Saturn Holdings Limited

Annual report and accounts 2024

Contents

Principal activities and business updates

Saturn Holdings Limited ('SHL' and the 'Company') is a holding company, whose principal activity is as a holding company of Tradex Insurance Company plc ('Tradex'), Soteria Finance Holdings Limited ('SFHL') and Soteria Insurance Limited ('SIL'), together forming the 'Group'. Both Tradex and SIL are general insurance companies, regulated by the Prudential Regulatory Authority ('PRA') and the Financial Conduct Authority ('FCA').

Acquisition of subsidiaries

SHL was incorporated on 15 December 2021 but remained dormant until 7 July 2023, when, following approval by the PRA, it acquired Tradex Insurance Holdings Limited ('TIHL') and TIHL's subsidiary, Tradex. On 21 August 2023, ownership of Tradex was transferred from TIHL to SHL.

On 10 October 2023, following approval by the PRA, SHL acquired SFHL and its subsidiary, SIL, and Soteria Own Fund Solutions Limited ('SAOFS').

On 19 February 2024, ownership of SIL was transferred from SFHL to SHL and so SIL has become a directly owned subsidiary of SHL. TIHL was dissolved on 9 January 2024 and SAOFS was dissolved on 4 June 2024.

The Group's principal activity is as a UK-based general insurer that underwrites motor and home insurance for retail customers, with smaller activities in ancillary lines and commercial business. Within the motor market it underwrites both mainstream commercial and retail policies, alongside more specialist lines such as motor trade and taxi. Its home business was launched in 2023 and has grown to become a significant share of the business, underwriting mainstream home policies to UK individuals.

During the year, the Group has delivered substantial growth with gross written premiums increasing to £617.1m (2023: £149.2m). This has been accompanied by a significant increase in the Group's capital resources with the issuance of £72.2m of share capital. This positions the Group with the capacity to write significantly more business.

In 2023, the Group entered into a strategic partnership with Markerstudy, a leading distributor of UK general insurance, which has provided a significant platform for growth. The Group has been able to leverage Markerstudy's market leading pricing, data and analytics estate, which deploys advanced machine learning technologies, alongside the scale of its operating platform which services 6 million UK policyholders. As this relationship has scaled up, the Group has enjoyed growth in both the number of customers it serves, as well as improvements in underwriting accuracy which have delivered significantly improved gross loss ratios of 80% (2023: 167%).

Throughout the year, the Group has also invested significantly in its operational platforms in order to enhance its overall customer experience.

The Group has a number of reinsurance arrangements, including excess of loss, quota share and catastrophe protection. This helps it manage income statement volatility and balance sheet exposure, as well as deliver improved return on equity as it carefully manage the deployment of its capital. During the course of the year, the Group has diversified its panel of reinsurers, with many of the world's leading players joining its panel, demonstrating the quality of the business it underwrites.

2022 and 2023 saw a material step-up in inflation which significantly affected the UK insurance market. In the period that has followed, and accelerating in 2024, we have seen the market more accurately price claims inflation. This has benefitted the Group as the majority of its policies were written during this hardening market. Inflation continues to impact on claims costs as the cost of vehicle parts and building materials has increased, but the rate of increase has peaked and continues to reduce. The observed impact of wage increases on bodily injury claims has been relatively low to date but is expected to continue in 2025.

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 this registration.

During 2023, and concluding in 2024, 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. The Group 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, such as costs associated with remedial activities or regulatory actions.

Financial position & performance

The financial position of the Group and the Company at 31 December 2024 is shown in the Statements of Financial Position on pages 19-21 with the trading results shown in the Income Statement on page 18. A summary of the trading result for the Group is shown below.

Highlights

	2024	2023	Change
	£m	£m	£m
Earned premiums, net of reinsurance	**177.0**	28.0	149.0
Claims incurred, net of reinsurance	**(148.1)**	(45.3)	(102.8)
Other technical income, net of reinsurance	**1.5**	0.2	1.3
Net operating expenses	**(19.9)**	(6.1)	(13.8)
Balance on the technical account for general business	**10.5**	(23.2)	33.7
Investment income	**12.2**	4.9	7.3
Net unrealised gains on investments	**2.6**	4.4	(1.8)
Investment expenses and charges	**(16.2)**	(3.6)	(12.6)
Goodwill amortisation	**(3.4)**	2.5	(5.9)
Other income	**-**	0.1	(0.1)
Profit/(loss) on ordinary activities before tax	**5.7**	(14.9)	20.6

The 2024 full year financial result was a profit before taxation of £5.7m which compares to a loss of £14.9m in 2023, reflecting significantly improved risk selection, a stronger rating environment and the significant growth in earned premium.

