratio of 152% (2024: 157%).

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 motor and home insurance policies, introduced to it by Tesco Personal Finance Ltd (TPF). The Company was 100% owned by TPF but ownership changed to Tesco Personal Finance Group Limited (TPFG) on 19 Feb 2025.

The overall role of the Company is to support the personal lines insurance strategy of TPFG through offering motor and home insurance 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.

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 1,771k at 28 February 2025 (2024: 1,486k). The Company's net promoter score was at 69 (2024: 66). Net promoter score is administrated by an independent organisation (KPMG) by measuring policyholder responses as per industry standards.

	Year ended 28 Feb 2025 £m	Year ended 29 Feb 2024 £m	% Change %
Insurance Revenue	653.4	420.5	55.4

Insurance Revenue, representing the premiums earned in the year up to 28 February 2025 was 55% higher than 2024 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.

	Year ended 28 Feb 2025 £m	Year ended 29 Feb 2024 £m	% Change %
Profit Before Tax	41.5	35.8	15.9

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 great customer service to its policyholders.

The profit before tax in the period was £41.5m and reflects an increase in profit due to increase in volumes during this year. The underlying profitability of the motor portfolio deteriorated slightly in the period caused by expenses increase. Within the home portfolio the current period result was mainly impacted by the cold and stormy weather.

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

	Year ended 28 Feb 2025 %	Year ended 29 Feb 2024 %	Change %
Operating Ratio	98.2	94.6	3.6

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 2024 by 3.6% mainly driven by increase in commission and levy.

	Year ended 28 Feb 2025 %	Year ended 29 Feb 2024 %	Change %
Return on capital after tax	13.4	14.6	(1.2)

Return on capital after tax is a measure of the efficiency with which the Company uses its shareholder's equity. This is measured by taking profit after tax over average shareholder's equity for the 12-month period. There is a drop of 1.2% compared to last year, mainly due to conversion of loan with no stated maturity of £42.3m into capital. If this impact is excluded, the return on capital after tax would be an improvement from last year with 0.2% increase to 14.8%.

Principal Risks and Uncertainties

The Company's principal risks and uncertainties and the way that these risks are managed are detailed in note 21 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 2024 and 2025 the Management Risk Committee's (Executive Risk Committee post 1st November 2024) 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 21.

Environment

Overview

The Climate Change programme is overseen by the ExCo, with the Senior Management Function (SMF) accountability for managing climate change risk being held by the Chief Risk Officer(CRO). The Company is committed to understanding and reducing its environmental impact, as well as assessing and managing the risks arising from climate change. The Company's ambition is to achieve its target of carbon neutral in its own operations by 2035 and net zero across the Company's whole footprint by 2050. The Company continues to work closely with Tesco to ensure that its and Tesco's approach to tackling climate change are aligned.

Governance

Progress updates are provided to the Executive Risk Committee (ERC) and Board Risk Committee (BRC) on a quarterly basis.

Strategy

Management believes that the nature of the Company's business model results in the direct risks from climate change being low. This is due to the short duration of the Company's insurance activities and the fact that insurance is not reliant on collateral which may be more likely to be impacted by climate change.

A number of areas have been identified where the Company has exposure to climate change, however these typically represent an indirect or low risk to the Company. The Company has exposures to customers who work for industries whose business models may be impacted through the transition to a greener economy and, as a result, could face lower income or the loss of their job. Physical impacts of weather events may affect the ability of the Company's colleagues to work in the office, although this continues to be significantly mitigated through the move to hybrid working practices. The likelihood of an increased severity and frequency of weather events may impact Home insurance claims received by the Company and the cost of reinsurance covers. Finally, there may be transitional impacts on the motor insurance market, for example through the move to electric cars, which may impact the Company's Motor insurance business.

Areas of focus for risk management over the next year are maintaining climate-related management information and ensuring business areas have fully embedded climate change into their risk identification and control processes.

Risk Management

Climate change forms part of the Environment and Social risk which is a Level 1 risk in the Company's risk taxonomy, though the areas that it impacts cut across the Company. The primary risks identified are transition risk via investments; physical risk via impacts on the Company's customers and colleagues; and reputational risk.

As part of the Risk Management Framework(RMF), the identification and assessment of climate change risk are embedded within the relevant business areas as a business-as-usual process.

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.

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

During the year the ownership structure changed from Tesco Personal Finance plc (TPF) to Tesco Personal Finance Group Ltd (TPFG). This change resulted from reorganisation of the Group following the sale of TPF's Banking business on 1 November 2024 and creating an internal division of the business called 'Insurance & Money Services' (IMS) which covers TPFG, TPF and TU along with Money services activities. IMS is run as a single management division with its own Executive Committee reporting up to the relevant entity Boards within IMS (including TU). As a wholly owned subsidiary of TPFG and part of IMS, TU's strategy is unchanged and is aligned to support the Tesco commitment to the UK insurance market and to Tesco customers. The Board uses the relationship with Tesco PLC and TPFG to make use of rich customer data, a strong brand and a Clubcard loyalty programme to better serve customers. Shareholder Reserved Matters have been agreed and significant matters such as the annual business plan and long-term plan are referred to TPFG for concurrence, as necessary.

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. The Company 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.

Our continued investment in digital solutions are to enhance and simplify the end-to-end customer experience.

Our Suppliers

The Company 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 TU's Outsourcing and Supply Chain Management Framework which includes detail of how TU 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

TU tracks colleague sentiment and performance against key performance objectives using a continuous listening programme.

The listening initiatives are Company-wide quarterly pulse surveys, monthly pulse surveys with our Challenger Network (a business-representative group of colleagues) and the annual Every Voice Matters (EVM) survey. TU considers EVM to be the most effective mechanism to measure colleague engagement. All Company colleagues receive the survey, with an 80% completion rate benchmark.

A robust communications and engagement plan was put in place throughout the preparation period of the sale of TPF's banking business. Our colleagues reported they felt supported and informed throughout.

The EVM results provide Management detailed insight into where the business is thriving and where more attention is needed. The most recent EVM survey results (from January 2025) reported that the link between colleagues' work and Tesco's purpose is strong. Colleagues also have a positive perception about being listened to and feeling they can be themselves at work without fear of judgement.

The Board and Senior Management are responsible for ensuring that EVM action plans exist. The Head of People reports EVM results to the Board, allowing the Company's leadership team to review and discuss colleague feedback to shape business plans.

TU is committed to promoting a diverse, inclusive workplace, reflective of the communities it serves. It has an Equal Opportunities and Diversity Policy, setting how TU will support its culture aspirations. This Policy aims to ensure that colleagues receive equal opportunities during their careers, alongside a fair process to attract, develop and retain talent. In addition, TU has introduced five DE&I commitments, in line with TPFG, to further enhance our efforts.

The Company's Code of Business Conduct defines the standards and behaviours expected of colleagues and supports its core values. Company policies and mandatory training, including anti-bribery and corruption, competition law, data protection and whistleblowing, help colleagues understand what the Code means in practice.

Colleagues must complete mandatory training to reinforce the importance of these standards. New colleagues must complete the suite of mandatory training within 30 days of joining the Company. We require refresher training on an annual basis, making sure colleagues understand the Company's objectives and the regulatory environment it operates in.

The Board and Senior Management lead by example, ensuring their activities reflect the culture expected from the Company’s colleagues and other stakeholders, driving the right behaviours. The Board is responsible for reviewing the annual report on whistleblowing, in compliance with the Whistleblowing Policy. The Company's independent and confidential whistleblowing service gives colleagues the ability to raise concerns about misconduct and breach of the Code of Business Conduct.

