

# Tradex Insurance Company plc

(Previously named Tradex Insurance Company Limited)

Annual report and accounts 2024

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## Principal activities and business updates

Tradex Insurance Company plc ('Tradex' and the 'Company') is a UK-based General Insurer that underwrites insurance. The Company underwrites a diverse mix of personal and commercial line with business sourced from Markerstudy Insurance Services Limited ('MISL') and Clegg Gifford ('CG') through delegated authority arrangements. Motor lines comprise a large proportion of the portfolio mix, with substantial private motor, motor trade and taxi accounts, along with other mainly commercial motor lines of business. It also underwrites smaller liability and commercial and home property accounts.

Tradex was acquired by Saturn Holdings Limited ('SHL') on 7 July 2023. Since then, SHL has injected a further £96.7m share capital plus £20.0m perpetual restricted tier 1 notes and £30.0m subordinated tier 2 notes. As a result, the capital base of the Company has increased substantially and has provided the capacity to write significantly more business. The ownership of the Company by SHL has also brought additional opportunities for immediate and significant growth in the business written.

Since the change in ownership, Tradex has seen a significant increase of new business being written with a new MGA, MISL, in addition to the existing delegated authority arrangement with CG. A significant proportion of the new business relates to the continuing growth in Motor personal lines.

Alongside the new business with MISL, Tradex has also taken actions to exit underperforming segments and has continued actions on pricing and risk selection to improve rating adequacy, which have resulted in a profitable underwriting result in 2024. The emphasis going forward continues to focus on underwriting risk selection and quality through governance and development of pricing models, driving the rate required to reflect claims' inflation and achieve product targets, and continuously improving the portfolio mix.

Tradex has a number of reinsurance arrangements, including Excess of Loss, Quota Share and Catastrophe Protection for lines of business sourced through both MISL and Clegg Gifford, in order to manage income statement volatility and balance sheet exposure.

Increased inflation continues to impact on claims costs as the cost of vehicle parts and building materials has increased. The observed impact of wage increases on bodily injury claims has been relatively low to date but is expected to continue to have an impact in 2025, particularly given the risk of further wage increases in the public sector.

On 7 August 2024 Tradex reregistered as a publicly listed company, becoming Tradex Insurance Company plc (previously Tradex Insurance Company Limited). There was no change of ownership associated with the change.

Subsequent to acquiring Tradex, the Board commissioned an internal review of the implementation of certain regulatory requirements. The internal review indicated that the implementation in certain areas required remediation. The Board approved a remediation plan, which was immediately kicked off and continues to be embedded and is subject to continual improvement. Tradex is subject to a regulatory review in respect of these matters. There has been no material impact to the current period financial statements, however, given the uncertainties involved in such matters, there can be no assurance regarding the eventual outcome of a particular matter or matters, or their financial impact on subsequent periods.

## Financial position & performance

### Highlights

	2024 £m	2023 £m	Change £m
Earned premiums, net of reinsurance	177.4	42.0	135.4
Claims incurred, net of reinsurance	(151.2)	(53.7)	(97.5)
Net operating expenses	(16.2)	(12.0)	(4.2)
<b>Balance on the technical account for general business</b>	<b>10.0</b>	<b>(23.7)</b>	<b>33.7</b>
Investment income	5.6	2.3	3.3
Net unrealised gains on investments	1.0	0.6	0.4
Investment expenses and charges	(3.3)	(0.1)	(3.2)
Other non-technical income	-	0.6	(0.6)
Other charges and operating expenses	-	(0.2)	0.2
<b>Profit/(loss) on ordinary activities before tax</b>	<b>13.3</b>	<b>(20.5)</b>	<b>33.8</b>

The Company made a profit before tax for 2024 of £13.3m compared to a loss in 2023 of £20.5m, reflecting the result of the change in company strategy since its acquisition by SHL in 2023 and absence of one-off activities as part of the transition to strengthen reserves which are included within the 2023 result. The result in 2024 is profitable because the business earned in the year has benefited from lower expected loss ratios following significant rating action in 2023 to improve business mix and because the development of past claims has been favourable in particular, we have recognised a quicker development within the Motor trade business. The loss in prior year was also impacted by the commutation of one of the reinsurance agreements as noted below under reinsurance arrangements, whereby adverse prior year development on large losses on the 2017 and prior underwriting years no longer being mitigated by reinsurance.

The Company has made provision for future claims payments in accordance with its reserving philosophy. However, it should be noted that there is inherent uncertainty in forecasting future claims and ultimate claims could be materially higher, or indeed lower, than that currently forecast. The potential sensitivity to movements in loss ratios is discussed further in note 5 to the accounts, on page 31.

## Impact of inflation and interest rate rises

The rate of inflation has fallen during the year, with CPI reducing from 4.0% at the start of the year to 2.5% in December, however this remains above the Bank of England's target rate of 2%. The Bank of England base rate of interest remained at a high of 5.25% for most of the year, before falling to 5.0% at the beginning of August, then to 4.75% in November.

### Claims

Although inflation rates have continued to fall during 2024, high inflation in recent years continues to cause an increase in claims costs as the cost of vehicle parts and building materials has increased. Given Tradex's growth, this will mean increased exposure to these inflation rates in future periods as claims settle.

Confirmation of tariff increases have added more certainty to small bodily injury for the medium term. However, the observed impact of wage increases on bodily injury claims has been higher than long-term expectations for 2024, and is expected to continue to have an impact in 2025.

The impact of inflation on Tradex's operating costs is dampened by the fixed cost fee arrangement in the outsourcing agreement with MISL.

### Investments

Investment performance has improved during 2024, mainly due to the increasing size of the investment portfolio. Inflation rates in the UK, US and Europe reduced in the year and, although they remained above target levels, central banks started to cut base rates. Short-term yields have reduced as a result, though medium to long-term yields continue to be volatile.

## Operational developments

Some of the Company's operational activities are managed by MISL, with oversight by Tradex. All core servicing and claims activities have agreed service levels, including activities undertaken by third-party suppliers on behalf of MISL.

Tradex regularly monitors the operational performance against service levels, and monthly reporting updates are provided to both Tradex and MISL's senior management, with agreed processes and procedures in place to resolve any under-performance.

## Regulatory background

### Environmental, social and governance

The regulatory focus on environmental, social and governance (ESG) matters and climate change continues to encourage companies to consider these matters for the business and wider society. The Company has adopted an ESG policy, has incorporated Climate Change risk into its Risk Management Framework and has assigned an owner who is responsible for the management and reporting of climate change.

The Company's direct immediate exposure to climate change risk is limited at present as all policies are written for a maximum period of 12 months and the major future potential detriments, as a result of climate change, would have no material impact on current results. Flood risk, which is becoming more clearly an increased risk as a result of climate change, is monitored closely and taken into account when assessing potential risks before they are written or renewed. The Board regularly reviews potential impacts and have appointed a member of the Board to take specific responsibility for such matters. The Company is not highly exposed to climate related risks at present.

The Board will continue to monitor the potential impacts of climate change on the business but there are not expected to be any material detriments in the short to medium term planning horizon. Climate risk is monitored as part of the Company's normal risk reporting structures and is factored into reporting such as the preparation of the Own Risk Solvency Assessment report ("ORSA"). Specific responsibilities have been set up within the business for planning for such changes, as discussed in the Directors' Report.

Tradex are not liable for any direct liabilities for power supply as the rent is inclusive of such costs, however, an estimate of energy usage for the purposes of Streamline Energy Carbon Reporting has been calculated. Tradex estimate that for 2024 the share of the energy used in the offices would have been less than 40Mwh for the year and there would therefore be no further disclosures to be made under the relevant legislation as Tradex would be defined as a low energy user.

The Company continues to utilise hybrid working arrangements which significantly reduces staff travel to the office and the associated carbon emissions.

### Consumer Duty

The Consumer Duty regulations came into force in 2023, setting a higher expectation for the standards of customer care above and beyond its current set of Principles and rules for all regulated firms. This has been a key area of focus for the Board during 2024. Tradex has appointed a Consumer Duty champion and has completed the majority of the actions in its implementation plan, with a standing Board agenda item to report on progress. In addition, as part of Tradex's claims handling activities are outsourced to MISL, Tradex provides oversight to monitor how MISL are complying with the rules. SHL has established a customer committee to oversee the customer related activities which have been outsourced to MISL and monitor how the Consumer Duty requirements are being met, and this is attended by appropriate representatives from MISL.

## Capital

The Company is regulated by the PRA and is subject to insurance solvency regulations which specify the minimum amounts and type of capital that may be held in addition to insurance liabilities. The Company's policy is to maintain capital in excess of these regulatory requirements.

The Company is required to meet a Solvency Capital Requirement ("SCR") which is calibrated to seek to ensure a 99.5% confidence of the ability to meet its obligations over a 12-month time horizon. The Company calculates its SCR in accordance with the standard formula prescribed in the Solvency II UK regulations. The assumptions underlying the standard formula are considered to be a good fit for the Company's risk profile.

On a Solvency II UK basis, as submitted, the Company's capital resources showed a surplus of £63.3m at 31 December 2024 (2023: £25.6m) in excess of the capital requirement.

## Reinsurance arrangements

The Company has established quota share reinsurance arrangements in 2024 with two 'AA' rated reinsurers, three 'A' rated reinsurers and one 'Unrated' rated insurer.

The Company has purchased an excess of loss reinsurance programme for 2024 to reduce volatility arising from large losses.

## Future Developments

The company plans to continue to grow within the UK personal lines market, with a focus both on private car and expansion of Home insurance products. The Markerstudy Group will continue to be the Company's key distribution partner and, as the Company continues to grow, will continue to evolve its operating model to support the business.

## Key performance indicators

The business strategy for Tradex measures success in the key areas of financial performance and capital adequacy & risk. This 'balanced scorecard' approach helps ensure focus on the implications to areas identified as being key in progressing towards the Company's strategic vision. In addition, a range of customer outcomes measures are considered although there is no single key indicator.

Indicator	2024	2023
<b>Trading</b>		
<i>Trading measures focus on volumes of business</i>		
<b>Gross written premium</b> This shows the premiums written during the year	£617.1m	£198.2m
<b>Written policies</b> This shows the number of policies written during the year	2,107k	383k
<b>Open claims</b> This shows the number of claims open at the end of the year	35,784	10,957
<b>Financial</b>		
<i>Financial measures focus on profitability and the value of the business</i>		
<b>Profit/(loss) before taxation</b> This shows the level of loss before tax	£13.3m	(£20.5m)
<b>Net asset value</b> This shows the value of total assets less total liabilities	£139.0m	£50.1m
<b>Capital adequacy &amp; risk</b>		
<i>Risk measures focus on capital adequacy and risk appetite</i>		
<b>Risk appetite</b> The Tradex Board has approved risk appetite statements with underpinning metrics	Risk appetite metrics have approved limits within which business operations are to be conducted, along with thresholds to give early warning of emerging issues	
<b>Capital buffer</b> There are a number of different methodologies for calculating the minimum level of capital that Tradex must maintain. At any one time, Tradex must ensure it has sufficient capital to meet the most onerous of these requirements.  The principal externally imposed capital requirement is the SCR under Solvency II UK, which is assessed quarterly.	148.3%	120.6%

## Key performance indicators (continued)

Indicator	2024	2023
<b>Customer</b> <i>Customer measures report on customer contacts throughout the customer journey</i>		
<b>Customer retention</b> This shows the percentage of customers renewing policies	59%	71%
<b>Customer complaints</b> This shows the number of customer complaints made during the year	4,073	698

Policies written have increased in numbers as expected, as has GWP, mainly driven by the new business written via MISL in 2024. This has led to a proportionate increase in customer complaints, complaints at % of policies written was stable at 0.19% (2023: 0.18%).

The Company ensures all complaints are handled efficiently and effectively and in accordance with the Treating Customers Fairly (TCF) regulatory Principle for Business, the Dispute Resolution Rules (DISP) as set down by the Financial Conduct Authority (FCA) and those applied by the Financial Ombudsman Service (FOS). Complaints are seen as an opportunity to improve the customer journey.

## Risks and uncertainties

The following are considered to be the high level risks facing Tradex:

Level 1 Risks	Definition
Strategic and business risk	The risk of not meeting strategic and business objectives caused by poor or sub-optimal strategy implementation, deployment of resources, decision making, strategic change programmes, economic, regulatory or other environmental factors resulting in lost earnings and capital.
Conduct risk	The risk that Tradex's processes, behaviours, offerings or interactions will result in unfair outcomes or foreseeable harm for customers.
Regulatory risk	The risk of regulatory sanctions, regulatory censure, material financial loss, or loss to reputation SIL may suffer as a result of failure to comply with regulations, rules, related self-regulatory organisation standards and codes of conduct applicable to its activities.
Insurance (premium) risk	The risk that future premium rates will not be adequate to cover future claims.
Insurance (reserving) risk	The risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the timing, frequency and severity of insured events for earned policies, and in the timing and amount of claim settlements.
Market risk	The risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market risk drivers including interest rates, market prices of assets and liabilities.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or external events.
Liquidity risk	The current and prospective risk to earnings or solvency arising from Tradex's inability to meet its obligations when they come due without incurring unacceptable losses.
Credit risk	The risk to earnings and capital arising from a debtor's failure to meet their legal and contractual obligations <sup>1</sup> .

The most material risks that Tradex is exposed to are premium risk and reserve risk.

A detailed description of each risk type can be found on pages 29 to 35.

<sup>1</sup> This does not include credit risk arising from investments such as corporate bonds which are captured as level 2 market risks.

**Section 172(1) statement and stakeholder engagement**

The Board of Tradex considers that it has, in good faith, acted in a way that it considers would be most likely to promote the success of Tradex for the benefit of its members as a whole, and, in doing so, has had regard to and recognised the importance of considering all stakeholders and other matters (as set out in s.172 (1) (a-f) of the Act) when making decisions.

**Overview**

Good corporate governance underpins how we conduct ourselves as a Board; our culture, values, behaviours and how we do business. As a Board, we are conscious of the impacts that our business and decisions have on our direct stakeholders as well as our wider societal impact.

The Board of Tradex is aware of its duties under the Companies Act, including the matters set out in s.172 and has adopted a framework of matters reserved for its decision. It has also approved terms of reference for matters delegated to its committees and reviews these periodically to ensure they accord with best practice.