Earned premium has increased to £177.0m (2023: £28.0m) which reflects a growth in premiums written of £617.1m (2023: £149.2m). This growth has been delivered by Tradex's growth in both its motor and home categories and has been driven by the distribution reach of the new Markerstudy relationship. The result in 2024 is profitable because the majority of the business earned in the year has been distributed through Markerstudy's platform which benefited from lower expected loss ratios and more accurate underwriting. The loss in 2023 was also impacted by the commutation of one of the reinsurance agreements, whereby adverse prior year development on large losses on the 2017 and prior underwriting years is longer being mitigated by reinsurance.

The Group 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.

Impact of inflation and interest rate rises

The rate of inflation has fallen significantly 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 2.0%. 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. During 2024, we saw average policy prices in the market increase more rapidly than inflation which has been a driver of improved loss ratios across the market. 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.

Investments

Investment performance has improved during 2024, mainly due to the increasing size of the investment portfolio. Returns are reduced, however, as the Group chose to fully write down one investment, valued at £9.4m, due to concerns regarding its recoverability. 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.

Investments have continued to perform satisfactorily, despite volatility in global markets during the first quarter of 2025.

Operational developments

Some of the Group's operational activities are managed by Markerstudy, with oversight by SHL or its subsidiaries. All core servicing and claims activities have agreed service levels, including activities undertaken by third-party suppliers on behalf of Markerstudy. The Group regularly monitors the operational performance against service levels, and monthly reporting updates are provided to both the Group's and Markerstudy'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 Group 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 Group'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 Group 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 Group'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.

Neither SHL, nor its subsidiaries are liable for any direct liabilities for power supply as the rent is inclusive of such costs. The Group 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. The Group 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 the Group's claims handling activities are outsourced to MISL, the Group 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.

The Group ensures all complaints are handled efficiently and effectively and in accordance with the Consumer Duty rules 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.

Capital

The Group 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 Group's policy is to maintain capital in excess of these regulatory requirements.

The Group 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 Group 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 Group's risk profile.

On a Solvency II basis, as submitted, the Group's capital resources showed a surplus of £128.4m at 31 December 2024 (2023: £82.4m) in excess of the capital requirement.

The Group has two subordinated loans, which are held within SHL. As part of a capital restructuring exercise, the loans changed ownership in October 2024. At 31 December 2024, the loans comprise:

- a £12m subordinated perpetual loan charged at a fixed rate of 17.5% interest per annum. This subordinated loan is classified as Tier 1 Restricted capital within Solvency II Own Funds. Counterparty to the loan is Global Structured Products (Jersey) Limited.
- a £60m subordinated term loan, due in 2030 at par, charged at a fixed rate of 16.875% interest per annum. This subordinated loan is classified as Tier 2 capital within Solvency II Own Funds. Counterparties to the loan are Pollen Street PLC, PSC Credit III (A) AssetCo S.à r.l., PSC Credit III (B) AssetCo S.à r.l. and Global Structured Products (Jersey) Limited. Pollen Street PLC, PSC Credit III (A) AssetCo S.à r.l., PSC Credit III (B) AssetCo S.à r.l. are related parties to SHL, owing to the shareholding in SHL by PSC Nominee 4 Limited, which is part of the same group.

Reinsurance arrangements

Tradex has established quota share reinsurance arrangements in 2024 with two 'AA' rated reinsurers, three 'A' rated reinsurers and one 'unrated' rated insurer. It has also purchased an excess of loss reinsurance programme for 2024 to reduce volatility arising from large losses.

Subsequent to the year end, on 21 March 2025, SIL entered into a loss portfolio transfer (LPT) arrangement with a third party to cover its obligations relating to liability claims, transferring liabilities of £23.6m. The net impact on inception of the arrangement was a profit of £5.7m.

Future Developments

The Group plans to continue to grow within the home and motor markets, via Tradex. Tradex's share of Markerstudy's overall distribution remains low with substantial growth headroom, which provides significant opportunities for the year ahead. The Group also plans significant investment in both its technology infrastructure as well as its operating platform. This will also involve substantial growth in the number of colleagues.

SIL will remain in run-off, with the Group considering appropriate exit plans as the number of outstanding claims continues to reduce.

Key performance indicators

The business strategy for the Group measures success in the key areas of financial performance and capital adequacy & risk and measures of customer outcomes. The Board, in particular, focuses on a wide range of customer outcome measures which are beyond the scope of this report. This 'balanced scorecard' approach helps ensure focus on the implications to areas identified as being key in progressing towards the Group's strategic vision.

Indicator	**2024**	2023
Financial *Financial measures focus on profitability and the value of the business*		
Profit/(loss) before taxation This shows the level of profit/(loss) before tax	£5.7m	(£14.9m)
Net asset value This shows the value of total assets less total liabilities	£142.8m	£58.1m
Capital adequacy & risk *Risk measures focus on capital adequacy under Solvency II requirements*		
Capital buffer This shows the SCR coverage using the Solvency II Standard Formula approach, which is assessed quarterly	183%	203%

Details of selected customer metrics can be found in the Annual Reports and Accounts for Tradex and SIL.