Supporting colleagues to be their best and play their part in delivering Tesco’s purpose is a key priority for the Company. Working closely with Tesco, TU is committed to actively supporting colleagues to live healthier lives and make healthier choices around their physical, financial, and emotional wellbeing. Colleagues have access to an Employee Assistance Programme, with a Virtual GP service, online content, webinars and over the phone support. This is an independent and unlimited 24/7 telephone support line.

Colleagues are encouraged to become involved in the financial performance of Tesco through a variety of schemes, principally the Tesco savings-related share option scheme (Save As You Earn). There are also communication and engagement activities to help them be advocates of the products and services available across Tesco, including discounts through a Colleague Clubcard and access to colleague savings portals, including the Value Vault and Deals & Discounts.

Our Community

In 2024/2025, colleagues supported the charity partners, Maggie’s and The Trussell Trust, through a variety of Company-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. The Tesco 20% top-up scheme is available to the Company's colleagues to allow them to apply for a 20% increase to any charitable funds raised.

This report was approved by the Tesco Underwriting Board of Directors on 1 May 2025 and signed on its behalf by:

P. Lynne Mitchell

Patricia Mitchell
Company Secretary

Position as at 28 February 2025

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.

Business Ownership

During the year, the ownership structure changed from TPF to TPFG. Tesco Underwriting Limited is now a wholly owned subsidiary of Tesco Personal Finance Group Limited. Its ultimate parent company remains Tesco PLC.

Inflationary pressures

The Company continued to face inflationary pressures seen across the UK and the world. Higher operating and claims costs led to increased premium pricing in the motor and home portfolios. However, higher interest rates during the year supported improved returns on investments. Given the overall position, the Company has assessed the risks as manageable within the context of its existing plans.

Future Developments

The Company plans to continue with its existing role in 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.

	2025			2024		
	Total	Utilities	Travel	Total	Utilities	Travel
Co2e tonnes	511.4	468.6	42.8	466.5	431.9	34.6
Co2e tonnes per FTE	1.3	1.2	0.1	1.3	1.2	0.1

The figures represent TU's carbon footprint in the financial period to 28 February 2025. 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-2024. 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 (2024: 1.3). This is an assessment of energy usage within the 2 offices in Newcastle and Reigate and business travel. For the energy usage in Newcastle, calculation has been adjusted to account for the effect of separation (the sale of TPF's banking business) and a faulty meter at year-end to ensure comparability with last year.

The responsibility for managing the risks of Climate Change has been allocated to the Chief Risk Officer. During the year, the Company monitors 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 operational risk 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 ensures 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 Environmental, 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 403 (2024: 361). The full-time equivalent number of employees adjusted for part time staff was 387 (2024: 348). The salary costs for 2024/25 were £23.0m (2023/24: £18.6m). An analysis of staff numbers is shown in note 23.

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 TPFG, they are included signatories to the Women in Finance Charter and align with TPFG'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 maintained its women's representation, remaining above its stretch target of 40% representation of women in leadership (ExCo, director of, head of department) positions to meet the 2025 target deadline.

The Company had a target to increase ethnicity representation to 10% in the leadership team by 2025. As of 28 February 2025, ethnicity representation amongst the leadership team had reached 10%. An increased target of 12% across Company leadership has been set for 2026.

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 or in the process of being issued 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.

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 1 May 2025 and signed on its behalf by:

P. Lynne Mitchell

Patricia Mitchell
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 insufficient 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 28 February 2025 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 27.

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 matter that we identified in the current period is the insurance contract liability for bodily injury claims and the related reinsurance assets.
Materiality	The materiality that we used in the current period was £4.2m which was determined on the basis of 2% of net assets.
Significant changes in our approach	We have not identified that transition to IFRS 17 as a key audit matter in the current year as this was fully implemented in the prior year, and we focused our efforts on the full adoption of the standard in the prior year. In the current year, we have expanded the key audit matter identified in the insurance contract liabilities, which now covers the liability for incurred claims for all bodily injury claims, rather than just the large bodily injury claims. This is in response to the increased risk identified as a result of changes in key personnel involved in the estimation process.

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:

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

Key audit matter description	The company's liability for incurred claims ("LIC") forms the majority of the insurance contract liabilities, which total £792.5m as at 28 February 2025 (2024: £624.4m), with reinsurance contract assets of £90.0m (£100.6m as at 29 February 2024). 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, bodily injury claims relating to motor insurance policies represent the most significant area of management judgement. During the year, management reviewed their approach to the use of industry experience data, as well as their own experience data, in setting key assumptions. Our key audit matter is focused on the key assumptions including incurred development, plan loss ratios and frequency & severity, used in calculating the undiscounted BEL for bodily injury claims, on a gross and net basis. Given the impact of the significant judgements taken by Management in the measurement of the undiscounted BEL for bodily injury claims, and changes in key actuarial personnel during the year, we also consider there is an inherent risk of fraud as these judgements are subject to the risk of management bias. Notes 1 and 11 of the financial statements provide further detail on critical judgements and key sources of estimation uncertainty in relation to this matter. The insurance contract liabilities are also discussed in the Strategic Report on page 2 of the annual report.
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. In conjunction with our actuarial specialists, we performed the following procedures: • Calculated an independent reasonable range of the undiscounted gross and net BEL for bodily injury claims using the entity'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 actuarial papers and reports from management, and external actuarial experts appointed by the company, assessing and challenging methodologies and key assumptions used; and • Assessed management's roll forward of results from the pre-period-end full reserving review to the period-end. We also tested the completeness and accuracy of management's data used to determine the above independent range through reconciliation of claims data to the claims administration system.
Key observations	Based on our audit procedures above, we concluded that the key assumptions used in calculating the undiscounted BEL for bodily injury 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	£4.2m (2024: £3.5m)
Basis for determining materiality	Materiality has been determined as 2.0% of net assets (2024: 2.0% of net assets).
Rationale for the benchmark applied	We consider net assets to be the key 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 65% of materiality for the 2025 audit (2024: 60%). 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; and
b. the nature, volume and size of misstatements identified in the previous audit.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £210k (2024: £175k), 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 and claims 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, and the financial statement close process; we were able to rely upon the operating effectiveness of these controls during the period. We also gained an understanding of key controls around the insurance contract liabilities, including those around the actuarial best estimate. As part of interim work we identified deficiencies on certain management review controls and we did not rely on these in our audit; management took steps to remediate these prior to year-end.

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, the Audit Committee, and the PRA about their own identification and assessment of the risks of irregularities, including those arising from changes in key management personnel and 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 regulatory 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 following areas: insurance contract liability for bodily injury claims and related reinsurance assets, and the accuracy of insurance revenue.

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 PRA and HMRC.

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 requirements of the FCA.

11.2. Audit response to risks identified

As a result of performing the above, we identified insurance contract liability for 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;
- discussing regulatory matters with our regulatory specialist and meeting with the PRA;

- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with HMRC, the FCA and PRA;
- in addressing the risk of fraud of accuracy of insurance revenue, making use of data analytics for risk assessment and focused sampling on the premiums driving insurance revenue; testing relevant controls over the automated calculation of insurance revenue and automated controls that operate within the policy administration system; working with of our Data Analytics team to reperform a 100% recalculation of the earning of insurance revenue; and testing a sample of transactions to evaluate the completeness and accuracy of relevant data used in the recalculation of insurance revenue; 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 four years, covering the periods ending 28 February 2022 to 28 February 2025.

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.