For any principal decisions approved by the Board, a discussion takes place around impact on our key stakeholders, including our colleagues and our customers. The relevance of each stakeholder group may vary by reference to the issue in question, so the Board seeks to understand the needs of each stakeholder group and any potential conflicts as part of its decision-making.

**Board Decisions**

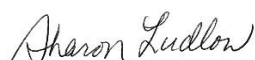
The table below sets out examples of our key stakeholders, our approach to engaging with them, and how they are taken into regard in Board considerations.

Key stakeholders	Board matter	Board considerations
<p><b>Shareholder</b></p> <p>Our Board maintains open and regular dialogue with its parent. This includes, for example, regular discussion between the Tradex Management team and the SHL Board and Board Committees in order to understand the concerns and priorities of the parent entity.</p>	<p>Performance and risks</p>	<p>In all discussions the Board regularly considers if and how it is acting in the best interest of its parent, whilst ensuring that any actions:</p> <ul style="list-style-type: none"> <li>• do/will not breach any regulatory requirements applicable to Tradex or the Board;</li> <li>• do/will not have any adverse effect on the security of Tradex’s policyholder benefits; and</li> <li>• comply with any legislation applicable to Tradex.</li> </ul> <p>The SHL Board receives performance updates on Tradex, which includes the Tradex Management team attending appropriate SHL Board Committees.</p> <p>During the year the Tradex Board engaged with its parent company and their shareholders in relation to the issuance of additional share capital of £50m and debt of £50m, which is held by SHL.</p>
<p><b>Customers</b></p> <p>Protecting our customers and providing a good customer experience remains at the heart of what we do.</p>	<p>Consumer Duty</p>	<p>Tradex is required to comply with the Consumer Duty regulations. It has appointed a Consumer Duty champion and has completed the majority of the actions in its implementation plan, with a standing Board agenda item to report on progress. Tradex also provides oversight to monitor how MISL are complying with the regulations.</p> <p>Tradex proactively monitors customer complaints and has a customer focused culture to ensure fair outcomes for all. For example, there is a standing agenda item for the Board Risk Committee on Customer Outcomes.</p>

Section 172(1) statement and stakeholder engagement (continued)

Key stakeholders	Board matter	Board considerations
<p><b>Colleagues</b></p> <p>The Board recognise the importance of engaging our colleagues, ensuring their views are considered when making decisions and supporting their wellbeing.</p>	<p>Colleague reward</p>	<p>The Board and Remuneration Committee considered the approach to colleague reward in light of:</p> <ul style="list-style-type: none"> <li>• the acquisition of the Company by SHL and the changes in opportunities and responsibilities for colleagues employed by Tradex and across the wider SHL group;</li> <li>• the growth in the business and the need to support colleagues throughout the transition; and</li> <li>• key person risk and the need to attract and retain key skills.</li> </ul>
<p><b>Regulator</b></p> <p>As a regulated entity, Tradex has to comply with the requirements of the PRA and the FCA and to report to them on a regular basis.</p>	<p>Regulation and compliance</p>	<p>In addition to the standard regulatory reporting requirements, the Board engaged with the regulators on the following matters:</p> <ul style="list-style-type: none"> <li>• with the PRA regarding the transition of Tradex from a limited company to a plc;</li> <li>• with the PRA regarding the ongoing regulatory review; and</li> <li>• with the FCA on business plans.</li> </ul>

By Order of the Board



Sharon Ludlow

Director

8 April 2025

## Directors' report

### General information

Tradex is a Public Limited Company registered in England and Wales under the Companies Act 2006 (registered number 02983873). Tradex is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (FRN 202917).

### Post balance sheet events

Subsequent to acquiring Tradex, the Board commissioned an internal review of the implementation of certain regulatory requirements. The internal review indicated that the implementation in certain areas required remediation. The Board approved a remediation plan, which was immediately kicked off and continues to be embedded and is subject to continual improvement. Tradex is subject to a regulatory review in respect of these matters. There has been no material impact to the current period financial statements, however, given the uncertainties involved in such matters, there can be no assurance regarding the eventual outcome of a particular matter or matters, or their financial impact on subsequent periods.

### Results and dividends

The financial statements set out the results of Tradex for the year ended 31 December 2024 and are shown on pages 17 to 20. No dividends were paid during the year (2023: £Nil).

### Political donations

There were no political donations during the year or prior year.

### Directors' details

The Directors who served the Company during the year were as follows:

G M Fearn (resigned 8 January 2024)

R L Sampson (resigned 8 January 2024)

S M J Tilbury (resigned 22 April 2024)

M A Summerfield

S M Ludlow (appointed 1 January 2024) (Chair)

N A Southworth (appointed 2 January 2024)

M L Leighton (appointed 15 April 2024)

E H Gilmour (appointed 1 May 2024)

A A Johnston (appointed 1 September 2024)

### Corporate responsibility and the environment

Tradex is covered by the SHL, Board-approved, Environmental, Social and Governance (ESG) Policy, which is reviewed on an annual basis.

The Company's direct immediate exposure to climate change risk is limited at present as all policies are written for a maximum period of 12 months and the major future potential detriments, as a result of climate change, would have no material impact on current results. Flood risk, which is becoming more clearly an increased risk as a result of climate change, is monitored closely and taken into account when assessing potential risks before they are written or renewed. The Board regularly reviews potential impacts and have appointed a member of the Board to take specific responsibility for such matters. The Company is not highly exposed to climate related risks at present.

The Board will continue to monitor the potential impacts of climate change on the business but there are not expected to be any material detriments in the short to medium term planning horizon. Climate risk is monitored as part of the Company's normal risk reporting structures and is factored into reporting such as the preparation of the Own Risk Solvency Assessment report ("ORSA"). Specific responsibilities have been set up within the business for planning for such changes, as discussed in the Directors' Report.

Tradex is not liable for any direct liabilities for power supply as the rent is inclusive of such costs, however, an estimate of energy usage for the purposes of Streamline Energy Carbon Reporting has been calculated. Tradex estimate that for 2024 the share of the energy used in the offices would have been less than 40Mwh for the year and there would therefore be no further disclosures to be made under the relevant legislation as Tradex would be defined as a low energy user.

### Statement of going concern

The Annual Report and Accounts are prepared on a going concern basis and the Directors are satisfied that Tradex has the resources to continue in business for at least the period from the date of approval of the financial statements up to 31 December 2026. In making this assessment, the Directors have performed a detailed analysis of future capital and liquidity.

The going concern assessment performed takes into account that the Company continues as a going concern. Tradex's ability to continue as a going concern has been considered by reference to its projected coverage of regulatory capital requirements, its liquidity and its resilience to withstand foreseeable stress scenarios.

In the central forecast case, solvency projections show the Solvency Capital Requirement (SCR) coverage is set to remain above 140% throughout the forecast period. Liquidity projections assess expected liquid assets (cash, money market funds and UK gilts), which are expected to be in excess of the Board's risk appetite throughout the period of review.

The Directors have then considered the potential impact of various stresses including, but not limited to, adverse claims experience, large loss events and a fall in the market value of assets. In all cases, solvency coverage remains above 100%. In each scenario, Tradex has sufficient liquidity to pay liabilities as they fall due. Even in the event of an extreme stress scenario (such as an inflationary uplift on outstanding claims or the failure of a key reinsurer or outsourcing partner), it is projected that Tradex would likely be able to meet its required payments solely from existing cash holdings and forecast premium income.

The Directors have also considered a reverse stress test, which involves several of the stress scenarios happening concurrently, and is therefore extremely unlikely. In this scenario, the SCR coverage ratio is projected to fall below 100%, however, the coverage ratios would naturally recover over time as premium income and investment returns were received. In addition, in the event of the liquidity or capital position of Tradex falling below prescribed limits, the interest on the perpetual restricted tier 1 notes would be cancelled, and that on the tier 2 subordinated liabilities would be deferred. In this scenario, Tradex's assets continue to exceed its liabilities and it would still hold sufficient liquid investments to be able to meet all of its liabilities as they fall due.

### Risk management and internal controls

The Board has overall responsibility for Tradex's internal control systems and for monitoring their effectiveness. Implementation and maintenance of the internal control systems are the responsibility of the Board and senior management.

The Board has established a management structure with defined lines of responsibility and clear delegation of authority. The control framework cascades through the business, detailing clear responsibilities for ensuring appropriate controls are in place at an operational level, including controls relating to the financial reporting process. Tradex's approach to Risk Management is set out in further detail on pages 29 to 35.

Tradex's internal control systems are designed to manage, rather than eliminate, the risks of failure to meet business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss. In assessing what constitutes reasonable assurance, the Board has regard to materiality and to the relationship between the cost of, and benefits from, internal control systems.

On behalf of the Board, the Audit Committee regularly reviews the effectiveness of Tradex's internal control systems. Its monitoring covers all material controls. Principally it reviews and challenges, on an ongoing basis, reports from management, the internal audit function and external auditors. This enables it to consider how to manage or mitigate risk in line with Tradex's risk strategy.

Whenever any significant control weaknesses are identified actions are taken, or agreed plans are put in place and tracked by the Board to implementation.

### Annual Report and Accounts

So far as the Directors are aware, there is no relevant audit information of which Tradex's auditors are unaware, and the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that Tradex's auditors have been made aware of that information.

## Directors' report

### Statement of Directors' responsibilities in respect of the report of the Board of Directors and the Annual Report and Accounts

The Directors are responsible for preparing the Strategic Report, the Directors' 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) ('UK GAAP'). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103, Insurance Contracts) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company financial position and financial performance.

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.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that comply with that law and regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on Tradex's website.

### Auditors

The Company's auditor is Ernst and Young LLP. The auditor is deemed to have been reappointed in accordance with section 487 of the Companies Act 2006 and will therefore continue in office.

By Order of the Board



Sharon Ludlow

Director

8 April 2025

## Opinion

We have audited the financial statements of Tradex Insurance Company Plc (‘the Company’) for the year ended 31 December 2024 which comprise the Profit and Loss Accounts: Technical Account and Non-Technical Accounts – General Business, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and the related notes 1 to 33 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (United Kingdom Generally Accepted Accounting Practice) and Financial Reporting Standard 103 ‘Insurance Contracts’ (FRS 103).

In our opinion, the financial statements:

- give a true and fair view of the company’s affairs as at 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

## Conclusions relating to going concern

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

- confirming our understanding of management’s going concern assessment process and obtaining management’s assessment which covers the period to 31 December 2026;
- reviewing the solvency and liquidity position of the Company understanding how severe the downside solvency and liquidity scenarios would have to be to result in the elimination of available headroom;
- reviewing the company’s latest profit forecasts submitted to the regulator, and considering the impact on the company’s ability to continue operating as a going concern;
- reviewing correspondence with the regulator regarding future growth plans;
- performing enquiries of management and those charged with governance to identify risks or events that may impact the company’s ability to continue as a going concern. We also reviewed minutes of meetings of the Board and its committees to assess whether there were any other matters discussed that may have an impact on the company’s ability to continue as a going concern; and
- assessing the appropriateness of the going concern disclosures by comparing them for consistency with management’s assessment and for compliance with the relevant reporting requirements.

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 to 31 December 2026.

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

## Overview of our audit approach

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Key audit matters	• Inappropriate setting of claims outstanding (specifically IBNR)
Materiality	• Overall materiality of £6.1m (2023: £1.9m) which represents 1% (2023:1%) of Gross Written Premiums

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## An overview of the scope of our audit

### Tailoring the scope

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

### Climate change

Stakeholders are increasingly interested in how climate change will impact Tradex Insurance Company Plc. The company has determined that Climate change risk is limited as all policies are written for a maximum period of 12 months and the major future risks from climate change do not currently pose a material risk to the Company. This is explained on page 4 in the strategic report, which forms part of the “Other information,” rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on “Other information”.

**An overview of the scope of our audit (continued)**

Climate change (continued)

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition risks and the resulting conclusion that there was no material impact from climate change, and the adequacy of the Company's disclosures in the financial statements (pages 4, 21 and 32) which explain the rationale.

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

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

**Key audit matters**

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Inappropriate setting of claims outstanding (specifically IBNR) (£123.4m, 2022: £92.1m – both on a gross of reinsurance basis)</b></p> <p>Refer to the accounting policy in note 4 and the further information in notes 27 of the Financial Statements.</p> <p>IBNR reserves are inherently uncertain and subjective by nature and therefore more susceptible to fraud or error than most other financial statement balances. There is a risk that inappropriate reserve projections are made, whether from the use of inaccurate underlying data, invalid or inappropriate statistical modelling techniques, or the use of unreasonable assumptions.</p> <p>Significant new business is being underwritten, for which the company has limited claims experience upon which to base actuarial assumptions, and may therefore be reliant on benchmark data.</p> <p>This could lead to reserves falling outside a reasonable range of possible estimates and a misstatement in the financial statements. These balances, by nature, are also subject to a risk of manipulation and given the magnitude of the balance, a small manipulation of an assumption could have a great impact on the result for the year.</p> <p>Financial statement risks principally arise from:</p> <ul style="list-style-type: none"> <li>• The quality and timeliness of source data (premiums, claims paid and claims outstanding) used to populate actuarial triangles underlying the IBNR estimates;</li> <li>• Sensitivity of assumptions made by Management for the purpose of applying the adopted reserving methodology;</li> <li>• Limitations of models and modelling techniques used for the preparation of the actuarial best estimates; and</li> <li>• Uncertainties around IBNR reserves due to elevated economic inflation which may drive future loss cost increases.</li> </ul>	<p>Our audit of the claims outstanding and management's key judgements included the following:</p> <p>Supported by our Actuarial team, we performed a walkthrough of the reserving and claims processes, to confirm our understanding of the flow of transactions relating to paid claims, outstanding claims and the setting of IBNR;</p> <p>We evaluated management's methodology against market practice and assessed management assumptions and their consideration of major sensitivities, based on our market knowledge and industry data;</p> <p>Using management's data, we independently re-projected, gross, the significant classes of business including the more judgemental and/or material components. For certain classes our projections were largely derived using market benchmark data given the limited development history;</p> <p>We considered a variety of actuarial claims projections techniques to consider and identify if they showed contradictory conclusions;</p> <p>We assessed the appropriateness of the net discount rate used to discount the gross Period Payment Orders (PPOs) claims outstanding balance having regard to the inflation and investment return assumptions.</p> <p>We challenged the level of margin held compared to market practice, prior periods and in the context of the areas of uncertainty for which the margin is held; and</p> <p>We validated the completeness and accuracy of data used in reserving processes and checking consistency with other policyholder data used in the financial reporting processes;</p> <p>The procedures above applied to both the historic business underwritten by Tradex as well as the new business sourced through MISL since July 2023.</p>	<p>We consider that the claims outstanding (specifically IBNR), lie within what we consider to be a reasonable range of estimates.</p> <p>In addition, we consider that the disclosures made provide information that assists in understanding the uncertainty inherent in the estimation of claims outstanding.</p>

## Our application of materiality

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

## Materiality

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

We determined materiality for the company to be £6.1m (2023: £1.9m), which is approximately 1% (2023: 1%) of Gross Written Premium. We believe that Gross Written Premium provides us with the appropriate basis that enables us to identify misstatements that may influence the users of the financial statements, as Gross Written Premiums is the UK GAAP measure that is also one of the Key Performance Indicators of the Company.