Risks and uncertainties

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

Level 1 Risks	**Definition**
Strategic & 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 the Group's processes, behaviours, offerings or interactions will result in unfair outcomes for customers.
Regulatory Risk	The risk of regulatory sanctions, regulatory censure, material financial loss, or loss to reputation SHL 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 Group'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[1].

[1] This does not include credit risk arising from investments such as corporate bonds which are captured as level 2 market risks.

Risks and uncertainties (continued)

The most material risks that the Group is exposed to are insurance risk (both premium risk and reserve risk) and market risk. These are exacerbated in the current environment by the high rate of inflation affecting outstanding claims and the volatile nature of investment markets, although both have moderated over the last twelve months.

A detailed description of each risk type can be found on pages 32 to 37.

Section 172(1) statement & stakeholder engagement

The Board of SHL considers that it has, in good faith, acted in a way that it considers would be most likely to promote the success of the Group for the benefit of its stakeholders 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 SHL is aware of its duties under the Companies Act, including the matters set out in s.172. It has 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.

<table>
<tr><th>Key stakeholders</th><th>Board matter</th><th>Board considerations</th></tr>
<tr><td>Shareholders

The Group Board maintains open and regular dialogue with its investor. The Board hold regular meetings, with Pollen Street having a director on the SHL Board.

The SHL Board is attended by members of the Tradex and SIL management teams, which supports regular communication between Pollen Street and management.</td><td>Performance and risks</td><td>In all discussions the Board regularly considers if and how it is acting in the best interest of its investors, whilst ensuring that any actions:
do/will not breach any regulatory requirements applicable to the Group or the Board;
do/will not have any adverse effect on the security of the Group’s policyholder benefits; and
comply with any legislation applicable to the Group.
The SHL Board receives performance updates on Tradex and SIL, which includes the Tradex and SIL Management teams attending meetings of the SHL Board and Board Committees.</td></tr>
<tr><td>Customers

Protecting our customers and improving their overall customer experience remains at the heart of what we do.</td><td>Consumer Duty</td><td>The Group 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. The Group also provides oversight to monitor how MISL are complying with the regulations.

The Group 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.</td></tr>
<tr><td>Colleagues

Management recognise the importance of engaging our colleagues, ensuring their views are considered when making decisions and supporting their wellbeing.</td><td>Colleague reward</td><td>The Board and Remuneration Committee have considered the impact of the changes in Group structure on colleagues across Tradex and SIL, being the two entities in the Group with employees, particularly relating to:
the changes and opportunities and responsibilities for colleagues in light of the acquisition of the companies by SHL;
the growth in the business and the need to support colleagues throughout the transition; and
key person risk and the need to attract and retain key skills.</td></tr>
</table>

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

Key Stakeholders	Board Matter	Board Considerations
Regulator As Tradex and SIL are regulated entities, the Group has to comply with the requirements of the PRA and the FCA and to report to them on a regular basis.	Regulation and compliance	In addition to the standard regulatory reporting requirements, the Board engaged with the regulators on the following matters: • with the PRA regarding the transition of Tradex from a limited company to a plc; • with the FCA regarding the ongoing regulatory review; • with the PRA on business plans; and • with the PRA regarding the dividend extraction policy and the potential for a dividend payment from SIL.

Approved by the Board on 23 May 2025 and signed on its behalf by:

Sharon Ludlow

Sharon Ludlow

Director

Report of the Board of Directors

General information

SHL is a Limited Company registered in England & Wales under the Companies Act 2006 (registered number 13802733). SHL is a holding company. Two of its subsidiaries, Tradex (FRN 202917) and SIL (FRN 435022), are authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA. The Group is supervised by the PRA.

Post balance sheet events

Subsequent to acquiring Tradex, the Tradex 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 Tradex 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, such as costs associated with remedial activities or regulatory actions.

On 21 March 2025, SIL entered into a loss portfolio transfer (LPT) arrangement with a third party to cover its obligations relating to liability claims, transferring liabilities of £23.6m. The net impact on inception of the arrangement was a profit of £5.7m.

In March 2025, following transactions on 4 March 2025 and 28 March 2025, the principal investor in the Group transferred from being PSC Nominee 4 Limited, which held over 78% of the share capital of SHL on behalf of the investors in PSC Fund IV, to being PSC Accelerator Nominee II Limited, which holds over 78% of the share capital of SHL on behalf of the investors in PSC Fund Accelerator II.