Tom Noble FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Bristol, United Kingdom

1 May 2025

STATEMENT OF PROFIT or LOSS and OTHER COMPREHENSIVE INCOME

	Note	28 Feb 2025 £m	29 Feb 2024 £m
Insurance Revenue		653.4	420.5
Insurance Service Expense	3	(561.8)	(359.6)
Insurance Service Result before reinsurance contracts held		**91.6**	**60.9**
Net expenses from reinsurance contracts held	4	**(71.9)**	**(40.6)**
Insurance Service Result		**19.7**	**20.3**
Interest revenue calculated using the effective interest method	5	31.9	22.0
Net fair value gains/(losses) on financial assets at fair value through profit or loss	5	(2.1)	(2.5)
Net fair value gains on derecognition of financial assets measured at fair value through other comprehensive income	5	(0.5)	-
Net (debit)/credit impairment loss on financial assets		(0.2)	0.3
Total Investment Income		**29.1**	**19.8**
Insurance finance expenses for insurance contracts issued	5	(10.5)	(6.5)
Reinsurance finance income for reinsurance contracts held	5	2.0	1.1
Net insurance financial result		**20.6**	**14.4**
Other income and expense		1.2	1.1
Profit before tax		41.5	35.8
Income tax expense	7	(10.0)	(8.8)
Profit for the year		31.5	27.0
Other Comprehensive Income			
OCI to be reclassified to profit or loss in subsequent periods			
Change in fair value of financial assets		12.8	14.1
Debt instruments at fair value through other comprehensive income		**12.8**	**14.1**
Insurance finance (expense)/income for **insurance contracts issued**	5	(0.3)	(4.6)
Insurance finance (expense)/income for **reinsurance contracts held**	5	(0.8)	0.9
Insurance finance (expense)/income		**(1.1)**	**(3.7)**
Net insurance financial result		**11.7**	**10.4**
Income tax relating to items that may be reclassified		(2.9)	(2.6)
Total other comprehensive income		**8.8**	**7.8**
Total Comprehensive income		**40.3**	**34.8**

TESCO UNDERWRITING LIMITED
Registered number 6967289

STATEMENT OF FINANCIAL POSITION

	Note	28 Feb 2025 £m	29 Feb 2024 £m
Assets			
Cash and cash equivalents	8	87.1	53.4
Equity and debt instruments at fair value through profit or loss	9	14.6	16.7
Debt instruments at fair value through other comprehensive income	10	855.2	681.6
Reinsurance contract assets	11	90.0	100.6
Other Receivables	12	1.3	1.4
Current tax asset		-	0.6
Deferred tax asset	13	4.1	6.8
Intangible assets	14	7.7	9.0
Property, plant and equipment	15	1.2	1.6
Total Assets		1,061.2	871.7
Liabilities			
Current tax liabilities		1.2	-
Other Payables and Deferred income	17	1.5	1.8
Insurance contract liabilities	11	792.4	624.4
Financial liabilities - loans and borrowings	18	-	42.8
Total Liabilities		795.1	669.0
Equity			
Issued capital	19	172.0	129.7
Retained earnings		103.1	91.6
Fair value reserve		(22.4)	(32.0)
Insurance/reinsurance finance reserve		12.1	12.9
Share based Payment Reserve	25	1.3	0.5
Total Shareholder's Equity		266.1	202.7
Total equity and liabilities		1,061.2	871.7

The notes on pages 26 to 83 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 1 May 2025 and were signed on its behalf by:

G Cass
Director

STATEMENT OF CHANGE IN EQUITY

	Notes	Share Capital £m	Retained Earnings £m	Fair Value Reserve £m	Insurance Finance Reserve £m	Share-based payment reserve £m	Total Equity £m
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)		-	-	14.1	-	-	14.1
Insurance Finance Income from Insurance contracts issued	5	-	-	-	(4.6)	-	(4.6)
Insurance Finance Income from reinsurance contracts held	5	-	-	-	0.9	-	0.9
Income Tax on Other Comprehensive Income			-	(3.5)	0.9	-	(2.6)
Total comprehensive income		-	27.0	10.6	(2.8)	-	34.8
Dividend Payments		-	-	-	-	-	-
Share based payments		-	-	-	-	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
Profit for the period		-	31.5	-	-	-	31.5
Fair value movement on investment securities held at FVOCI (before tax)		-	-	12.8	-	-	12.8
Insurance Finance Income from Insurance contracts issued	5	-	-	-	(0.3)	-	(0.3)
Insurance Finance Income from reinsurance contracts held	5	-	-	-	(0.8)	-	(0.8)
Income Tax on Other Comprehensive Income		-	-	(3.2)	0.3	-	(2.9)
Total comprehensive income		-	31.5	9.6	(0.8)	-	40.3
Dividend Payments (£0.15 per share)		-	(20.0)	-	-	-	(20.0)
Share based payments		-	-	-	-	0.8	0.8
Sub Loan Conversion	18	42.3	-	-	-	-	42.3
Total transactions with owners		42.3	(20.0)	-	-	0.8	23.1
Balance as at 28 February 2025		172.0	103.1	(22.4)	12.1	1.3	266.1

STATEMENT OF CASHFLOW

	28 Feb 2025	29 Feb 2024
	£m	£m
Cash flows from operating activities		
Profit before tax	41.5	35.8
Adjustments for:		
Investment income	(31.9)	(22.0)
Impairment (Gain) / Loss on Investment	0.2	(0.3)
Finance costs	3.6	3.7
Amortisation of intangible assets	3.5	3.3
Depreciation of property, plant and equipment	0.4	0.7
Change in valuation of financial investments	2.1	2.5
Operating profit before working capital changes	**19.4**	**23.7**
(Increase)/decrease in reinsurance contract assets	9.8	3.8
Decrease/(increase) in other receivables	0.1	(0.3)
Increase/(decrease) in insurance contract liabilities	168.4	77.1
(Decrease)/increase in other payables and deferred income	(0.3)	(2.8)
Cash flows generated by/(used in) operations	**197.4**	**101.5**
Interest received	28.6	18.9
Dividend Received	0.9	0.8
Tax paid	(8.2)	(7.4)
Net cash flows from operating activities	**218.7**	**113.8**
Cash flows from investing activities		
Purchase of financial investments	(284.9)	(145.6)
Sale of financial investments	126.3	45.4
Purchase of intangible assets	(2.2)	(2.4)
Net cash (used in)/from investing activities	**(160.8)**	**(102.6)**
Cash flows from financing activities		
Dividend paid	(20.0)	-
Interest paid	(4.2)	(3.6)
Net cash used in financing activities	**(24.2)**	**(3.6)**
Net increase/(decrease) in cash and cash equivalents	33.7	7.6
Cash and cash equivalents at 1 March	53.4	45.8
Cash and cash equivalents at 28 February/29 February	**87.1**	**53.4**
Cash and cash equivalents available to the Company	**87.1**	**53.4**

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 Group Limited.

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.

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. Unaudited SCR coverage at 28 February 2025 is 152% (157% at 29 February 2024).

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 Fair Value through Other Comprehensive Income (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 Statement of 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 rates 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.

The Company has applied the Pillar Two income taxes exception in IAS12, so neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes. Pillar Two legislation (designed and agreed by the Organisation for Economic Co-operation and Development Inclusive Framework jurisdictions) has been enacted in the UK introducing a global minimum effective tax rate of 15%

(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 statement of 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 Statement of 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 22 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 21 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.

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 within the group of reinsurance contracts held on 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 Statement of 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 and excess of loss 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 Statement of 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 Statement of Profit or Loss for the year in the period in which they are incurred.