## Performance materiality

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

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 50% (2023: 50%) of our planning materiality, namely £3m (2023: £1m). We have set performance materiality at this percentage due to our assessment of the risk of misstatement and our expectation of the quantum and magnitude of uncorrected misstatements.

## Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.3m (2023: £0.1m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

## Other information

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

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

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

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

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

the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

the strategic report and directors' report have been prepared in accordance with applicable legal requirements;

## Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that related to the financial reporting framework (FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts" and the Companies Act 2006), the licence conditions and supervisory requirements of the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) and the relevant direct and indirect tax compliance legislation in the United Kingdom.
- We understood how Tradex Insurance Company Plc is complying with those frameworks by making inquiries of management, internal audit and those responsible for legal and compliance matters. In assessing the effectiveness of the control environment, we reviewed minutes of Board and other Committee meetings, reviewed correspondences between the Company and UK regulatory bodies and gained an understanding of the Company's approach to governance, demonstrated by the Board's approval of the Company's governance framework and Board's review of the Company's risk management framework and internal control processes.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls that the company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, performance targets, economic or external pressures and the impact these have on the control environment. The fraud risk, including management override, was considered to be higher in respect of the estimation of claims outstanding (specifically IBNR), and we performed audit procedures to address the risk as detailed in the key audit matter above and our communication to the Audit Committee.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved
  - Making inquiries of those charged with governance and senior management to ascertain their awareness of any non-compliance with the relevant laws and regulations,
  - Identifying the policies which those charged with governance have implemented to prevent, detect, and monitor non-compliance with laws and regulations by officers and employees,
  - Reviewing correspondence with regulators and formal minutes of the Board and relevant sub-committees to determine whether there was any non-compliance with laws and regulations.
- For instances of actual or suspected non-compliance with laws and regulations, we performed procedures such as inquiries and review of regulatory correspondence, and where appropriate, we involved specialists from our firm to support the audit team.
- The Company operates in the insurance industry which is a highly regulated environment. As such, the Senior Statutory Auditor considered the experience and competence of the engagement team to ensure that the team had appropriate competence and capabilities, which included the use of specialists where appropriate.

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

# Independent auditor's report to the members of Tradex Insurance Company plc

## Other matters we are required to address

Following the recommendation from the audit committee we were appointed by the company on 25 October 2023 to audit the financial statements for the year ending 31 December 2023 and subsequent financial periods.

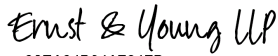
The period of total uninterrupted engagement including previous renewals and reappointments is 2 years, covering the years ending 31 December 2023 to 31 December 2024.

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

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

## Use of our report

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

Signed by:  
  
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Vinood Ramabhai (Senior statutory auditor)

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

London

9 April 2025

## Income Statement

For the year ended 31 December 2024

All amounts are stated in £m unless otherwise indicated

	Notes	2024	2023
<b>Technical account – general business</b>			
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written	8	617.1	198.2
Outward reinsurance premiums	8	(384.1)	(108.9)
Net written premiums		233.0	89.3
Change in the provision for unearned premiums			
- gross amount	8	(180.1)	(90.6)
- reinsurers' share	8	124.5	43.3
<b>Earned premiums, net of reinsurance</b>		<b>177.4</b>	<b>42.0</b>
<b>Total technical income</b>		<b>177.4</b>	<b>42.0</b>
<b>Claims incurred, net of reinsurance</b>			
Claims paid			
- gross amount	9	(174.7)	(55.3)
- reinsurers' share	9	92.2	31.1
		(82.5)	(24.2)
Change in the provision for claims			
- gross amount	27	(179.2)	(95.2)
- reinsurers' share	27	110.5	65.7
<b>Claims incurred, net of reinsurance</b>		<b>(151.2)</b>	<b>(53.7)</b>
Net operating expenses	10	(16.2)	(12.0)
<b>Total claims and expenses</b>		<b>(167.4)</b>	<b>(65.7)</b>
<b>Balance on the technical account for general business</b>		<b>10.0</b>	<b>(23.7)</b>
<b>Non-technical account</b>			
<b>Balance on the general business technical account</b>		<b>10.0</b>	<b>(23.7)</b>
Investment income	11	5.6	2.3
Net unrealised gains on investments	11	1.0	0.6
Investment expenses and charges	12	(3.3)	(0.1)
Other income	13	-	0.6
Other charges and operating expenses	14	-	(0.2)
<b>Profit/(loss) on ordinary activities before tax</b>		<b>13.3</b>	<b>(20.5)</b>
Tax on profit/loss on ordinary activities	15	7.6	(3.3)
<b>Profit/(loss) for the financial year attributable to members of the Company</b>		<b>20.9</b>	<b>(23.8)</b>

## Statement of Comprehensive Income/(Expense)

For the year ended 31 December 2024

All amounts are stated in £m unless otherwise indicated

	Notes	2024	2023
<b>Profit/(loss) and total comprehensive income/(expense) for the financial year</b>		<b>20.9</b>	<b>(23.8)</b>

# Statement of Financial Position

For the year ended 31 December 2024

All amounts are stated in £m unless otherwise indicated

	Notes	2024	2023
<b>Assets</b>			
<b>Investments</b>			
Financial investments	16	159.2	42.7
Deposits with credit institutions	5	-	45.9
		<u>159.2</u>	<u>88.6</u>
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums	26	192.7	68.3
Claims outstanding	27	263.9	153.4
		<u>456.6</u>	<u>221.7</u>
<b>Debtors</b>			
Debtors arising out of direct insurance operations			
- intermediaries	17	244.3	140.0
Debtors arising out of reinsurance operations	5	49.6	10.7
Deferred corporation tax	18	9.3	-
Corporation tax debtor	18	2.1	-
Other debtors	19	5.0	3.2
		<u>310.3</u>	<u>153.9</u>
<b>Other assets</b>			
Tangible assets	20	1.2	1.4
Cash at bank and in hand	21	182.6	22.7
		<u>183.8</u>	<u>24.1</u>
<b>Prepayments and accrued income</b>			
Accrued interest		0.4	-
Deferred acquisition costs	22	31.4	19.4
Other prepayments and accrued income		6.7	2.2
		<u>38.5</u>	<u>21.6</u>
<b>Total assets</b>		<u>1,148.4</u>	<u>509.9</u>

# Statement of Financial Position

For the year ended 31 December 2024

All amounts are stated in £m unless otherwise indicated

	Notes	2024	2023
<b>Equity and Liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital	23	12.1	12.1
Share premium	23	116.8	66.8
Retained earnings	24	(9.9)	(28.8)
Perpetual restricted tier 1 notes	25	20.0	-
<b>Total capital and reserves</b>		<b>139.0</b>	<b>50.1</b>
<b>Subordinated tier 2 notes</b>	25	<b>30.0</b>	-
<b>Technical provisions</b>			
Provision for unearned premiums	26	308.9	128.9
Claims outstanding	27	407.6	228.4
		<b>716.5</b>	<b>357.3</b>
<b>Creditors</b>			
Creditors arising out of direct insurance operations		19.7	22.4
Creditors arising out of reinsurance operations		151.9	55.9
Other creditors including taxation and social security	28	34.9	17.2
		<b>206.5</b>	<b>95.5</b>
<b>Accruals and deferred income</b>			
Accrued expenses and deferred income		4.6	0.9
Reinsurers' share of deferred acquisition costs	22	51.8	6.1
		<b>56.4</b>	<b>7.0</b>
<b>Total liabilities</b>		<b>1,009.4</b>	<b>459.8</b>
<b>Total equity and liabilities</b>		<b>1,148.4</b>	<b>509.9</b>

Approved by the Board of Directors on 8 April 2025 and signed on its behalf by:



Sharon Ludlow, Director



Ewen Gilmour, Director

## Statement of Changes in Equity

For the year ended 31 December 2024

All amounts are stated in £m unless otherwise indicated

	Notes	Called up share capital	Share premium	Perpetual restricted tier 1 notes	Retained earnings	Total
<b>2024</b>						
Balance at the beginning of the financial year		12.1	66.8	-	(28.8)	50.1
Profit and total comprehensive income for the financial year		-	-	-	20.9	20.9
Transactions with owners of the Company:						
Issue of ordinary shares	23	-	50.0	-	-	50.0
Perpetual restricted tier 1 notes issuance	25	-	-	20.0	-	20.0
Interest on perpetual restricted tier 1 notes		-	-	-	(2.0)	(2.0)
<b>Balance at the end of the financial year</b>		<b>12.1</b>	<b>116.8</b>	<b>20.0</b>	<b>(9.9)</b>	<b>139.0</b>
<b>2023</b>						
Balance at the beginning of the financial year		12.1	10.1	-	(5.0)	17.2
Loss and total comprehensive expense for the financial year		-	-	-	(23.8)	(23.8)
Transactions with owners of the Company:						
Issue of ordinary shares	23	-	56.7	-	-	56.7
<b>Balance at the end of the financial year</b>		<b>12.1</b>	<b>66.8</b>	<b>-</b>	<b>(28.8)</b>	<b>50.1</b>

# Notes to the annual report and accounts

All amounts are stated in £m unless otherwise indicated

## 1. General information

Tradex Insurance Company plc is a public limited company and is incorporated in England. Tradex was a private company limited by shares until it re-registered to a public company on 2 August 2024. The address of its registered office is McLaren House, 100 Kings Road, Brentwood, England, CM14 4EA.

The principal activity of the Company is that of underwriting UK motor insurance. The Company underwrites substantial private car and motor trade accounts, along with other mainly commercial motor lines of business. It also underwrites small liability and property accounts.

## 2. Basis of preparation and statement of compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards ('UK GAAP'), including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ('FRS 102'), Financial Reporting Standard 103, "Insurance Contracts" ('FRS 103'), the Companies Act 2006 and the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance companies.

As permitted by FRS 103, the Company continues to apply the existing accounting policies that were applied prior to this standard, for its insurance contracts.

The Company has taken advantage of the exemption from preparing a statement of cash flows, on the basis that it is a qualifying entity and the Company's cash flows are included in the consolidated statement of cash flows presented in the publicly available group annual report and accounts of its parent company, Saturn Holdings Limited.

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

The preparation of the annual report and accounts requires the use of certain critical accounting estimates and judgments. Information about key judgements, assumptions and other sources of estimation uncertainty is disclosed in note 4, where these have a significant impact on the annual report and accounts.

### Impact of climate change

In preparing these financial statements the Directors have considered the impact of the physical and transition risks of climate change and identified this as an area of focus, as set out on page 4, but have concluded that it does not have a material impact on the recognition and measurement of the assets and liabilities in these financial statements as at 31 December 2024.

The financial investments are reported at fair value under UK GAAP and therefore, as set out in note 32, utilise market prices at the period end where these are available. These market prices will include the current expectations of the impact of climate change on the financial investments. For financial investments valued using alternative valuation techniques, there is considered to be a low risk of significant exposure to climate change due to the nature and duration of these investments.

Insurance liabilities are accrued based on past insurable events so will not be affected by any future impact of climate change.

The Directors recognise that legislation and reporting requirements surrounding climate change risk continue to develop and the future impact of any changes cannot be fully predicted. Future valuations of assets may therefore differ as the market responds to these potential changes as well as to extreme weather events caused by climate change.

### Going concern

The Annual Report and Accounts are prepared on a going concern basis and the Directors are satisfied that Tradex has the resources to continue in business for at least the period from the date of approval of the financial statements up to 31 December 2026. In making this assessment, the Directors have performed a detailed analysis of future capital and liquidity.

The going concern assessment performed takes into account that the Company continues as a going concern. Tradex's ability to continue as a going concern has been considered by reference to its projected coverage of regulatory capital requirements, its liquidity and its resilience to withstand foreseeable stress scenarios.

In the central forecast case, solvency projections show the Solvency Capital Requirement (SCR) coverage is set to remain above 140% throughout the forecast period. Liquidity projections assess expected liquid assets (cash, money market funds and UK gilts), which are expected to be in excess of the Board's risk appetite throughout the period of review.

The Directors have then considered the potential impact of various stresses including, but not limited to, adverse claims experience, large loss events and a fall in the market value of assets. In all cases, solvency coverage remains above 100%. In each scenario, Tradex has sufficient liquidity to pay liabilities as they fall due. Even in the event of an extreme stress scenario (such as an inflationary uplift on outstanding claims or the failure of a key reinsurer or outsourcing partner), it is projected that Tradex would likely be able to meet its required payments solely from existing cash holdings and forecast premium income.

The Directors have also considered a reverse stress test, which involves several of the stress scenarios happening concurrently, and is therefore extremely unlikely. In this scenario, the SCR coverage ratio is projected to fall below 100%, however, the coverage ratios would naturally recover over time as premium income and investment returns were received. In addition, in the event of the liquidity or capital position of Tradex falling below prescribed limits, the interest on the perpetual restricted tier 1 notes would be cancelled, and that on the tier 2 subordinated liabilities would be deferred. In this scenario, Tradex's assets continue to exceed its liabilities and it would still hold sufficient liquid investments to be able to meet all of its liabilities as they fall due.