Depreciation is charged to the Statement of 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 Statement of Profit and Loss.

(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 Statement of 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 the Statement of profit or loss. 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 Statement of 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 Plc 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. 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 measurement 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 netted 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 contract 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.

Diversification benefits are reflected by using the reserve risk distribution from the former SII capital model as this allows for the distribution of all best estimate cashflows. The reserve risk distribution from the former 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 80th percentile (29 Feb 2024: 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 80th percentile confidence level less the mean of an estimated probability distribution of the future cash flows (the Actuarial Best Estimate). 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 Actuarial Best Estimate (ABE). A single percentage uplift will be used for all lines of business. This uplift will be assessed annually.

Accounting estimates

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 11 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 2025	4.10%	4.43%	4.54%	4.64%	4.67%	4.71%
February 2024	4.94%	4.75%	4.59%	4.42%	4.36%	4.29%

Scenarios, such as the Ogden discount rate (see note below) 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 +0.50%. The impact of a +/-2% recovery rate on accidental damage can be in a range of +/- £13.6m. Volatility in the average claim size for bodily injury capped claims could result in a difference of +/- £13.6. 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.

Note : The Ogden discount rate, also known as the personal injury discount rate, is a factor used in calculating lump sum compensation for personal injury claims. It's a rate of return that a claimant is expected to earn if they invest the lump sum compensation.

3. Insurance Service Expenses

	28 February 2025		
	Motor	**Home**	**Total**
	£m	**£m**	**£m**
Incurred claims and other expenses	(423.8)	(77.5)	(501.3)
Amortisation of insurance acquisition cash flows	(39.5)	(15.9)	(55.4)
Changes to liabilities for incurred claims	(1.7)	(3.4)	(5.1)
Total	**(465.0)**	**(96.8)**	**(561.8)**

	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	**(277.7)**	**(81.9)**	**(359.6)**

Incurred claims and other expenses in the table above include auditor's remuneration and staff costs.

Audit remuneration: the Company will pay its auditor £925,968 (29 Feb 2024: £851,974): £763,968 (29 Feb 2024: £731,866) for the audit of these financial statements, £162,000 (29 Feb 2024: £120,108) for the audit of the Solvency and Financial Condition Report.

Staff costs: the Company incurred wages and salaries £20.0m (29 Feb 2024: £17.0m); social security costs £2.2m (29 Feb 2024: £1.7m) and defined contribution pension plans £1.0m (29 Feb 2024: £0.9m).

4. Net expenses from reinsurance contracts held

	28 February 2025	29 February 2024
	£m	£m
Allocation of reinsurance premiums	(273.1)	(182.6)
Amounts recoverable from reinsurers for incurred claims	201.2	142.0
	(71.9)	(40.6)

5. 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:

	28 February 2025			
	Insurance Related		Non-insurance	
	Motor	Home	Related	Total
Interest revenue calculated using the effective interest method			31.9	31.9
Other interest and similar income				
Net fair value gains/(losses) on financial assets at fair value through profit or loss			(2.1)	(2.1)
Net fair value gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income			(0.5)	(0.5)
Net credit/(debit) impairment loss on financial assets			(0.2)	(0.2)
Net foreign exchange income/(expenses)				
Total amounts recognised in the profit or loss			29.1	29.1
Amounts recognised in OCI			12.8	12.8
Total investment income			41.9	41.9
Insurance finance income/(expenses) from insurance contracts issued				
Interest accreted to insurance contracts using current financial assumptions				
Interest accreted to insurance contracts using locked-in rate	(8.8)	(1.7)		(10.5)
Due to changes in interest rates and other financial assumptions	(0.1)	(0.2)		(0.3)
Net foreign exchange income/(expenses)				
Total insurance finance income/(expenses) from insurance contracts issued	(8.9)	(1.9)		(10.8)
Represented by:				
Amounts recognised in profit or loss	(8.8)	(1.7)		(10.5)
Amounts recognised in OCI	(0.1)	(0.2)		(0.3)
Reinsurance finance income/(expenses) from reinsurance contracts held				
Interest accreted to reinsurance contracts using current financial assumptions				
Interest accreted to insurance contracts using locked-in rate	1.7	0.3		2.0
Due to changes in interest rates and other financial assumptions	(0.9)	0.1		(0.8)
Net foreign exchange income/(expense)				
Reinsurance finance income/(expenses) from reinsurance contracts held	0.8	0.4		1.2
Represented by:				
Amounts recognised in profit or loss	1.7	0.3		2.0
Amounts recognised in OCI	(0.9)	0.1		(0.8)
Total net investment income, insurance finance expenses and reinsurance finance income				
Represented by:				
Amounts recognised in profit or loss	(7.1)	(1.4)	29.1	20.6
Amounts recognised in OCI	(1.0)	(0.1)	12.8	11.7

	29 February 2024			
	Insurance Related		Non-insurance Related	Total
	Motor	Home		
Interest revenue calculated using the effective interest method			22.0	22.0
Other interest and similar income				-
Net fair value gains/(losses) on financial assets at fair value through profit or loss			(2.5)	(2.5)
Net fair value gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income				-
Net credit/(debit) impairment loss on financial assets			0.3	0.3
Net foreign exchange income/(expenses)				
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 current financial assumptions				
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)
Net foreign exchange income/(expenses)				
Total insurance finance income/(expenses) from insurance contracts issued	(9.7)	(1.4)		(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 reinsurance contracts using current financial assumptions				
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
Net foreign exchange income/(expense)				
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)	(0.9)	19.8	14.5
Amounts recognised in OCI	(3.4)	(0.3)	14.1	10.4

6. Directors' Emoluments

	28 Feb 2025 £m	29 Feb 2024 £m
Short-term employee benefits	1.3	1.0
Post-employment benefits (see note below)	-	0.1
Share-based payments (Note 25)	-	-
	1.3	1.1

The aggregate of emoluments of the highest paid director was £560,126, with no post-employment benefits (29 February 2024: £420,028, with £29,092 post-employment benefits). Post-employment benefits for all Directors in the 12-month period ended 28 February 2025 were nil (29 February 2024: £58,169).

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

7. Income Tax

	28 Feb 2025 £m	29 Feb 2024 £m
Analysis of tax charge in the period		
Current tax		
UK corporation tax on profits of the period	10.5	7.0
Prior period (over)/under provision in respect of current tax	(0.3)	0.1
	10.2	7.1
Deferred tax		
Origination and reversal of timing differences	(0.2)	1.8
Prior period (over)/under provision in respect of deferred tax	(0.0)	(0.1)
	(0.2)	1.7
Tax on profit on ordinary activities	10.0	8.8
Profit on ordinary activities before tax	41.5	35.8
Profit on ordinary activities at the standard rate of corporation tax in the UK at 25% (2024:24.5%)	10.4	8.8
Expenses not deductible for tax purposes	0.0	-
Prior period (over)/under provision in respect of current tax	(0.1)	0.1
Prior period (over)/under provision in respect of deferred tax	(0.3)	(0.1)
Tax on profit on ordinary activities	10.0	8.8

Statement of other comprehensive income

Current tax recognised through OCI	(0.1)	-
Deferred tax recognised through OCI	2.9	2.6
Total tax recognised directly in equity	2.8	2.6

8. Cash and Cash Equivalents

	28 Feb 2025 £m	29 Feb 2024 £m
Cash at bank	27.2	25.9
Cash equivalents	59.9	27.5
Cash and cash equivalents	87.1	53.4

Cash equivalents include liquidity funds of £23.0m (29 Feb 2024: £21.8m) and custodian funds of £36.8m (29 Feb 2024: £5.7m).