### Functional and presentational currency

The functional and presentational currency for the Company is pounds sterling. All amounts presented are in pounds sterling, rounded to the nearest 0.1 million pounds, unless stated otherwise.

### 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in this annual report and accounts.

#### a) Revenue recognition

##### i) Premium income from insurance contracts

The Company's accounting policy in respect of revenue arising from insurance contracts is set out within the insurance specific accounting policy note 3 b) ii).

##### ii) Investment return

Investment return comprises all investment income, including realised investment gains and losses and movements in unrealised gains and losses.

Investment income derived from assets held at fair value includes dividends and interest income. Dividends are recorded on the date on which the right to receive the payment is established. For listed equities this is when they are declared ex-dividend. For unlisted equities, a final dividend is recognised once declared by the directors and an interim dividend only when received. Interest income is recognised on an accruals basis.

Realised gains and losses on investments held at fair value are calculated as the difference between net sales proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and the valuation at the last balance sheet date or their purchase price for those acquired during the period, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

For assets held at amortised cost (deposits with credit institutions) interest income is recognised using the effective interest rate (EIR) method. The EIR basis spreads the interest income over the expected life of the instrument. The EIR is the rate that, at inception of the instrument, exactly discounts expected future cash payments and receipts through the expected life of the instrument back to the initial carrying amount.

##### iii) Commission income and profit commission due under reinsurance arrangements

Reinsurance commission, netted off within the net operating expenses in the Technical Account, represents commission income relating to the ceding of policies. Minimum commission income, as set out in the reinsurance contract, is initially recognised when the underlying policies are written. Where there are variable commission arrangements in place, adjustments to the minimum commission amount are accrued based on loss ratios in accordance with the terms of the reinsurance contract. The commission income is recognised in the same accounting period as the related direct business being reinsured.

Profit commission due under reinsurance arrangements is recognised in the income statement in line with the associated premiums ceded and ceded incurred claim costs, in accordance with the contractual terms of the relevant reinsurance contract.

#### b) Insurance contracts

##### i) 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. A contract that qualifies as insurance remains an insurance contract until all the risks and obligations are extinguished or expire.

All contracts of general insurance business written by the Company are classified as insurance contracts. General insurance business is accounted for on an annual basis.

##### ii) Recognition of premium income

Gross written premiums comprise the total premiums receivable on those contracts which inceptioned during the financial year, irrespective of whether the period of cover relates in whole or in part to a later accounting period, together with any adjustments in the accounting period relating to premium receivable in respect of business written in prior periods.

Gross written premiums:

- are stated gross of commission and exclude any taxes or levies based on premiums;
- include an estimate for cancellations for those contracts which inceptioned prior to the year-end but which may be cancelled after the statement of financial position date.

Gross written premium (whether paid in advance or by instalments) is earned evenly over the period of the contract.

##### iii) Unearned premium provision

The proportion of written premiums, including where relevant those of prior accounting periods, attributable to the risks borne during the year is accounted for as earned premium. The proportion of written premiums relating to periods of risk beyond the year end is carried forward to future accounting periods as the unearned premium provision. The relevant proportions are calculated using the daily 365th pro rata basis. Unearned premiums are deferred for a maximum of one year, being the standard duration for the policies issued.

Outward reinsurance premiums are treated as earned in accordance with the profile of the related direct contracts being reinsured.

### 3. Significant accounting policies (continued)

#### b) Insurance contracts (continued)

##### iv) Acquisition costs

Costs directly attributable to the acquisition of new business, including commission, are capitalised and amortised in accordance with the rate at which the premiums associated with the underlying contract are earned. The reinsurers' share of deferred acquisition costs mirrors the treatment of the deferred acquisition costs of the contracts to which the reinsurance relates.

##### v) Claims incurred

Insurance claims incurred comprises claims paid during the year, together with related claims handling costs and the change in the gross liability for claims in the period, net of related recoveries including salvage and subrogation.

##### vi) Claims provisions and related reinsurance recoveries

Claims outstanding comprises provisions representing the estimated ultimate cost of settling:

- estimates on claims reported by the statement of financial position date (claims reported), assessed on an individual basis; and
- expected additional cost in excess of claims reported for all claims occurring by the statement of financial position date (claims incurred but not reported), assessed on a statistical basis based upon the history of past claims development patterns taking into account current expectations and developments.

The provision for outstanding claims is based upon realistic assumptions in the light of all relevant currently available information. Aggregate claims provisions, which include attributable claims handling expenses as well as a management margin above actuarial best estimate, are set at a level such that no adverse run off deviations are expected.

Outstanding reserves are discounted in respect of periodical payment orders. All other claims provisions are undiscounted. Estimates of salvage and subrogation recoveries are included separately within 'debtors arising out of direct insurance operations'.

##### vii) Reinsurance

Contracts with reinsurers that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Amounts recoverable under such contracts are recognised in the same period as the related claim. Premiums, claims and receivables are presented on a gross basis in the income statement and statement of financial position.

The reinsurers' share of claims incurred, in the profit and loss account, reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the period. The amounts that will be recoverable from reinsurers are estimated based upon the gross provisions. Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the Company's reinsurance programme over time.

Amounts recoverable under reinsurance contracts are assessed for impairment at each statement of financial position date. If objective evidence of impairment exists, reinsurance assets are reduced to their recoverable amount and an impairment loss is recognised in the income statement.

On commutation of reinsurance contracts, the reinsurer is discharged from all obligations relating to the contract. Reinsurance assets and liabilities relating to the commuted contracts are settled in the period in which the commutation agreement is signed.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. The Company held £138.1m as funds withheld on the balance sheet as at 31 December 2024 (2023: £0.4m).

##### viii) Quota share

A quota share reinsurance contract transfers insurance risk on a proportional basis. The income statement is shown net of premiums ceded, claims recoverable and commission earned under these arrangements.

Premiums ceded under these arrangements may be held in a notional funds withheld account, against which claims paid recoveries, earned commission and margin paid, are deducted. The funds withheld balance is offset against expected recoveries for claims outstanding and future profit commission in the statement of financial position.

##### ix) Coinsurance

Coinsurance contracts are contracts entered into by the Company with other insurers, where the Company shares the risks for losses on insurance policies issued by the Company. The coinsurance operations are administered in the same way, but the Company includes only its own proportion of the amounts arising out of coinsurance operations in the financial statements.

##### x) Unexpired risks provision

Additional provision is made for unexpired risks where the claims and expenses likely to arise after the end of the financial year in respect of contracts concluded before that date, are expected to exceed the unearned premiums less deferred acquisition costs carried forward for those contracts.

An unexpired risks provision is calculated for each category of business. Where categories of business are managed together a combined calculation is performed. Surpluses and deficits within each category are offset within the calculation. The provision is determined after taking account of future investment return arising on investments supporting the unearned premium provision and unexpired risk provision.

Such provisions seek to ensure that the carrying amount of unearned premiums provision less related deferred acquisition costs is sufficient to cover the current estimated future cash flows, including claims handling expenses, and therefore meets the requirements of the liability adequacy test as set out in FRS 103 (Insurance Contracts). There is no provision at the end of the current year or the prior year for unexpired risks.

### 3. Significant accounting policies (continued)

#### c) Financial instruments

The Company has elected to apply the provisions of Section 11 “Basic Financial Instruments” and Section 12 “Other Financial Instruments Issues” of FRS 102 to all its financial instruments.

##### *i) Recognition of financial assets and financial liabilities*

Financial investments are recognised by the Company on the trade date, which is the date it commits to purchase the instruments. All other financial instruments are recognised on the date that the Company becomes a party to the contractual provisions of the instrument.

##### *ii) Derecognition of financial assets and financial liabilities*

Financial assets are derecognised when they are sold and:

- the rights to receive cash flows from the assets have ceased; or
- the Company has transferred substantially all the risks and rewards of ownership of the assets.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing liability is replaced by the same counterparty on substantially different terms or the terms of an existing liability are substantially modified, the original liability is derecognised and a new liability is recognised, with any difference in carrying amounts recognised in the income statement.

##### *iii) Basic financial instruments*

The following instruments have been identified as ‘basic financial instruments’ in accordance with Section 11 of FRS 102.

###### *Debt securities*

Initial measurement of the Company’s holdings in debt securities is at fair value, being purchase price on the date on which the Company commits to purchase. Directly attributable transaction costs are expensed immediately on recognition. They are managed and their performance is evaluated on a fair value basis in accordance with a documented risk management and investment strategy, and information is provided internally to key management personnel on that basis. Consequently, subsequent valuation is at fair value with changes in fair value being recognised within the income statement in the period in which they arise.

###### *Equities*

Equities are initially measured at fair value, being purchase price on the date on which the Company commits to purchase. Directly attributable transaction costs are expensed immediately on recognition. Subsequent valuation is at fair value with changes in fair value being recognised within the income statement in the period in which they arise.

###### *Deposits with credit institutions*

Deposits with credit institutions are initially measured at their transaction price, plus including any transaction costs and are subsequently measured at amortised cost using the effective interest rate.

###### *Debtors*

Debtors are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Subsequently, they are measured at amortised cost. The amortised cost is the initial amount at recognition less principal repayments and less impairment provisions for incurred losses. Debtors are not discounted as they have no stated interest rate and are expected to be received within one year.

###### *Cash at bank and in hand*

Cash at bank and in hand is initially measured at transaction price and is subsequently measured at amortised cost using the effective interest rate.

###### *Financial liabilities*

Financial liabilities are contractual obligations to deliver cash or other financial assets.

Borrowings are primarily perpetual restricted tier 1 notes and subordinated tier 2 notes and are initially recognised at fair value, which equates to issue proceeds net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period to the earliest possible redemption date using the effective interest rate method.

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

##### *iv) Other financial instruments*

The Company holds investments in asset-estate backed lending, collective investment undertakings and derivatives which are classified as ‘other financial investments’ in accordance with Section 12 of FRS 102. These assets are valued initially at fair value, being purchase price on the date on which the Company commits to purchase. Directly attributable transaction costs are expensed immediately on recognition. Subsequent valuation is at fair value with changes in fair value being recognised within the income statement in the period in which they arise.

### 3. Significant accounting policies (continued)

#### c) Financial instruments (continued)

##### v) Fair value measurement

Fair value for quoted investments in an active market is the bid price, which management believe is representative of fair value. If the market for a quoted financial investment is not active or the investment is unquoted the fair value is determined using valuation techniques. For these investments, the fair value is established using quotations from independent third parties, such as brokers or pricing services, or by using alternative valuation techniques. Priority is given to publicly available prices from independent sources, when available, but overall, the source of pricing and/or valuation technique is chosen with the objective of arriving at a fair value measurement which reflects the price at which an orderly transaction would take place between market participants on the measurement date. Alternative valuation techniques include the use of recent arm's length transactions, reference to the current fair value of other instruments that are substantially the same and discounted cash flow analysis.

Managers may use the following valuation techniques to calculate the fair value of credit assets, which form the majority of Tradex's unquoted investments:

- Contractual cashflows from the credit asset are projected forwards to their expected payment date;
- The probability of default, loss given default and exposure at default are used to project expected credit losses; and
- The cash flows, net of expected credit losses, discounted back to their present value using the appropriate market discount rate at the reporting date.

The discount rate can depend on the following factors:

- Risk free interest rates and other similar benchmark interest rates;
- Prevailing credit spreads for the given type of asset;
- Currency; and
- Duration

The selection of discount rate needs to be considered carefully because some of the above items are easily observable (e.g. the risk free rate) and others are unobservable (e.g. prevailing credit spreads). In some case the observable and unobservable factors are inversely correlated so as one increases the other reduces. Managers may generally calculate the implied discount rate at initial recognition and make adjustment to this for known changes at the reporting date. A Valuation Committee at each of the sub-fund managers holding the investments is responsible for approving the appropriate discount rate to use in the fair value calculations and will take into consideration the above requirements along with any changes in reference rates that are deemed material. The valuations are subject to regular independent review.

##### vi) Impairment of financial assets held at cost or amortised cost

At the statement of financial position date, the Company assesses its financial assets held at cost or amortised cost for objective evidence that an impairment loss has occurred. Only if there is objective evidence is an impairment loss calculated.

The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original or current effective interest rate (if the asset has a variable interest rate). Any impairment losses are recognised immediately through the income statement with a corresponding reduction in the value of the financial asset.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed with the amount of the reversal recognised in the income statement. The reversal shall not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

#### d) Impairment of non-financial assets

The carrying value of the Company's non-financial assets, excluding deferred tax assets, are reviewed at the date of the statement of financial position to determine whether there is any indication of impairment. Only if there is an indication of an impairment is a full impairment test required. This involves estimating the asset's recoverable amount, being the greater of fair value less costs to sell and value in use (as assessed by reference to discounted future cash flows).

An impairment loss is recognised in the income statement to the extent that the carrying value of an asset exceeds its recoverable amount. An impairment loss recognised in respect of goodwill is never reversed. For other non-financial assets, a loss is reversed if the reasons for the impairment loss have ceased to apply. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed that which would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### e) Cash at bank and in hand

Cash at bank and in hand comprises cash balances and balances which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Money market funds are classified as cash as are deemed to be equivalent to cash on deposit. Banking facilities that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash at bank and in hand for the purpose of the cash flow statement.

### 3. Significant accounting policies (continued)

#### f) Offsetting

FRS 102 prohibits the offsetting of reinsurance assets against the related insurance liabilities. Reinsurance assets and liabilities arising under the quota share arrangements are offset and the net amount reported in the statement of financial position as there is a legally enforceable right to set off the amounts, and there is an intention to settle on a net basis, as set out in the contractual terms of the quota share agreements.

Other financial assets and liabilities are offset, with the net amount reported in the statement of financial position, where there is a legally enforceable right to offset the recognised amounts and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### g) Income tax

Tax in the income statement for the year comprises current and deferred tax, which is recognised in the income statement except to the extent that it relates to items in other comprehensive income, in which case it is recognised in the statement of comprehensive income.

##### i) Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

When there is uncertainty over the income tax treatment, if it is probable that a particular tax treatment is accepted, the Company determines taxable profit/(taxable loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in the Company's corporation tax filing. If it is not probable that a particular tax treatment is accepted, the Company uses the most likely amount or the expected value of the tax treatment when determining taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits and tax rates, whichever gives better predictions of the resolution of the uncertainty.