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

	28 Feb 2025 £m	29 Feb 2024 £m
Property Fund	14.6	16.7

10. Debt Instruments at fair value through other comprehensive income

	28 Feb 2025 £m	29 Feb 2024 £m
Debt instruments at FVOCI		
Government debt instruments	93.5	66.4
Other debt instruments		
Financial institutions	386.6	306.2
Non-financial institutions	375.1	309.0
Total other debt instruments	761.7	615.2
Total debt instruments at FVOCI	855.2	681.6

11. 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:

	28 Feb 2025	29 Feb 2024
Insurance contract liabilities - Contracts Issued	£m	£m
Motor insurance	669.1	523.9
Home insurance	123.3	100.4
Total insurance contracts issued	**792.4**	**624.3**
Reinsurance Contract Assets - Contracts Held		
Motor reinsurance	81.6	90.2
Home reinsurance	8.4	10.3
Total reinsurance contracts held	**90.0**	**100.5**
Net Insurance and Reinsurance Contracts	**702.4**	**523.8**

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.

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:

	28 February 2025				
	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 1 Mar	**223.9**	**-**	**286.6**	**13.4**	**523.9**
Insurance revenue	(552.5)	-	-	-	(552.5)
Insurance service expenses	-	-	-		-
Incurred claims and other expenses	-	-	416.5	7.3	423.8
Amortisation of insurance acquisition cash flows (a)	39.5	-	-	-	39.5
Losses on onerous contracts and reversals of those losses	-	-	-	-	-
Changes to liabilities for incurred claims	-	-	1.6		1.6
Insurance service result	**(513.0)**	**-**	**418.1**	**7.3**	**(87.5)**
Insurance finance expenses (b) - Unwind	-	-	8.8	-	8.8
Insurance finance expenses (b) - OCI	-	-	0.1	-	0.1
Total changes in the statement of comprehensive income	**-**	**-**	**8.9**	**-**	**8.9**
Cash flows					
Premiums received (c)	612.4	-	-	-	612.4
Claims and other expenses paid	1.0	-	(349.9)	-	(348.9)
Insurance acquisition cash flows (d)	(39.6)	-	-	-	(39.6)
Total cash flows	**573.8**	**-**	**(349.9)**	**-**	**223.9**
Insurance contract liabilities as at 28 Feb	**284.7**	**-**	**363.7**	**20.7**	**669.1**

	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 1 Mar	**133.5**	**-**	**313.8**	**15.7**	**463.0**
Insurance revenue (earning of new YTD Pren	(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 Feb	**223.9**	**-**	**286.6**	**13.4**	**523.9**

ii. Home Insurance Contracts Issued

The roll-forward of the 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:

	28 February 2025				
	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	**38.7**		**59.1**	**2.6**	**100.4**
Insurance revenue	(100.9)	-	-	-	(100.9)
Insurance service expenses	-	-	-	-	-
Incurred claims and other expenses	-	-	76.8	0.8	77.5
Amortisation of insurance acquisition cash flows (a)	15.9	-	-	-	15.9
Losses on onerous contracts and reversals of those losses	-	-	-	-	-
Changes to liabilities for incurred claims	-	-	3.4		3.4
Insurance service result	**(85.0)**	**-**	**80.2**	**0.8**	**(4.0)**
Insurance finance expenses (b) - Unwind	-	-	1.7	-	1.7
Insurance finance expenses (b) - OCI	-	-	0.2	-	0.2
Total changes in the statement of comprehensive income	**(85.0)**	**-**	**82.1**	**0.8**	**(2.1)**
Cash flows					
Premiums received (c)	114.8	-	-	-	114.8
Claims and other expenses paid	0.4	-	(73.5)	-	(73.1)
Insurance acquisition cash flows (d)	(16.7)	-	-	-	(16.7)
Total cash flows	**98.5**	**-**	**(73.5)**	**-**	**25.0**
Insurance contract liabilities as at 28/02	**52.2**	**-**	**67.7**	**3.4**	**123.3**

	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**

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 in Note 1.
b. The Company has made an accounting policy choice 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

	28 February 2025				
	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 1 Mar	**104.5**	**-**	**(9.3)**	**5.3**	**100.6**
An allocation of reinsurance premiums	(273.1)	-	-	-	(273.1)
Amounts recoverable from reinsurers for incurred claims:	-	-	-	-	-
Amounts recoverable for incurred claims and other expenses	(3.9)	-	220.3	1.8	218.3
Loss-recovery on onerous underlying contracts and adjustments	-	-	-	-	-
Changes to amounts recoverable for incurred claims	-	-	(17.2)	-	(17.2)
Net income or expense from reinsurance contracts held	**(276.9)**	**-**	**203.1**	**1.8**	**(71.9)**
Reinsurance Finance Income	-	-	2.0	-	2.0
Effect of changes in non-performance risk of reinsurers	-	-	(0.8)	-	(0.8)
Total changes in the statement of comprehensive income	**-**	**-**	**1.2**	**-**	**1.2**
					-
Cash flows					-
Premiums paid	68.0	-	-	-	68.0
Amounts received	-	-	(7.8)	-	(7.8)
Total cash flows	**68.0**	**-**	**(7.8)**	**-**	**60.2**
					-
Other movements (b)	232.7	-	(232.7)	-	0.0
Reinsurance contract assets at 28 Feb	**128.4**	**-**	**(45.5)**	**7.2**	**90.0**

	29 February 2024 (a)				
	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 1 Mar	**88.0**	**-**	**8.8**	**6.6**	**103.4**
premiums	(182.6)	-	-	-	(182.6)
Amounts recoverable from reinsurers for incurred claims:	-	-	-	-	-
Amounts recoverable for incurred claims and other expenses	(8.2)	-	156.9	(1.3)	147.5
Loss-recovery on onerous underlying contracts and adjustments	-	-	-	-	-
Changes to amounts recoverable for incurred claims	-	-	(5.5)	-	(5.5)
Net income or expense from reinsurance contracts held	**(190.8)**	**-**	**151.5**	**(1.3)**	**(40.6)**
Reinsurance Finance Income	-	-	1.1	-	1.1
Effect of changes in non-performance risk of reinsurers	-	-	0.9	-	0.9
Total changes in the statement of comprehensive income	**(190.8)**	**-**	**153.5**	**(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 (b)	165.2	-	(165.2)	-	-
Reinsurance contract assets at 29 Feb	**104.5**	**-**	**(9.3)**	**5.3**	**100.6**

Notes:

a. Comparatives have been re-presented to due to the classification of quota share funds withheld. The opening balance for ARC has increased by £267m, for AIC reduced by £267m. For other movements, ARC increased by £106m and AIC decreased by £106m. The closing balance for ARC has increased by £346m and decreased for AIC by £346m. Other line items are immaterial.

b. Other movements include the quota share premiums that are held against future reinsurance recoveries in a Funds Withheld account and the profit commission.

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 £218.1m (29 Feb 2024: £149.1m) is the net of premiums payable, commission receivable, claims recoveries receivable, with the reinsurance margin paid over eight quarterly instalments. In addition, the contract has a profit commission feature of £17.2m (29 Feb 2024: £8.6m). The contract will be commuted four years from inception.

Of the above balance of £218.1m, £2.5m (29 Feb 2024: £17.7m) is classified as current, and £215.6m (£131.3m) 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 affecting 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											
Estimate of gross undiscounted ultimate claims costs	**Feb 15 and Prior**	**Feb-16**	**Feb-17**	**Feb-18**	**Feb-19**	**Feb-20**	**Feb-21**	**Feb-22**	**Feb-23**	**Feb-24**	**Feb-25**	**Total**
At end of the financial year		**255**	**387**	**253**	**283**	**239**	**165**	**233**	**280**	**365**	**443**	
One financial year later		**328**	**373**	**312**	**290**	**288**	**186**	**233**	**289**	**356**		
Two financial years later		**325**	**325**	**278**	**274**	**284**	**168**	**211**	**300**			
Three financial years later		**306**	**323**	**268**	**279**	**238**	**159**	**215**				
Four financial years later		**297**	**321**	**260**	**257**	**224**	**157**					
Five financial years later		**295**	**307**	**252**	**253**	**230**						
Six financial years later		**295**	**298**	**252**	**252**							
Seven financial years later		**295**	**299**	**256**								
Eight financial years later		**294**	**299**									
Nine financial years later		**295**										
Estimate of gross undiscounted ultimate claims costs	**1,624**	**295**	**299**	**256**	**252**	**230**	**157**	**215**	**300**	**356**	**443**	**4,426**
Cumulative payments to date	**(1,551)**	**(288)**	**(287)**	**(249)**	**(237)**	**(218)**	**(131)**	**(182)**	**(228)**	**(270)**	**(258)**	**(3,897)**
Gross undiscounted liabilities for incurred claims	**73**	**7**	**13**	**7**	**15**	**12**	**26**	**33**	**72**	**86**	**184**	**529**
Value of Risk Adjustment												**24**
Effect of discounting												**(127)**
Gross Claims Liabilities												**426**
Ancillary Claims and Expense Liabilities												**29**
Total gross liabilities for incurred claims												**456**

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

						Accident year						
Estimate of net undiscounted ultimate claims costs	**Feb 15 and Prior**	**Feb-16**	**Feb-17**	**Feb-18**	**Feb-19**	**Feb-20**	**Feb-21**	**Feb-22**	**Feb-23**	**Feb-24**	**Feb-25**	**Total**
At end of the financial year		**251**	**305**	**229**	**215**	**184**	**101**	**150**	**169**	**220**	**258**	
One financial year later		**308**	**316**	**277**	**257**	**236**	**138**	**151**	**176**	**209**		
Two financial years later		**317**	**296**	**263**	**241**	**238**	**114**	**130**	**180**			
Three financial years later		**301**	**291**	**251**	**233**	**205**	**95**	**138**				
Four financial years later		**294**	**291**	**246**	**213**	**194**	**103**					
Five financial years later		**292**	**285**	**240**	**209**	**197**						
Six financial years later		**292**	**282**	**239**	**222**							
Seven financial years later		**291**	**279**	**237**								
Eight financial years later		**291**	**282**									
Nine financial years later		**293**										
Current Estimate of Cumulative Claims	**1,557**	**293**	**282**	**237**	**222**	**197**	**103**	**138**	**180**	**209**	**258**	**3,678**
Cumulative payments to date	**(1,523)**	**(284)**	**(276)**	**(233)**	**(210)**	**(185)**	**(89)**	**(109)**	**(136)**	**(164)**	**(149)**	**(3,359)**
Net undiscounted liabilities for incurred claims	**34**	**8**	**6**	**4**	**12**	**12**	**14**	**29**	**44**	**45**	**110**	**319**
Value of Risk Adjustment												**17**
Effect of discounting												**(72)**
Net Claims Liabilities												**264**
Quota Share Funds Withheld and receivable												**201**
Ancillary Claims and Expense Liabilities												**29**
Total net liabilities for incurred claims												**494**

12. Other Receivables

	28 Feb 2025 £m	29 Feb 2024 £m
Deferred other charges	1.3	1.4
Total other receivables	1.3	1.4

13. 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:	28 Feb 2025 £m	29 Feb 2024 £m
Insurance Finance Reserve through OCI	(4.0)	(4.3)
Unrealised loss on debt instruments held at fair value through OCI	7.5	10.7
Share based payments	0.2	0.0
Other temporary differences	0.4	0.4
	4.1	6.8
Movement in temporary differences during the period:		
Balance at 1 March	6.8	11.1
Differences between depreciation and capital allowances	0.0	0.1
Other temporary differences	(0.0)	(1.8)
Unrealised (loss)/gain on debt instruments at FVOCI	(3.2)	(3.5)
Movement on share based payments through income statement	0.2	0.0
Movement on share based payments through equity	0.1	0.0
Movement in Insurance / Reinsurance Finance Reserve	0.3	0.9
Balance at 28 February/29 February	4.1	6.8

Deferred tax asset to be recovered within one year	0.1	0.6
Deferred tax asset to be recovered after more than one year	7.8	10.5
Total deferred income tax asset	7.9	11.1
Deferred tax liability to be recovered within one year	(0.3)	(0.3)
Deferred tax liability to be recovered after more than one year	(3.5)	(4.0)
Total deferred income tax liability	(3.8)	(4.3)
Deferred tax asset (net)	4.1	6.8

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

14. Intangible Assets

	IT software £m
Cost	
Balance at 01 March 2023	39.7
Additions	2.4
Balance at 29 February 2024	42.1
Additions	2.2
Balance at 28 February 2025	44.3
Amortisation and impairment losses	
Balance at 01 March 2023	29.8
Amortisation charge for the period	3.3
Balance at 29 February 2024	33.1
Amortisation charge for the period	3.5
Balance at 28 February 2025	36.6
Carrying amounts	
Balance at 29 February 2024	9.0
Balance at 28 February 2025	7.7

IT software represents specialised software development costs. These costs are recognised at fair value. The amortisation charge of £3.5m is included in Insurance Service Expense in the Statement of Profit and Loss and Other comprehensive Income.

15. Property, Plant & Equipment

	Right of Use Asset: Lease	Furniture	IT equipment	Total
	£m	£m	£m	£m
Cost				
Balance at 01 March 2023	2.4	2.5	1.5	6.4
Acquisitions/(Disposals)	-	(0.1)	-	(0.1)
Balance at 29 February 2024	2.4	2.4	1.5	6.3
Acquisitions/(Disposals)	-	-	-	-
Balance at 28 February 2025	2.4	2.4	1.5	6.3
Depreciation and impairment losses				
Balance at 01 March 2023	1.4	1.8	0.9	4.1
Depreciation charge for the period	0.1	0.1	0.4	0.6
Disposals	-	-	-	-
Balance at 29 February 2024	1.5	1.9	1.3	4.7
Depreciation charge for the period	0.1	0.1	0.2	0.4
Disposals	-	-	-	-
Balance at 28 February 2025	1.6	2.0	1.5	5.1
Carrying amounts				
Balance at 29 February 2024	0.9	0.6	0.2	1.6
Balance at 28 February 2025	0.8	0.5	(0.0)	1.2

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 £0.7m at February 2025 (see note 16), plus a dilapidation provision of £0.1m.

16. 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 £53,300 (29 Feb 2024: £55,037).