##### ii) Deferred tax

Deferred tax is provided based on timing differences that arise from the inclusion of income and expenses in tax assessments in different periods from those in which they are recognised in the financial statements.

The amount of deferred tax provided for is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### h) Tangible assets and depreciation

Tangible assets are stated at cost less depreciation. Depreciation is provided on all tangible assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life on a straight-line basis. The expected useful lives of the principal categories of assets are:

Computer equipment and software	3 to 5 years
Leasehold improvements	6 years

#### i) Leases

Where a significant proportion of the risk and rewards of ownership of a leased asset are retained by the lessor, these contracts are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives are recognised in the income statement on a straight-line basis over the lease term. All leases currently held by the Company are considered operating leases and no liability is recognised in the statement of financial position.

#### j) Fee and commission expenses

Fees and commission expenses mainly relates to commission payable to insurance intermediaries that is recognised over the lifetime of the related policy. All other fees and commission expenses are recognised on an accruals basis as the service is provided.

#### k) Pensions

The Company operates defined contribution pension plans which receive fixed contributions from the Company. The Company's legal or constructive obligation for these plans is limited to those contributions. Contributions are recognised as an employee benefit expense when they fall due.

#### l) Share capital and share premium

Ordinary shares are classified as equity. Share premium represents the excess of share issue proceeds over the nominal value of shares issued and is included within equity.

### 3. Significant accounting policies (continued)

#### m) Dividends to shareholders

Dividends are only recognised in the annual report and accounts by the Company once they have been appropriately authorised.

#### n) Foreign currencies

The Company holds some investments denominated in US Dollars and Polish Zloty which are translated to the Company's functional currency at the exchange rate at the reporting date. Transactions in foreign currencies are recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Foreign exchange gains and losses resulting from the settlement of transactions and the translation of investments at the financial reporting date are recognised in the non-technical profit and loss account.

#### o) Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation (legal or constrictive) as a result of a past event and it is probable that: an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

### 4. Use of estimates and judgments

The preparation of the annual report and accounts requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

#### General insurance contracts – assumptions, changes in assumptions and sensitivity

##### i) Basis of assessing liabilities

Tradex uses a combination of recognised actuarial and statistical techniques to assess the ultimate cost of claims. These include:

- projecting historic claims payment and recoveries data;
- projecting numbers of claims;
- deriving average costs per claim to apply to claim numbers; and
- projecting historic claims paid and incurred data (payment plus estimates) – statistical actuarial techniques including chain ladder and Bornhuetter-Ferguson.

Detailed claims data, including individual case estimates, are used to derive patterns in average claims costs and timings between occurrence and estimate/payment of claims. The most common method used is the chain ladder method. This technique involves the analysis of historical claims development trends and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each underwriting or accident quarter, which is not yet fully developed, to produce an estimated ultimate claims cost for each quarter. A degree of judgment is required in selecting the most appropriate development factors.

The chain ladder method can be volatile for relatively undeveloped origin periods so a Bornhuetter-Ferguson method is often used in such cases. This method uses a prior expectation of the ultimate claims and stabilises the projected ultimate by weighting between the prior expected ultimate and that projected based on the assumed development factors.

The work is undertaken and supervised by suitably qualified personnel. Claims provisions are separately computed for each claim type such as bodily injury, accidental damage, storm, flood and subsidence. All provisions are calculated with explicit allowance for reinsurance. Provisions are not discounted for investment return other than periodic payment settlements and any required additional provision for unexpired risks.

Discounted reserves in respect of periodic payment settlements are £52.5m (2023: £60.5m). The impact of the unwinding of the discounting in the year was £1.6m (2023: £0.7m).

There is no provision at the end of the year for unexpired risks (2023: nil).

As outlined within the risk management section, there is significant uncertainty in the assessment of liabilities and provisions are set to be adequate to cover the anticipated eventual cost. A management margin is added to the 'actuarial best estimate', so that, in most years, no adverse run-off deviations are envisaged. Sensitivity analysis is performed to assist the selection of key parameters and, hence, the provisions adopted. Provisions are subject to detailed review regarding the appropriateness of key assumptions and the quantum of the provisions established. The Board regularly commissions an independent third party review to ensure the reserves are reasonable.

#### 4. Use of estimates and judgments (continued)

##### General insurance contracts – assumptions, changes in assumptions and sensitivity (continued)

###### i) Basis of assessing liabilities (continued)

The overall objective of Tradex's reserving policy is to produce reliable and accurate reserves. Assumptions underlying the reserving calculations are agreed by the Quarterly Reserving Committee (QRC). Methodologies are peer reviewed throughout the calculation process. Provisions are approved and signed off by the Chief Actuary in consultation with the QRC, and any margin above the actuarial best estimate reserve is set by the Chief Financial Officer. The Board has a risk appetite that adopted reserves will include a management margin above the actuarial best estimate. This margin is commonly expressed as a percentage of the best estimate reserve (net of reinsurance), and the risk appetite is that it should fall between 5-10%. The amount of margin held at any given time is determined by the Chief Financial Officer taking into account current causes of uncertainty in the reserve. The Company's reserves are within this risk appetite.

Quarterly reports are produced by the actuarial team and presented to the Chief Actuary and Chief Financial Officer in order to advise management of the performance of the business against plan. These reports form the basis of reporting the performance to the Board.

###### ii) Key assumptions

Principal assumptions underlying the claims provisions include:

- The accuracy of individual case estimates applied by claims handlers, particularly in respect of large individual motor claims;
- The future development pattern for claims payments and incurred amounts being in line with those observed in the past;
- The business plan loss ratios for the most recent underwriting quarters;
- Allowance for future inflation rates being different to those implied in the claims data; and
- For bodily injury claims, allowance has been made for:
  - i. use of the appropriate Ogden Tables and the current discount rate (+0.5% in England and Wales);
  - ii. awards for general damages in accordance with the 17th edition of the Judicial College Guidelines;
  - iii. a proportion of large claims being settled by periodic payments; and
  - iv. the interest rate used to discount the value of future payments from claims settled by Periodical Payment Orders.

###### Movement in insurance liabilities

The gross insurance provision of £407.6m (2023: £228.4m) for claims and claims handling costs includes an increase in reserves of £179.2m (2023: £95.5m). This movement is mainly as a result of the increase in business written during the year as per the table below:

	2024	2023
<b>Gross</b>		
Motor increase of reserves	169.0	93.1
Liability increase of reserves	1.7	(0.5)
Premises increase of reserves	(0.1)	-
Home increase of reserves	8.4	2.4
Increase in claims handling reserves	0.2	0.2
Other increase of reserves	-	0.3
	<hr/>	<hr/>
Gross movement in insurance liabilities	179.2	95.5
Movement in reinsurance	(110.5)	(54.6)
	<hr/>	<hr/>
<b>Net movement in insurance liabilities</b>	<b>68.7</b>	<b>40.9</b>

##### Perpetual restricted tier 1 notes

Perpetual restricted tier 1 notes ("RT1 Notes") are classified as equity as, under the terms of the instrument:

- the Company has no contractual obligations to deliver cash or another financial asset, or to exchange financial assets or financial liabilities;
- the RT1 terms and conditions do not create any contingent settlement provisions;
- the Company has full control over the interest payment and has an unconditional right to cancel interest payments without these being accrued;
- the RT1 Notes are perpetual securities, in respect of which, there is no fixed redemption date; and
- the Notes are not redeemable at the option of the note holders at any time.

The RT1 Notes are recognised at the fair value of the cash or other resources received or receivable, net of transaction costs. No transaction costs were incurred on the issue of the RT1 Notes.

#### 4. Use of estimates and judgments (continued)

##### Subordinated tier 2 notes

The subordinated tier 2 notes ("RT2 Notes") are classified as a liability, as the terms of the Notes create a contractual obligation on the Company to deliver cash to the noteholders; and the Company does not have an unconditional right to avoid settling in cash or by delivery of another financial asset.

The subordinated debt liabilities are initially recognised at fair value, which equates to issue proceeds net of transaction costs incurred, and subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the debt using the effective interest rate method. No transaction costs were incurred on the issue of the RT2 Notes.

##### Fair values of financial assets and liabilities

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the annual report and accounts:

##### Financial investments

The fair value of listed securities is based on market prices provided by independent, external pricing sources at the statement of financial position date without any deduction for transaction costs. The fair value of unlisted securities is calculated using an appropriate methodology based on the information available. Further information on the methods used is disclosed in Note 3 c).

Assets which are valued using alternative valuation techniques are those classified as level 3 in Note 32. Details of the assumptions made in valuing these investments can be found in Note 3 c).

##### Deferred tax assets

In preparing the financial statements, management is required to make judgments regarding the recognition of deferred tax assets. Deferred tax assets are recognisable for deductible temporary differences and tax loss carry forwards to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised.

The assessment of the recoverability of deferred tax assets includes judgment, particularly in relation to the forecast of future taxable profits. Management considers various factors, including:

- Historical financial performance, including analysis of past profitability and performance compared with forecasts;
- Approved business plans, including evaluation of strategic initiatives and other key considerations that underpin forecast future profits; and
- Tax legislation, including consideration of changes in tax rates which may impact the realisation or valuation of deferred tax assets.

As at the reporting date, the Company's management have determined that it is probable that sufficient taxable profits will be available in the future to utilise the recognised deferred tax assets. However, if future taxable profits are lower than expected, or if there are changes in tax legislation, this could lead to a reduction in the carrying amount of deferred tax assets, which would be recognised in profit or loss.

#### 5. Risk management

The Company's activities expose it to a variety of financial and non-financial risks. This section summarises these risks and the way Tradex manages them.

##### Our approach to risk management

Effective Risk Management is essential for the achievement of business success and is everyone's responsibility. Customers, shareholders, regulators and other stakeholders expect Tradex to manage risk effectively.

The Saturn Risk Management Framework (RMF) identifies processes, ownership, responsibilities and the oversight required to support effective implementation of Risk Management across the Group, including Tradex.

The RMF has been built around the 'Three Lines of Defence' model as follows:

- First line: manage risk in day to day operations.
- Second line: provide oversight and challenge.
- Third line (Internal Audit): provide assurance that the RMF is being executed as intended.

Tradex provides first line oversight of all outsourced activities. The second line also provides review and oversight in accordance with Tradex's risk profile.

## 5. Risk management (continued)

### Risk assessment of Tradex

Tradex assesses the principal risks facing the business annually and a projection of how these risks are expected to evolve as the risk profile changes is completed as part of the ORSA process. These risks are summarised on page 6.

The RMF requires the Executive Team to attest that they understand the risks and controls in their areas of accountability and support an open risk management culture. In support of the attestation, each Executive is required to undertake a Risk and Control Self-Assessment (RCSA), which identifies the risks to the achievement of their objectives and the controls in place to mitigate these risks, together with an assessment of the effectiveness of the controls (Design and Performance, with appropriate testing of control performance being rolled out across 2024 and H1 2025). The RCSA is designed to cover all material controls including financial, operational and compliance controls as well as the minimum requirements set out in Tradex's risk policies.

### Responsibilities map

Tradex maintains a Responsibilities Map which sets out the accountabilities delegated by the CEO to each member of the Executive Team, which are also reflected within their individual job descriptions. These accountabilities include the Senior Managers & Certification Regime (SM&CR) senior management function and prescribed responsibilities which are considered in conjunction with delegated authorities.

### Risk management structure

The Board is responsible for approving the Tradex strategy and the level of acceptable risks articulated through its statements of risk appetite. The Board is also responsible for overall corporate governance, which includes ensuring that there is an adequate system of risk management in place.

To assist the Board in carrying out its functions and to ensure that there are internal controls and risk management, the Board has delegated certain responsibilities to a set of Board committees and the Chief Executive Officer (CEO). The CEO has in turn, delegated elements of these responsibilities to appropriate members of the Executive. To ensure independent oversight the Chief Risk Officer (CRO) also has accountability to the Board Risk Committee (BRC).

All Board committees have Terms of Reference describing the authority delegated to them by the Board, and the Board ensures that each committee is provided with sufficient resources to enable its duties to be undertaken.

### Risk taxonomy

Risks are classified into Level 1 and Level 2 categories. Business activity can be exposed to one or a combination of the following risk types. The Level 1 risks are the highest category of financial and non-financial risks to which Tradex is exposed.

A Risk Framework Owner (RFO) is appointed for each risk category. The RFO is required to define and document a risk framework; this usually comprises a Risk Policy and framework documents and risk appetite tolerance metrics. The RFO is required to certify to the effectiveness of the control framework used to manage the Risk on a semi-annual basis.

### Strategic and business risk

Strategic and Business risk is defined as the risk of not meeting strategic and business objectives caused by poor or sub-optimal strategy implementation, deployment of resources, decision making, strategic change programmes, economic, regulatory or other environmental factors, resulting in lost earnings and capital. Strategic risks cover those risks over the longer term time horizon around the strategic plan and they align to the strategic risk profile. Business risks are in year performance against plan and align to the material risk profile.

Tradex's financial objective in managing these risks is to hold a sufficient capital buffer in excess of minimum regulatory capital requirements to cover projected risks, protect policyholders and meet liabilities as they fall due.

Tradex received a capital injection on 28 March 2024 and, since this date, has maintained capital above its regulatory requirements. Tradex reviews solvency continuously through monthly or, when appropriate, more frequent monitoring. Monthly updates and quarterly reports are provided to the Investments, Finance and Capital Committee and to the Board.

In the event that Tradex falls below its risk appetite, it would be possible to reduce capital requirements by executing actions that reduce risk, albeit often resulting in reduced returns. Potential actions are routinely assessed at least once a year so that contingent management actions are available.

### Conduct risk

Conduct risk is the risk that Tradex's processes, behaviours, offerings or interactions will result in unfair outcomes or foreseeable harm for customers. Accordingly, conduct risk may arise from any aspect of the way a business is conducted. Conduct risk is a key area of focus across the financial services industry, with close scrutiny from the FCA and the expectations of the Regulator in this area have increased significantly following the introduction of Consumer Duty. Tradex has in place Board approved Customer Outcome metrics which are regularly monitored, outcomes outside of tolerance identify areas where further investigations or actions are required. The Saturn Customer Committee is in place to support this process and to ensure that customers, including vulnerable customers, receive fair value and do not face any foreseeable harm.