(i) Income statement amounts relating to leases

The income statement includes the following amounts relating to leases:

	28 Feb 2025	29 Feb 2024
	£m	£m
Depreciation charge on right of use assets	0.1	0.2
Interest expense on lease liabilities	0.1	0.1
Total	0.2	0.3

(ii) Statement of Financial Position amounts relating to leases:

The Statement of Financial Position includes the following amounts relating to leases:

	28 Feb 2025	29 Feb 2024
	£m	£m
Right of use assets		
Office buildings	0.7	0.8
Total right of use assets	0.7	0.8
Current	0.1	0.1
Non-current	0.8	0.9
Total lease liabilities	0.9	1.0

(iii) Cash flow statement amounts relating to leases:

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

	28 Feb 2025	29 Feb 2024
	£m	£m
Interest paid on lease liabilities	0.1	0.1
Principal payments on lease liabilities	0.1	0.0
Total cash outflow for lease liabilities	0.2	0.1

17. Other Payables and Deferred Income

	28 Feb 2025	29 Feb 2024
	£m	£m
Other payables and accrued expenses	0.1	0.0
Lease liability (note 16)	0.9	1.0
VAT and other taxes payable	0.5	0.8
Total other payables and deferred income	1.5	1.8

18. Financial liabilities - Loans and Borrowings

	28 Feb 2025 £m	29 Feb 2024 £m
Non-current liabilities		
Subordinated Debt	-	42.3
Accrued interest	-	0.6
Total loans and borrowings	-	42.9

During the year, the subordinated debt of amount £42.3m was converted to 42,333,333 ordinary shares. (Note 19)

This transaction did not involve any movement of cash and has therefore been excluded from the statement of cashflows. The conversion resulted in a reduction in Loans and Borrowings and a corresponding increase in share capital.

19. Share Capital

In millions of shares	28 Feb 2025	29 Feb 2024
Ordinary shares in issue at 28 February / 29 February	172.0	129.7
Ordinary shares authorised at 28 February / 29 February	500	500

On 28 February 2025, the issued share capital comprised 64,704,166 ordinary A shares, 64,963,501 ordinary B shares and 42,333,333 ordinary shares. On the same date 42,333,333 ordinary shares were converted to ordinary A shares. Both A and B ordinary shares have a par value of £1 and were fully paid up at the end of the period. On 13 February 2025, the Subordinated Debt was converted into Share Capital (see note 18).

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.

20. 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 the fund over the 12-month period and amounted to £1,018,074 (29 Feb 2024: £905,907).

21. 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 (Executive Risk Committee post 1 November 2024) 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 Executive 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 2024 and 2025.

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 motor and home insurance contracts, as shown below:

	28 February 2025			29 February 2024		
Insurance Revenue (£m)	Insurance	Reinsurance	Net	Insurance	Reinsurance	Net
Motor Insurance	552.5	(261.5)	291.0	346.6	(173.9)	172.7
Home Insurance	100.9	(11.6)	89.3	73.9	(8.7)	65.2
Total net insurance contracts	653.4	(273.1)	380.3	420.5	(182.6)	237.9

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. TPF.

The Company's approach to underwriting risk is characterised by large numbers of policyholders with homogeneous exposures such as motor and home policies. Products are priced based on the Company's knowledge and the technical price is given to its sole intermediary, TPF. TPF 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. 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 four Quota Share contracts each year since December 2021.

Sensitivity analysis of insurance risk

A well designed and executed Stress and Scenario Testing (SST) programme is part of the Company'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
- 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 2) 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 sensitivity analyses presented in the table for the current year is based on updated scenarios, which would be more relevant to current business environment, as such, the parameters used may differ from those applied in the prior year. Comparative figures for below table have not been restated:

2025

	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 after tax (£m)	Impact on equity net of reinsurance after tax (£m)
1	Motor, Home	BEL increase by 5%	(21.8)	(19.3)	16.3	14.5
2	Motor, Home	BEL decrease by 5%	21.8	19.3	(16.3)	(14.5)
3	Motor: Large Bodily Injury Claims	Increase inflation assumption for 2025 to 2027 by 2%	(3.1)	(2.9)	2.3	2.2
4	Motor: Large Bodily Injury Claims	Additional Lump Sum claims of £20m on 2024, £10m and £5m on 2023 UWY	(35.0)	(15.0)	26.3	11.3
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 on IBNR +10% 2018 – 2024	0.0	2.4	0.0	(1.8)
7	Motor: Large Bodily Injury Claims	XOL RI Recovery Rate on IBNR -10% 2018 – 2024	0.0	(2.4)	0.0	1.8
8	Motor, Home	Yield Curve +1%	13.5	9.0	(13.4)	(10.3)
9	Motor, Home	Yield curve -1%	(16.2)	(10.4)	16.0	12.0

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 after tax (£m)	Impact on equity net of reinsurance after tax (£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)

Note – items 1 to 7 in the tables above exclude any impact of discounting.

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 appropriate 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 quarterly Reserving Committee. In addition an independent reserve review is undertaken on an annual basis as part of the year-end audit.

For further details on outstanding claims and provisions or loss reserves see Note 11.

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 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: Expected Credit Loss (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 28 February 2025 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. 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 Company 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 Company 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.

28-Feb-25	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Gross exposure	854.0	-	-	854.0
Loss allowance	1.2	-	-	1.2
Net exposure	855.2	-	-	855.2

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

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.

	28-Feb-25	29-Feb-24
	£m	£m
UK	248.1	216.5
Europe	216.2	191.9
Other	390.9	273.2
Net exposure	855.2	681.6

Industry type profile

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

	28-Feb-25	29-Feb-24
	£m	£m
Financial institutions	332.8	242.2
Industrial	298.3	229.2
Non-US Government	124.4	108.4
Utilities	85.4	86.3
Developed Market Government	14.3	15.5
Net exposure	855.2	681.6

- **Credit risk: loss allowance**

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

28-Feb-25	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
At 1 March 2024	1.0			1.0
Income statement charge				
New financial assets originated	0.4			0.4
Financial assets derecognised during the period	(0.6)			(0.6)
Changes in risk parameters	0.4			0.4
ECL allowance at 28 February 2025	1.2	-	-	1.2

29-Feb-24	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
At 1 March 2023	1.3			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	-	-	1.0

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:

28-Feb-25	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
At 1 March 2024	681.6			681.6
New financial assets originated or purchased	284.9			284.9
Financial assets derecognised during the period	(125.0)			(125.0)
Other movements	13.7			13.7
At 28 February 2025	855.2	-	-	855.2

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	-	-	681.6

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 Limited (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 28 February 2025 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 28 Feb 2025

£m	AAA	AA	A	BBB	Other	Total
Reinsurance assets	-	55.9	30.8	-	3.3	90.0
Financial assets FVPL	-	-	-	-	14.6	14.6
Financial assets FVOCI	155.8	122.6	341.9	234.8	-	855.2
Cash and cash equivalents	59.9	-	27.3	-	-	87.1
Other receivables	-	-	-	-	1.3	1.3
	215.7	178.5	400.0	234.8	19.2	1,048.2

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

Investment ratings are provided by two credit rating agencies, Standard & Poor's and Fitch. The ratings used are taken from the Standard & Poor’s where available and then Fitch.

Included in the table above are bonds of £855.2m (29 Feb 2024: £681.6m) and a property fund of £14.6m (29 Feb 2024: £16.7m). 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 £17.3m (29 Feb 2024: £12.5m) and reinsurance contracts held is £90.0m (29 Feb 2024: £100.6m). 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.

Agents, brokers and intermediaries

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

	2025	2025	2024	2024
	£m	%	£m	%
Within terms	(5.1)	100.0	(2.8)	100.0
Total	(5.1)	100.0	(2.8)	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 12.