### Regulatory risk

Regulatory risk is the risk of regulatory sanctions, regulatory censure, material financial loss or loss to reputation Tradex may suffer as a result of its failure to comply with regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its activities. Tradex's objective is to be compliant with all relevant regulatory requirements and manage its regulatory risks so as to minimise the probability and potential impact of breaches and to remedy promptly and comprehensively the consequences of any that do occur.

## 5. Risk management (continued)

### Insurance risk

Insurance risk comprises the risk of loss resulting from adverse change in the value of insurance liabilities and can relate to both unearned exposure (Premium risks) and earned exposure (Reserve risks).

The nature of insurance contracts is that the obligations of the insurer are uncertain as to the timing or quantum of liabilities arising from contracts. Given the uncertainty in estimating future loss ratios and establishing claims provisions, it is possible that the outcome will prove to be different from the original liability anticipated.

Tradex outsources the management of insurance risk to a third party (MISL). Oversight is in place to ensure that insurance risk volatility is minimised through proactive pricing, underwriting and claims handling, the claims provisioning process and robust reserving and modelling approaches.

There were no significant concentrations of insurance risk at the statement of financial position date or at the prior year end date.

### Insurance risk – premium risk

The Company produces an annual business plan, which includes anticipated rating levels for each risk of business that it writes. Premium risk is primarily measured by monitoring performance against the plan through a system of underwriting and executive committees, as well as regular review by the Board. If market conditions change significantly after the plan is produced, a revised forecast is prepared and authorised by the Board. In addition, Tradex manages premium risks by monitoring compliance with its pricing and underwriting policies.

The Company writes a spread of business primarily within the motor and home sectors and monitors its exposure to each category separately. These sectors provide diversity and are not highly correlated with regard to premium rates. Thus, if premium rates are below plan in one sector it may be possible to increase them in another sector to compensate. Risks are written throughout the UK with a wide geographical spread which helps to reduce concentration of risk in a particular area.

The effect of rating levels being lower than planned is, all other things being equal, to reduce income levels in respect of the risks underwritten, and hence increase both the claims ratio and the expenses ratio. If rating reductions cause the volume of business to reduce there is likely to be a significant impact upon the results.

### Insurance risk – reserve risk

The overriding objective in claims handling is to ensure all claims are properly scrutinised and paid where they fall within the terms and conditions of the policy. The proper scrutiny of claims is facilitated by the use of various technical aids such as fraud databases and the use of claims specialists. The basis for assessing claims provisions is set out in note 4 (page 27).

The nature of insurance contracts is that the obligations of the insurer are uncertain as to the timing or quantum of liabilities arising from contracts. Tradex takes all reasonable steps to ensure that it has information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is possible that the final outcome will prove to be different from the original liability established. Tradex manages this risk through the Reserving Committee, which supports the CFO in their responsibility to formally review claims reserves on a quarterly basis. Analysis of claims development can be found in note 27 (page 45).

### Insurance risk – reinsurance

Tradex purchases reinsurance to mitigate insurance risks. The Company has excess of loss cover in place to cover large motor losses (typically where the insured event results in severe personal injury) and catastrophe claims (usually an extreme weather event). In addition, quota share arrangements are in place to cede parts of the portfolio.

### Insurance risk – sensitivity analysis

Tradex undertakes a range of stress tests relating to insurance risk, including change in reserves and loss ratios.

An increase of 10% in reserves would reduce profit, equity and the value of Tradex's assets at the end of the financial year by approximately £26m. This would reduce Tradex's solvency coverage by 7.7%. The impact of a decrease of 10% in reserves would be a similar but opposite effect.

A deterioration of 10% in loss ratios would reduce profit, equity and the value of Tradex's assets at the end of the financial year by approximately £41m and would reduce Tradex's solvency coverage by 5.3%. The impact of a 10% improvement in loss ratios would be a similar but opposite effect.

### Market risk

Market risk is the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market risk drivers such as interest rates and market prices of assets and liabilities.

Tradex is in the process of implementing a new investment strategy, managed by Hundle & Partners Limited. The Company is currently investing in high-quality fixed interest bonds issued by corporations ("corporate bonds") and the UK government ("gilts"). The value of, or income from, these assets is subject to volatility from changes in both market interest rates and additional spreads related to the specific credit-worthiness of the issuer ("credit-spreads"). Proceeds from maturing investments are also subject to risk over the future return on reinvestment.

Tradex is also exposed to market interest rates through the discounted present value placed upon future claims. All future claims are discounted for assessing solvency on both an economic and regulatory basis. However, short term insurance reserves (normally less than five years) are not directly affected by market interest rates as they are undiscounted.

Tradex also holds investments in equities and asset-backed lending, including real-estate backed lending. In addition to the risks listed above, this portfolio is subject to risks associated with equity and property values. This is mitigated by restricting the loan to value ratio on real-estate backed lending as well as limiting the duration of these investments.

## 5. Risk management (continued)

### Market risk (continued)

Tradex writes contracts of insurance in the United Kingdom and insurance liabilities and borrowings are denominated in sterling. Funds include investments denominated in US Dollars and Polish Zloty as well as sterling, and consequently there is an exposure to currency risk, however this is minimised through the use of currency hedges.

Tradex is not exposed to any pensions risk.

In summary, the key market risks that Tradex is exposed to are:

- Fluctuations in interest rates, allowing for the impact on both asset and liability values, and investment income.
- Movements in credit-spreads which impact the market value of corporate bonds.
- Changes in the relationship between interest rates which have similar but not identical characteristics.
- Fluctuations in the market value of assets.

### Market risk – objective and strategy

Tradex's objective is to achieve acceptable returns through the use of highly rated bonds while managing volatility by limiting and diversifying exposure to equities and other volatile instruments. This investment strategy is currently being implemented and progress is being made towards an investment portfolio that meets this objective.

### Market risk – sensitivity analysis

The most significant aspect of market risk to which Tradex is exposed is the effect of changes in value of investments, which directly impacts the profits reported under UK GAAP, and changes in credit-spreads on corporate bonds, which also affects Tradex's solvency.

An increase of 100 basis points in credit-spreads would reduce profit, equity and the value of Tradex's assets at the end of the financial year by approximately £1.3m (2023: £0.2m). This would reduce Tradex's solvency by £1.0m net of tax (2023: £0.1m). The impact of a decrease of 100 basis points in credit-spreads would have similar but opposite effects.

A decrease of 10% in the valuation of real-estate would reduce profit, equity and the value of Tradex's assets at the end of the financial year by approximately £2.8m (2023: £1.1m) and would reduce the solvency requirement by approximately £0.9m (2023: £0.2m) net of tax. The impact of a 10% increase in the valuation of real-estate would have similar but opposite effects.

A decrease of 10% in the valuation of equities would reduce profit, equity and the value of Tradex's assets at the end of the financial year by approximately £5.2m (2023: £0.4m) and would reduce the solvency requirement by approximately £0.1m net of tax (2023: £0.1m). The impact of a 10% increase in the valuation of equities would have similar but opposite effects.

An increase in the discount rate of 100 basis points would decrease the value of gross PPO reserves by £7.4m (2023: £7.7m) and the value of net PPO reserves by £0.7m (2023: £0.7m). Profit and equity would increase by the same amount. A decrease in the discount rate of 100 basis points would increase the value of PPO reserves by £9.9m (2023: £10.4m) and the value of net PPO reserves by £1.0m (2023: £1.0m). Profit and equity would decrease by the same amount.

### Climate change

Tradex has incorporated Climate Change risk into its Risk Management Framework and has assigned an owner who is responsible for the management and reporting of climate change.

Tradex has considered its exposure to climate change risk as at the end of December 2024, and concludes that financial risks from climate change arise through 2 primary channels or risk categories:

- **Physical risks:** arise from specific weather events (e.g. floods) and longer term shifts in the climate (e.g. weather variability and sea level rise). These could impact property insurance via higher claims cost but could also impact Tradex's assets.
- **Transition risks:** arise from the adjustment to a low-carbon economy. These could impact a firm's assets, in particular the value of investments, but also impact underwriting e.g. electric cars. The stance taken by Tradex could also be a potential source of reputational risk.

Insurance, Market, credit, regulatory and operational risk are identified as potentially being impacted.

- Insurance risk arises due to potential for increased weather related losses.
- Credit risk arises because reinsurers are exposed to extreme catastrophes and market risk themselves, which could reduce their financial strength, hence Tradex's ability to recover claims.
- Given that Tradex has low risk, short term investments then market risk is not a significant risk although we note that if the investment mandate changes going forwards then this may increase Tradex's exposure to climate related risks.
- In that operational risk relates to access to premises, this is also not a significant risk and is dealt with as part of business continuity planning.

It is incumbent on Tradex management, Board and investment partners to ensure that the longer term strategy, is managed effectively and minimises the risk of exposure to climate affected sectors.

**5. Risk management (continued)**

## Currency risk

Tradex is exposed to currency risk on its investments as corporate bonds, equities and real-estate backed lending include investments denominated in US Dollars and Polish Zloty. During 2024 currency hedges were purchased to minimise the foreign exchange exposure. The table below shows the holdings of investments by currency.

<b>2024</b>	<b>£m</b>
Great British Pound	<b>139.8</b>
US Dollar	<b>7.7</b>
Polish Zloty	<b>11.7</b>
	<hr/>
Total	<b>159.2</b>
	<hr/>
<b>2023</b>	<b>£m</b>
Great British Pound	<b>77.3</b>
US Dollar	<b>2.9</b>
Polish Zloty	<b>8.4</b>
	<hr/>
Total	<b>88.6</b>
	<hr/>

## Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. Tradex's objective is to minimise operational risk through the implementation of a robust control environment which minimises the potential for loss as a result of the failure of processes, people and technology or due to external events.

Tradex has defined the following sub-categories within operational risk, which represent the major areas of operational risk exposure. Each sub-category has its own RFO, and is supported by underlying control standards:

- Financial reporting risk
- Technology risk (including cyber risk)
- Third party supplier risk
- Operational resilience risk
- Information risk
- Financial crime risk
- People risk
- Model risk
- Premises and physical security risk
- Product governance risk

Under the operating model, MISL are responsible for managing a significant amount of Tradex's operational risks.

Third Party Risk will remain high given Tradex's reliance on MISL for the management of policies and claims. This is managed via the BAA agreement and monitoring arrangements that have been put in place. Tradex, as a growing entity, is exposed to people risk, particularly in relation to key person dependency. This risk is managed individually with detailed succession planning and retention strategies if required. Tradex has a corporate insurance programme to transfer specific risks to insurers as part of its risk management approach which, in 2024, included employer's liability and Directors' and Officers' insurance.

## Liquidity risk

Liquidity risk is the current and prospective risk to earnings or solvency arising from Tradex's inability to meet its obligations when they come due without incurring unacceptable losses. Tradex's objective is to maintain at all times, liquid resources which are adequate to meet all policyholder and other funding obligations as they fall due primarily through the use of cash and highly liquid UK government and corporate bonds.

Tradex's Board sets risk appetite thresholds for liquid investments, based on forecast cash flows, and assesses liquidity against these.

At 31 December 2024 liquid assets of £200.4m were held against a risk appetite threshold of £68.0m.

## 5. Risk management (continued)

### Liquidity risk (continued)

The actual and projected levels of cash and other assets held are monitored and managed through the Investment, Finance and Capital Committee ('IFCC'), with oversight by the BRC and Board. In addition, in between IFCC meetings, monthly monitoring of liquid assets against risk appetite limits is undertaken.

The following table indicates the time profile of undiscounted cash flows arising from financial liabilities and insurance contract liabilities (based upon contractual maturity).

	Carrying value	Gross nominal outflow	Up to 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years
<b>As at 31 December 2024</b>								
Insurance contract liabilities	407.6	451.7	120.9	67.2	50.9	40.6	31.3	140.8
Financial liabilities at amortised cost:								
Reinsurance liabilities	151.9	151.9	151.9	-	-	-	-	-
Insurance and other payables	111.0	111.0	111.0	-	-	-	-	-
	<b>670.5</b>	<b>714.6</b>	<b>383.8</b>	<b>67.2</b>	<b>50.9</b>	<b>40.6</b>	<b>31.3</b>	<b>140.8</b>
Other liabilities	338.9							
Total recognised liabilities	<b>1,009.4</b>							
	Carrying value	Gross nominal outflow	Up to 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years
<b>As at 31 December 2023</b>								
Insurance contract liabilities	228.4	273.1	32.1	104.6	46.6	20.7	12.5	56.6
Financial liabilities at amortised cost:								
Reinsurance liabilities	55.9	55.9	55.9					
Insurance and other payables	46.6	46.6	46.6					
	<b>330.9</b>	<b>375.6</b>	<b>134.6</b>	<b>104.6</b>	<b>46.6</b>	<b>20.7</b>	<b>12.5</b>	<b>56.6</b>
Other liabilities	128.9							
Total recognised liabilities	<b>459.8</b>							

### Credit risk

Credit risk is the risk to earnings and capital arising from a debtor's failure to meet their legal and contractual obligations. Tradex does not aim to earn a return from credit risk hence its appetite for credit risk is very low. Potential losses arising from credit risk are minimised by the use of high quality reinsurers and highly rated investments.

Tradex's key credit risk exposure is from default or delay in respect of insurance receivables, where default is defined as failure to pay resulting in financial loss to Tradex. The two main potential causes of this would be i) reinsurance counterparties failing to meet financial obligations or entering into restructuring arrangements that may adversely affect reinsurance recoveries ii) Insurance receivables, such as premiums, not being paid. A third, albeit much smaller source of credit risk would be if our insurers do not pay amounts when due

Tradex manages credit risks associated with cash and corporate bonds as part of market risk. See market risk section on page 31 for details.

Where reinsurance is used to manage insurance risk, there is a risk that the reinsurer fails to meet its obligations in the event of a claim. Tradex places limits over exposure to a single reinsurance counterparty, or counterparty group, based upon their credit-worthiness. These limits applied when reinsurance was initially placed, and are regularly monitored by the IFCC. Where concern exists over the credit quality of a reinsurer, a review will be undertaken to determine the most appropriate management action.