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 as well as contractual maturity profile for the other financial assets (including undiscounted cashflows) and liabilities as at 28 February 2025. 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 2025

	£m				
	Within 1 year	2 -5 years	5 years and above	No term	Total
Reinsurance contract assets	178.4	(136.2)	47.9	-	90.0
Financial assets where change in fair value is recognised in the profit and loss account	14.6	-	-	-	14.6
Financial assets where change in fair value is recognised in other comprehensive income	118.0	528.5	208.6	-	855.2
Other Receivables	1.3	-	-	-	1.3
Cash and cash equivalents	87.1	-	-	-	87.1
Deferred Tax Asset	(0.2)	4.3	-	-	4.1
	399.1	396.7	256.5	-	1,052.3

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	-	100.6
Financial assets where change in fair value is recognised in the profit and loss account	-	-	-	16.7	16.7
Financial assets where change in fair value is recognised in other comprehensive income	107.9	382.1	191.6	-	681.6
Other Receivables	1.4	-	-	-	1.4
Cash and cash equivalents	53.4	-	-	-	53.4
Deferred Tax Asset	0.2	6.6	-	-	6.8
	296.5	310.9	236.4	16.7	860.5

Maturity profile of financial liabilities 2025

	£m				
	Within 1 year	2 -5 years	5 years and above	No term	Total
Insurance contract provisions	549.6	145.3	97.5	-	792.4
Loans and borrowings	-	-	-	-	-
Other Payables	0.6	-	-	-	0.6
Lease Liability	0.1	0.2	0.6	-	0.9
	550.3	145.5	98.1	-	793.9

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	77.4	-	624.3
Loans and borrowings	3.8	12.8	43.3	-	59.9
Other Payables	0.8	-	-	-	0.8
Lease Liability	0.1	0.2	0.7	-	1.0
	424.8	139.7	121.4	-	686.0

An analysis of insurance contract provisions is shown in Note 11.

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 the Solvency II standard formula (SF).

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.

During the year, the Company changed its Solvency II SCR calculation from using a Partial Internal Model (PIM) to the Standard Formula approved by PRA. The Company's available capital is compared to its risk appetite above the SCR. At 28 February 2025 the Company had unaudited Solvency II own funds of £287.7m (2023: £220.2m) against unaudited Standard Formula SCR of £188.8m (2024 PIM SCR: £140.7m). The coverage ratio is 152% (2024: 157%).

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 22) 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 interest rate sensitivity analysis for current year has been calculated using an updated methodology for the change in net asset, with a more granular assessment of the debt securities which consistent with the Company's practices. As a result of this methodological change, the sensitivity results may not be directly comparable to the change in net asset disclosed in the prior year.

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

Interest yields 2025	2025 £m	2025 £m	2025 £m	2025 £m
Interest yield change	+ 0.5%	+ 0.25%	- 0.25%	- 0.5%
Increase/(reduction) in profit	0.6	0.3	(0.3)	(0.6)
Increase/(decrease) in net assets	(14.3)	(7.1)	7.1	14.3
Total estimated increase/(decrease) in net assets excluding tax impact	(13.7)	(6.9)	6.9	13.7

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

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.

Expenses increase by 5.0%

	2025	2024
	£m	£m
Total reduction in profit before tax	5.2	2.7

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 62 as a key source of estimation uncertainty.

Gross loss ratio increases by 1.0%

	2025	2024
	£m	£m
Total reduction in profit before tax	6.5	4.2

i. 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, business transformation and change, operational resilience, third party and supplier management, data governance, financial control, ESG and financial crime. Operational risk incidents can lead to additional exposure to other risk types resulting from an inadequate or inappropriate control environment.

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 model.

The Chief Risk Officer (CRO) and the Risk function are responsible for:

- developing and maintaining the Risk Management Framework and associated Policies and Standards;
- partnering 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 . 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 Executive Risk Committee (ERC).

22. 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:

	28 February 2025			
	Amortised cost	FVPL - Designated at initial recognition	FVOCI - Debt instruments	Total
	£m	£m	£m	£m
Financial assets				
Cash and balances with central banks	87.1			87.1
Investment securities:				
- *FVPL*		14.6		14.6
- *FVOCI*			855.2	855.2
Other financial assets	1.3			1.3
Total Financial Assets	88.4	14.6	855.2	958.2
Subordinated liabilities				-
Other financial liabilities	1.5			1.5
Total Financial Liabilities	1.5	-	-	1.5

	29 February 2024			
	Amortised cost £m	FVPL - Designated at initial recognition £m	FVOCI - Debt instruments £m	Total £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

The movements in financial assets are as follows:

	FVOCI 28 Feb 2025 £m	FVPL 28 Feb 2025 £m	Total 28 Feb 2025 £m	FVOCI 29 Feb 2024 £m	FVPL 29 Feb 2024 £m	Total 29 Feb 2024 £m
Balance at 1 March	669.9	16.7	**686.7**	555.5	19.2	**574.7**
Additions	284.9	-	**284.9**	145.6	-	**145.6**
Sales and redemptions	(126.3)	-	**(126.3)**	(45.4)	-	**(45.4)**
Fair value unrealised gains and losses - FVOCI assets	12.6	-	**12.6**	14.2	-	**14.3**
Fair value through profit and loss gains and losses	-	(2.1)	**(2.1)**	-	(2.5)	**(2.5)**
Amortisation of premiums and discounts	-	-	**0.0**	-	-	**(0.0)**
Balance at 28 February/29 February	841.2	14.6	**855.8**	669.9	16.7	**686.7**

As at 28 February 2025 the current portion of financial investments held at FVOCI is £118.2m (29 Feb 2024: £108.0m) and the non-current portion is £737.2m (29 Feb 2024: £573.6m). As at 28 February 2025 the property investment's fair value is through the profit and loss account is current £14.6m (29 Feb 2024: £16.7m non-current).

The effective annual interest rate at the statement of financial position date on sterling FVOCI investments is 3.1% (29 Feb 2024: 2.5%).

During the year £nil (29 Feb 2024: £nil) 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 its 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. Recently, the whole fund has been accepting a sale offer. The Company applied a levy discount provision of 11.7% (£2.0m) to the net asset valuation (£16.6m) of the fund to reflect the proposed sales offer.

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:

	28 Feb 2025			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Financial assets at fair value through profit and loss				
Property Fund	-	-	14.6	14.6
Financial assets at fair value through Other Comprehensive Income				
Debt securities - fixed rate	855.2	-	-	855.2
Total financial investments	855.2	-	14.6	869.8

	29 Feb 2024			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£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

23. Staff Numbers

	28 Feb 2025	29 Feb 2024
Business Acquisition	41	40
Claims Handling	318	300
Administration	47	38
	406	378

The full time equivalent number of employees was as follows:

	28 Feb 2025	29 Feb 2024
Business Acquisition	40	39
Claims Handling	304	288
Administration	46	37
	390	364

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

	28 Feb 2025	29 Feb 2024
Total number of employees	403	361
Full time equivalent number of employees	387	348

24. 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 28 February 2025 or 29 February 2024 other than the remuneration disclosed in Note 6.

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:

	28 Feb 2025		29 Feb 2024	
	Costs	Balances	Costs	Balances
	£m	£m	£m	£m
Tesco Personal Finance Ltd	57.3	(21.8)	44.1	(17.7)
Tesco Personal Finance Ltd - subordinated loan	3.6	-	3.7	42.9
	60.9	(21.8)	47.8	25.2

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

25. 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. The charge for the year recognised in respect of share-based payments is £0.9 (2024: £0.6m), which is made up of share option schemes and share bonus payments. Of this amount, £0.8m (2024: £0.5m) will be equity-settled and £0.1m (2024: £0.1m) cash-settled representing employee tax and National Insurance contributions.

26. Ownership

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

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

The ultimate parent company of Tesco Personal Finance Group Limited is Tesco PLC incorporated in England and Wales, whose registered office at Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA. The Company is consolidated into 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

27. Events After the Reporting Date

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