The quota share reinsurance arrangements mostly operate on a funds withheld basis, which means that only the reinsurer margin is transferred to the reinsurer.

As at the statement of financial position date, the table below provides analysis of the credit rating of those assets subject to credit risk. Tradex's policy for making provisions for possible impairment is described within the accounting policy section on page 25.

## 5. Risk management (continued)

Credit risk (continued)	AAA	AA	A	BBB and below	Not rated	Total
<b>As at 31 December 2024</b>						
Investment assets:						
Corporate bonds	-	-	-	-	60.0	60.0
Gilts	-	18.2	-	-	-	18.2
Asset backed lending	-	-	-	-	32.8	32.8
Foreign exchange	-	-	-	-	(0.1)	(0.1)
Reinsurers' share of claims outstanding	-	60.2	193.5	10.2	-	263.9
Reinsurance debtors	-	2.3	46.0	1.3	-	49.6
Insurance receivables and other assets	-	-	-	-	249.3	249.3
Cash at bank and in hand	67.2	-	111.9	-	3.5	182.6
	<b>67.2</b>	<b>80.7</b>	<b>351.4</b>	<b>11.5</b>	<b>345.5</b>	<b>856.3</b>
Assets not subject to credit risk						292.1
						<b>1,148.4</b>

	AAA	AA	A	BBB and below	Not rated	Total
<b>As at 31 December 2023</b>						
Investment assets:						
Gilts	-	17.7	-	-	-	17.7
Asset backed lending	-	-	-	-	11.4	11.4
Cash	-	-	10.0	-	-	10.0
Deposits with credit institutions	-	-	45.9	-	-	45.9
Reinsurers' share of claims outstanding	-	51.5	101.8	0.1	-	153.4
Reinsurance debtors	-	0.3	9.5	-	0.9	10.7
Insurance receivables and other assets	-	-	-	-	143.2	143.2
Cash at bank and in hand	-	-	22.7	-	-	22.7
	<b>-</b>	<b>69.5</b>	<b>189.9</b>	<b>0.1</b>	<b>155.5</b>	<b>415.0</b>
Assets not subject to credit risk						94.9
						<b>509.9</b>

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the table. No assets held at the end of the year are past due.

## 6. Capital management

The Company's capital and capital requirement is defined in the Strategic Report on page 5.

### Objectives when managing capital

Tradex's strategy in respect of capital management is to ensure that the following objectives are met:

- It has sufficient capital to meet all regulatory requirements.
- It has sufficient additional capital above the regulatory requirements to make any breach of the regulatory requirement unlikely, ensuring that policyholders are protected.

### Required capital

Under the Solvency II UK regulatory framework, the Prudential Regulation Authority (PRA) requires Tradex to calculate a capital requirement and to hold sufficient capital to meet it.

## 6. Capital management (continued)

### Required capital (continued)

#### (a) Regulatory required capital

The Solvency II regulatory regime came into force as at 1 January 2016 and, from 31 December 2024 has been replaced by the Solvency II UK regulatory regime, as prescribed by the PRA. Under this solvency framework, Tradex is required to hold capital at the greater of two measures, namely the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR). These measures are described below.

- i) SCR: The SCR is a risk-responsive capital measure, calibrated to ensure that an insurer will be able to meet its obligations over the next 12 months with a probability of at least 99.5%. Tradex currently calculates its SCR using the Standard Formula (SF). The Standard Formula is calibrated based on market wide data and not on a specific firm's data, so the PRA must approve the SF SCR as being appropriate for a particular firm.
- ii) MCR: The calculation of the MCR is prescribed under the Solvency II UK guidance and is set at a lower level than the SCR. Initially, the MCR is calculated by applying set factors to net technical provisions and the previous 12 months' net written premiums and is then subject to a cap of 45% and a floor of 25% of the SCR.

Tradex has maintained capital above its regulatory requirements throughout 2024 and, since receiving a capital injection on 28 March 2024, has maintained capital above its regulatory requirements. Tradex reviews solvency regularly through monthly or, when appropriate, more frequent monitoring. Monthly updates are provided to management and quarterly reports are provided to the Investments, Finance and Capital Committee and to the Board.

In the event that Tradex falls below its risk appetite, it would be possible to reduce capital requirements by executing actions that reduce risk, albeit often resulting in reduced returns. Management have identified potential actions which fall into three main categories:

- Actions to reduce insurance risk – for example, through the purchase of reinsurance.
- Actions to reduce other types of risk – for example, de-risking the investment portfolio.
- Actions to increase available capital – for example, through possible issuance of additional subordinated debt, or through reducing future planned dividend payments.

Potential actions are routinely assessed at least once a year so that contingent management actions are available.

#### (b) Capital composition

The policies and processes employed by Tradex are designed to benefit policyholder protection by giving the business an accurate understanding of the amount and quality of capital and resources. This helps the business ensure that sufficient capital is held to absorb unexpected losses and maintain solvency.

Under the Solvency II UK regime capital resources are referred to as own funds. Own funds correspond to capital and reserves which can serve as a buffer against risks and absorb financial losses. Each type of own funds is classified within a tier, with tier 1 being the highest quality capital.

All of the Company's excess of assets over liabilities, which comprises share capital and retained profits calculated on a Solvency II UK basis, is classified as tier 1 capital. In addition, the perpetual restricted notes and subordinated notes held by the business, disclosed in note 25, served as tier 1 restricted and tier 2 capital respectively, and any deferred tax assets are classified as tier 3 capital.

100% of tier 1 own funds held at the end of the reporting period were eligible to meet the SCR and MCR. The Solvency II UK regulations restrict the use of lower tier capital to support the SCR, the value of tier 2 and tier 3 items not being permitted to exceed 50% of the value of the SCR. 100% of tier 1 capital, 20% of tier 2 capital and 0% of tier 3 capital is eligible to meet the MCR. Restricted tier 1 items must form less than 20% of total tier 1 items eligible to meet the SCR and MCR.

Further information, including an explanation of the valuation of assets and liabilities on a Solvency II UK basis, is included in the Company's Solvency & Financial Condition Report published annually.

## 7. Class of business

These results include items directly attributable to a class of business as well as those that can be allocated on a reasonable basis. The accounting policies of the business classes are the same as those described in the summary of significant accounting policies.

### Business classes

Tradex comprises the following classes of business:

<b>Motor</b>	Private motor car, fleet and commercial vehicles.
<b>Home</b>	Domestic buildings, contents and personal possessions.
<b>Liability</b>	Employers and public liability insurance.
<b>Property</b>	Commercial property cover.

## 7. Class of business (continued)

2024	Motor	Home	Liability	Property	Total
Gross premiums written	586.5	25.8	4.0	0.8	617.1
Gross premiums earned	410.2	23.2	2.7	0.9	437.0
Gross claims incurred	(334.7)	(17.1)	(1.9)	(0.2)	(353.9)
Gross operating expenses	(64.6)	(10.5)	(0.5)	(0.2)	(75.8)
Reinsurance balance (including quota share)	5.0	(2.1)	(0.2)	-	2.7
<b>Balance on the technical account for general business</b>	<b>15.9</b>	<b>(6.5)</b>	<b>0.1</b>	<b>0.5</b>	<b>10.0</b>
2023	Motor	Home	Liability	Property	Total
Gross premiums written	183.4	13.1	0.7	1.0	198.2
Gross premiums earned	102.9	3.0	0.7	1.0	107.6
Gross claims incurred	(148.0)	(2.8)	0.5	(0.2)	(150.5)
Gross operating expenses	(22.2)	(0.6)	(0.2)	(0.2)	(23.2)
Reinsurance balance (including quota share)	42.6	-	(0.2)	-	42.4
<b>Balance on the technical account for general business</b>	<b>(24.7)</b>	<b>(0.4)</b>	<b>0.8</b>	<b>0.6</b>	<b>(23.7)</b>

The whole of the underwriting results, turnover and pre-tax profit arise in the United Kingdom.

## 8. Net earned premiums

	2024	2023
<b>Gross premiums</b>		
Gross written premiums	617.1	198.2
Change in unearned premium provision	(180.1)	(90.6)
<b>Gross earned premiums</b>	<b>437.0</b>	<b>107.6</b>
<b>Outward reinsurance premiums</b>		
Premiums ceded	(384.1)	(108.9)
Change in unearned premium provision	124.5	43.3
<b>Premiums ceded to reinsurers</b>	<b>(259.6)</b>	<b>(65.6)</b>
<b>Net earned premiums</b>	<b>177.4</b>	<b>42.0</b>

## 9. Net claims paid

	Note	2024	2023
<b>Gross claims paid</b>			
Current year claims		81.9	10.4
Prior year claims		92.8	44.9
Gross claims paid	27	174.7	55.3
<b>Less amounts receivable from reinsurers</b>			
Current year claims		(40.6)	(6.5)
Prior year claims		(51.6)	(24.6)
Amounts receivable from reinsurers		(92.2)	(31.1)
<b>Net claims paid</b>		<b>82.5</b>	<b>24.2</b>

## 10. Net operating expenses

	2024	2023
Acquisition costs	59.2	28.8
Change in deferred acquisition costs	(12.0)	(12.7)
Reinsurance commissions	(105.3)	(14.8)
Reinsurance share of change in deferred acquisition costs	45.7	3.6
Administration expenses	28.6	7.1
	<u>16.2</u>	<u>12.0</u>

Acquisition costs above relate to commissions paid to brokers.

Staff costs included within administrative expenses are shown below. Included within the administration expenses is £0.5m (2023: £0.1m) paid by the Company in respect of regular pension contributions

Key management compensation is disclosed in note 31.

### Staff costs

	2024 £000	2023 £000
Wages and salaries	5,857	2,419
Social security costs	610	283
Pension costs – defined contribution scheme	466	70
	<u>6,933</u>	<u>2,772</u>

Staff costs for 2024 includes £3.7m recharged from other group entities in respect of work undertaken for the Company.

### Average number of employees

	2024	2023
Underwriting	9	7
Claims	2	4
Administration	35	23
	<u>46</u>	<u>34</u>

### Amounts payable to auditors

	2024 £000	2023 £000
Audit of these financial statements	667	543
Other assurance services	327	-
Predecessor audit fees for the 2022 financial statements	-	55
	<u>994</u>	<u>598</u>

### Depreciation

	2024 £000	2023 £000
Depreciation on tangible assets	329	384

## 11. Investment return

	2024	2023
Interest and similar income:		
Loans with related party	0.2	0.2
Listed debt securities	1.1	0.5
Equities	0.5	-
Deposits with credit institutions	2.7	1.6
	<hr/>	<hr/>
	4.5	2.3
Realised gains on investments:		
Collective investments	0.9	-
Equities	-	-
Asset backed lending	0.2	-
	<hr/>	<hr/>
	1.1	-
Total investment return	<hr/>	<hr/>
	5.6	2.3
	<hr/>	<hr/>
	2024	2023
Unrealised gains/(losses) on investments:		
Listed debt securities	(0.1)	-
Foreign exchange	(0.1)	-
Equities	(2.5)	-
Asset backed lending	3.7	0.6
	<hr/>	<hr/>
	1.0	0.6

Included within unrealised gains/(losses) on investments are gains of £0.5m (2023: nil) relating to foreign exchange movements on investments denominated in currencies other than GBP.

## 12. Investment expenses and charges

	2024	2023
Interest paid on subordinated tier 2 notes	1.8	-
Investment management expenses	1.5	0.1
	<hr/>	<hr/>
	3.3	0.1

## 13. Other income

	2024	2023
Finance income	-	0.4
Other income	-	0.2
	<hr/>	<hr/>
	-	0.6

## 14. Other charges and operating expenses

	2024	2023
Operating expenses	<hr/>	<hr/>
	-	0.2
	<hr/>	<hr/>
	-	0.2

Operating expenses consists of interest paid on an intercompany loan.

## 15. Income tax

	2024	2023
<b>Current Tax</b>		
UK tax charge for the current year	<u>1.6</u>	-
Total current tax charge	<u>1.6</u>	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	<u>(9.2)</u>	3.3
Total deferred tax charge/(credit)	<u>(9.2)</u>	3.3
Total tax charge/(credit) recognised in the income statement	<u>(7.6)</u>	3.3

Further information about deferred tax is presented in note 18.

### Reconciliation of effective tax rate

The tax charge in the income statement differs from the theoretical amount that would arise using the corporation tax rate in the UK as follows:

	2024	2023
Profit/(loss) before taxation	<u>13.3</u>	(20.5)
Tax calculated at domestic corporation tax rate of 25.0% (2023: 23.5%)	3.3	(4.8)
Effect of:		
Recognition of deferred tax asset	(9.2)	-
Deferred tax provided and utilised in the year	<u>(1.7)</u>	8.1
Income tax charge/(credit)	<u>(7.6)</u>	3.3

The UK corporation tax rate increased from 19% to 25% with an effective date of 1 April 2023.

## 16. Financial investments

	2024 Carrying value	2024 Cost	2023 Carrying value	2023 Cost
Debt securities	60.0	60.0	17.7	17.7
Gilts	18.2	17.6	-	-
Equities	48.3	50.6	3.6	3.6
Asset backed lending	32.8	28.6	11.4	10.8
Cash	-	-	10.0	10.0
Foreign exchange	<u>(0.1)</u>	-	-	-
	<u>159.2</u>	<u>156.8</u>	42.7	42.1

At 31 December 2024 listed debt securities of £60.0m (2023: £17.7m) and gilts of £18.2m (2023: nil) are expected to be recovered more than 12 months after the reporting date. All other amounts have no maturity date.

## 17. Debtors arising out of direct insurance operations

	2024	2023
Due from intermediaries	<u>244.3</u>	140.0

The amount due from intermediaries includes balances receivable from two related parties amounting to £244.3m (2023: £140.0m).

## 18. Taxation

	2024	2023
<b>Current tax</b>		
Asset at the beginning of the financial year	-	-
Tax charged to income statement	(1.6)	-
Tax paid during the financial year	3.7	-
	<hr/>	<hr/>
Asset at the end of the financial year	2.1	-
	<hr/>	<hr/>
	2024	2023
<b>Deferred tax asset</b>		
Asset at the beginning of the financial year	-	3.3
Tax credited/(charged) to the income statement	9.3	(3.3)
	<hr/>	<hr/>
Asset at the end of the financial year	9.3	-
	<hr/>	<hr/>
<b>Analysis of deferred tax asset</b>		
Capital allowances on fixed assets	0.1	-
Tax losses	9.2	-
	<hr/>	<hr/>
Asset at the end of the financial year	9.3	-
	<hr/>	<hr/>

The deferred tax asset has been recognised on the basis of projections of future profits, which show that the asset is expected to reverse within the next five years. A deferred tax asset of £0.4m (2023: £0.4m), relating to timing differences of £1.6m (2023: £1.6m) between depreciation and capital allowances on fixed assets has not been recognised on the basis that this will unwind outside of the forecast period. In the prior year, deferred tax assets of £10.8m, relating to losses of £43.1m, and £0.2m relating to timing differences of £0.7m between depreciation and capital allowances on fixed assets were not recognised. This was because the Directors, recognising that the business was undergoing a significant period of change and growth, took the prudent approach of not recognising any asset. In the current year, given the development of the business, the Directors believe that there is now sufficient certainty that taxable profit will arise over the forecast period to enable the recognition of a deferred tax asset.

Deferred tax assets amounting to £7.1m are expected to reverse in the next accounting period.

Deferred tax has been calculated at 25%, which is the Corporation Tax rate applicable for tax periods after 1 April 2023, which received Royal Assent on 30 November 2021.

## 19. Other debtors

	2024	2023
Other debtors	5.0	3.2
	<hr/>	<hr/>

Other debtors above include related party balances of £3.1m (2023: £3.2m).

## 20. Tangible assets

	Computer equipment & software
<b>Cost</b>	
At the start of the year	7.5
Additions	0.1
Disposals	<u>(0.1)</u>
At the end of the year	<u>7.5</u>
<b>Depreciation</b>	
At the start of the year	6.1
Charge for the year	0.3
Disposals	<u>(0.1)</u>
At the end of the year	<u>6.3</u>
<b>Net Book Value</b>	
At the end of the year	<u>1.2</u>
At the start of the year	<u>1.4</u>

## 21. Cash at bank and in hand

	2024	2023
Cash at bank	111.9	22.7
Cash on deposit	3.5	-
Money market funds	<u>67.2</u>	-
Net cash at bank and in hand	<u>182.6</u>	22.7

Included in cash at bank and in hand is £10.0m (2023: £0.1m) held in the Company's custodian account for investment purposes. A further £67.2m is held in money market funds for investment purposes (2023: £nil).

## 22. Deferred acquisition costs

	2024		2024		2023	2023
	Gross	Reinsurance	Gross	Reinsurance	Gross	Reinsurance
On insurance contracts	<u>31.4</u>	<u>(51.8)</u>	19.4	(6.1)		
	<b>2024</b>	<b>2024</b>	<b>2024</b>	2023	2023	2023
	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>	Gross	Reinsurance	Net
At 1 January	19.4	(6.1)	13.3	6.7	(2.4)	4.3
Expenses for the acquisition of insurance contracts deferred during the year	<u>12.0</u>	<u>(45.7)</u>	<u>(33.7)</u>	12.7	(3.7)	9.0
At 31 December	<u>31.4</u>	<u>(51.8)</u>	<u>(20.4)</u>	19.4	(6.1)	13.3

### 23. Share capital and share premium

	2024	2023
<b>Issued and fully paid</b>		
12,137,628 ordinary shares of £1 each (31 December 2023: 12,137,608 ordinary shares of £1 each)	<u>12.1</u>	12.1
<b>Share premium</b>		
At the start of the year	66.8	10.1
Share issuance	<u>50.0</u>	56.7
At the end of the year	<u>116.8</u>	66.8

On 28 March 2024, Saturn Holdings Limited subscribed for 15 new shares issued by Tradex for £37,500,000. This equates to an increase in share capital of £15 and an increase in share premium of £37,499,985 at the subscription date.

On 26 June 2024, Saturn Holdings Limited subscribed for 1 new share issued by Tradex for £2,500,000. This equates to an increase in share capital of £1 and an increase in share premium of £2,499,999 at the subscription date.

On 23 December 2024, Saturn Holdings Limited subscribed for 4 new shares issued by Tradex for £10,000,000. This equates to an increase in share capital of £4 and an increase in share premium of £9,999,996 at the subscription date.

### 24. Retained earnings and other reserves

	2024	2023
<b>Retained earnings</b>		
At the beginning of the financial year	(28.8)	(5.0)
Profit/(loss) for the financial year	20.9	(23.8)
Interest on perpetual restricted tier 1 notes	<u>(2.0)</u>	-
At the end of the financial year	<u>(9.9)</u>	(28.8)

### 25. Tier 1 & tier 2 notes

	2024	2023
<b>Equity</b>		
20.0% perpetual restricted tier 1 notes	20.0	-
<b>Liabilities</b>		
12.0% subordinated tier 2 notes	<u>30.0</u>	-
	<u>50.0</u>	-

On 28 June 2024, the Company issued £20m perpetual restricted tier 1 notes, charged at 20.0% interest per annum.

On 28 June 2024, the Company issued £30m subordinated tier 2 notes, maturing on 28 December 2034, charged at 12.0% interest per annum.

There were no defaults or breaches of contractual obligations attaching to the tier 1 or tier 2 notes during the financial year.

Finance costs incurred during the year in relation to interest on the tier 1 and tier 2 notes were £3.9m (2023: £nil).

### 26. Provision for unearned premiums

	2024 Gross	2024 Reinsurance	2024 Net	2023 Gross	2023 Reinsurance	2023 Net
At the beginning of the financial year	128.9	68.3	60.6	38.3	25.0	13.3
Increase/(decrease) in the financial year	180.0	124.4	55.6	90.6	43.3	47.3
At the end of the financial year	<u>308.9</u>	<u>192.7</u>	<u>116.2</u>	128.9	68.3	60.6

## 27. Claims outstanding

### Claims and claims handling costs

	2024 Gross	2024 Reinsurance	2024 Net	2023 Gross	2023 Reinsurance	2023 Net
At 1 January						
Notified outstanding claims	135.7	106.0	29.7	99.2	79.8	19.4
Provision for claims incurred but not reported	92.1	47.4	44.7	33.3	19.0	14.3
Provision for claims handling costs	0.6	-	0.6	0.4	-	0.4
	<b>228.4</b>	<b>153.4</b>	<b>75.0</b>	132.9	98.8	34.1
Increase/(decrease) in provision						
Claims paid during the year	(174.7)	(92.2)	(82.5)	(55.3)	(31.1)	(24.2)
Provision for outstanding claims	353.7	202.7	151.0	150.3	96.8	53.5
Provision for claims handling costs	0.2	-	0.2	0.2	-	0.2
	<b>179.2</b>	<b>110.5</b>	<b>68.7</b>	95.2	65.7	29.5
Other movement in gross provisions	-	-	-	0.3	-	0.3
Movement in quota share and reinsurance commutations	-	-	-	-	(11.1)	11.1
	<b>179.2</b>	<b>110.5</b>	<b>68.7</b>	95.5	54.6	40.9
At 31 December						
Notified outstanding claims	283.4	208.0	75.4	135.7	106.0	29.7
Provision for claims incurred but not reported	123.4	55.9	67.5	92.1	47.4	44.7
Provision for claims handling costs	0.8	-	0.8	0.6	-	0.6
At 31 December	<b>407.6</b>	<b>263.9</b>	<b>143.7</b>	228.4	153.4	75.0

There is no provision at the end of the current year or the prior year for unexpired risks.



## Notes to the annual report and accounts

All amounts are stated in £m unless otherwise indicated

### 28. Other creditors including taxation and social security

	2024	2023
Taxes and social security	20.3	13.9
Other creditors	14.6	3.3
	<hr/>	<hr/>
	34.9	17.2

### 29. Obligations under operating leases

The minimum lease payments to which the Company was committed under non-cancellable operating leases for the coming year at the year-end were as follows:

	2024	2023
On lease expiring:		
Within 1 year	0.1	-
Between 1-5 years	0.2	0.2
After 5 years	-	-
	<hr/>	<hr/>
	0.3	0.2

Amounts paid under operating leases during the year were £0.1m (2023: £nil).

### 30. Parent company

SHL is the immediate parent and is incorporated in England & Wales as a company under the Companies Act 2006.

SHL's ultimate owners are funds managed or advised by Pollen Street Capital Limited, a subsidiary of Pollen Street Group Limited, a UK listed asset manager (LON:POLN).

The results of Tradex are consolidated into the results of the group headed by SHL. This is both the smallest and the largest group of undertakings for which group accounts are drawn up and of which the Company is a member. The financial statements of the parent organisation are available from [www.soteriainsurance.co.uk](http://www.soteriainsurance.co.uk).

### 31. Related party transactions

<b>Balances at the end of the year</b>	2024	2023
Amounts due from entities with significant influence over the Company:		
SHL intercompany loan	3.1	3.2
Amounts due from other related parties:		
Markerstudy Insurance Services Limited and its subsidiaries	222.7	115.8
Clegg Gifford & Co Limited	11.6	23.9
Newpoint Re group	61.0	0.2
Global Recovery Limited	40.8	-
Amounts due to entities with significant influence over the Company:		
SHL perpetual restricted tier 1 notes	20.0	-
SHL subordinated tier 2 notes	30.0	-
SHL other balances	0.1	-
Amounts due to other related parties:		
Soteria Insurance Limited	1.5	-

Amounts due from Newpoint Re group and Global Recovery Limited include amounts held as investments in these entities.

### 31. Related party transactions (continued)

Transactions during the year	2024	2023
Income from entities with significant influence over the Company:		
Interest on SHL intercompany loan	0.2	0.1
Income from transactions with other related parties:		
Clegg Gifford & Co Limited	0.2	0.6
RWC Investments Limited	-	0.1
Soteria Insurance Limited	0.1	-
Newpoint Re	0.3	-
Expenditure from entities with significant influence over the Company:		
Interest on SHL perpetual restricted tier 1 notes and subordinated tier 2 notes	3.9	-
Expenditure from transactions with other related parties:		
Markerstudy Insurance Services Limited and its subsidiaries	49.9	7.4
Clegg Gifford & Co Limited	8.9	22.0
Soteria Insurance Limited	3.9	-
Global Recovery Limited	40.8	-
Newpoint Re	60.0	-

The figures shown above include balances and transactions with companies that were related to Tradex during the year.

Markerstudy Insurance Services Limited ('MISL') and Clegg Gifford & Co Limited ('CG') are related parties on the basis that they share the same ultimate owners (being funds managed or advised by Pollen Street Capital Limited). Global Recovery Limited is a related party of MISL.

Newpoint Re (Newpoint) and its parent NFG Sarl (NFG) are related as a result of NFG being a shareholder in SHL, Tradex's immediate parent company. From 1 August 2023 to 31 December 2024, Tradex holds quota share reinsurance and investments with Newpoint Re.

Prior to the acquisition of Tradex by SHL, both Tradex and Clegg Gifford & Co Limited were under the control of R W Clegg, who also controlled RWC Investments Limited.

Related party transactions consist of:

- Transactions with SHL relating to a perpetual loan from Tradex to SHL on which interest is charged at 7% p.a.
- Transactions with SHL relating to perpetual restricted tier 1 notes of £20m and subordinated tier 2 notes of £30m from SHL to Tradex, which were issued on 28 June 2024 and on which interest is charged at 20% and 12% p.a. respectively.
- Gross brokerage and commissions paid to MISL relating to policies for which MISL acts as a broker. £564.8m premiums were written by MISL during the year (2023: £99.7m).
- Gross brokerage and commissions paid to CG relating to policies for which CG acts as a broker. £52.3m premiums were written by CG during the year (2023: £98.2m).
- Transactions with Markerstudy group companies relating to asset backed loans held as investments by Tradex.
- An investment into corporate bonds issued by Newpoint Surety Asset Finance Ltd.
- An investment into equities issued by Global Recovery Limited.
- Income from CG relating to premium finance facilities, less net expenses.
- Rent paid to CG for office premises.

#### Key management compensation

Key management is considered to include the members of the Tradex Board and Executive committee members.

Details of transactions and balances with Key Management during the year are provided below. Part of these costs are recharged to Tradex for work employees undertake in Tradex, though they are legally employed by SIL.

Salaries and short-term benefits:	2024	2023
In respect of key management	2.0	1.4
In respect of Executive and Non-Executive Directors	1.2	0.7
In respect of the highest paid director	0.4	0.3

## Notes to the annual report and accounts

All amounts are stated in £m unless otherwise indicated

### 32. Fair value estimation

As described in note 4, the fair value of listed securities is based on market prices provided by independent, external pricing sources at the statement of financial position date without any deduction for transaction costs. The fair value of unlisted securities is based on independent valuations which are updated at least quarterly.

For receivables and payables with a remaining life of less than one year, the nominal amount is deemed to reflect the fair value where the effect of discounting is immaterial.

The following table provides an analysis of financial investments that are valued or disclosed at fair value, by the three level fair value hierarchy as defined within FRS 102, where valuations are based on:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The following table presents the Company's financial investments measured at fair value classified by these levels.

Level 3 investments are valued using valuation techniques described in note 3c on pages 24 to 25.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>2024</b>				
Financial investments	-	82.5	76.7	159.2
<b>2023</b>				
Financial investments	-	31.3	11.4	42.7

### 33. Events after the reporting period

Subsequent to acquiring Tradex, the Board commissioned an internal review of the implementation of certain regulatory requirements. The internal review indicated that the implementation in certain areas required remediation. The Board approved a remediation plan, which was immediately kicked off and continues to be embedded and is subject to continual improvement. Tradex is subject to a regulatory review in respect of these matters. There has been no material impact to the current period financial statements, however, given the uncertainties involved in such matters, there can be no assurance regarding the eventual outcome of a particular matter or matters, or their financial impact on subsequent periods.

#### Tradex Insurance Company plc

Registered under the Companies Act 2006

Registered office: McLaren House, 100 Kings Road, Brentwood, England, CM14 4EA

Registered number: 02983873