Results and dividends

The financial statements shown on pages 18 to 23 set out the financial position of the Group and the Company and the results of the Group for the year ended 31 December 2024. The Company has not proposed any dividends for the year (2023: £nil).

Political donations

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

Directors' details

The Directors of SHL during the financial year are listed below. Their appointments were for the full period unless otherwise stated:

Non-Executive Directors:

Michael England	
Sharon Ludlow	
John Hastings-Bass	(resigned 16 August 2024)
Ewen Gilmour	(appointed 27 February 2024)
Neil Southworth	(appointed 16 August 2024)
Andrew Johnston	(appointed 1 September 2024)

Executive Directors:

Mark Summerfield	(appointed 17 September 2024)

Corporate responsibility and the environment

SHL has a Board-approved Environmental, Social and Governance (ESG) Policy, which is reviewed on an annual basis.

The Group'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 Group 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 Group'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.

The Group is not liable for any direct liabilities for power supply as the rent is inclusive of such costs.

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.

Statement of going concern

The Annual Report and Accounts are prepared on a going concern basis and the Directors are satisfied that the Group and the Company have 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.

The going concern assessment performed takes into account that the Group and the Company continue as a going concern. Their ability to continue as a going concern has been considered by reference to the Group's projected coverage of regulatory capital requirements and resilience to withstand foreseeable stress scenarios. They also take into account the option to cancel or defer, respectively, the interest payments on the Tier 1 and Tier 2 loan instruments in the event that SHL has insufficient solvency or liquidity.

In the central forecast case, solvency projections show the Solvency Capital Requirement (SCR) coverage is set to remain above 140% throughout the forecast period.

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%.

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.

Risk management and internal controls

The Boards have overall responsibility for the Group'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 Boards have 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. The Group's approach to Risk Management is set out in further detail on pages 32 to 37.

The Group'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 SHL Risk Committee and Audit Committee regularly review the effectiveness of the Group's internal control systems. Their monitoring covers all material controls. Principally they review and challenge, on an ongoing basis, reports from management, the internal audit function and external auditors. This enables them to consider how to manage or mitigate risk in line with the Group'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 the Group'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 the Group's auditors have been made aware of that information.

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 SHL’s website.

By order of the Board

Sharon Ludlow

Sharon Ludlow

Director

23 May 2025

Opinion

In our opinion:

Saturn Holdings Limited's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2024 and of the group's profit for the year then ended;

the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Saturn Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2024 which comprise:

Group	Parent company
Consolidated Statement of Financial Position as at 31 December 2024	Statement of Financial Position as at 31 December 2024
Consolidated Income Statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated Statement of Comprehensive Income for the year then ended	A summary of significant accounting policies
Consolidated Statement of Changes in Equity for the year then ended	
Consolidated Statement of Cash Flows for the year then ended	
Related notes 1 to 36 to the financial statements, 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).

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 group and parent 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 listed 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 group and parent 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, understanding how severe the downside solvency and liquidity scenarios would have to be to result in the elimination of available headroom;
- reviewing latest profit forecasts submitted to the regulator, and considering the impact on the group and parent 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 group and parent 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 group and parent company's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed central procedures on Saturn Holdings Limited and 100% of its subsidiaries.
Key audit matters	• Inappropriate setting of claims outstanding (specifically IBNR)
Materiality	• Overall group materiality of £15.4m which represents 2.5% of Gross written premiums.

An overview of the scope of the parent company and group audits

We performed all audit work over the parent and subsidiary companies, Soteria Insurance Limited and Tradex Insurance Company Plc.

Climate change

Stakeholders are increasingly interested in how climate change will impact Saturn Holdings Limited. The Group 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 5 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".

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 Group's disclosures in the financial statements (pages 5, 9,24 and 35) 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 judgment, 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
Inappropriate setting of claims outstanding (specifically IBNR) (2024: £162.4m; 2023: £142.0m – both on a gross of reinsurance basis) Refer to the accounting policy in note 4 and the further information in note 26 of the Financial Statements. 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. 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. 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. Financial statement risks principally arise from: • The quality and timeliness of source data (premiums, claims paid and claims outstanding) used to populate actuarial triangles underlying the IBNR estimates; • Sensitivity of assumptions made by Management for the purpose of applying the adopted reserving methodology; • Limitations of models and modelling techniques used for the preparation of the actuarial best estimates; and • Uncertainties around IBNR reserves due to elevated economic inflation which may drive future loss cost increases.	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; 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; 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 specifically in respect of Tradex; We considered a variety of actuarial claims projections techniques to consider and identify if they showed contradictory conclusions; 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. 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 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; The procedures above applied to Soteria Insurance Limited and Tradex Insurance Company plc which included the historic business underwritten by Tradex as well as the new business sourced through MISL since July 2023, as applicable.	We consider that the claims outstanding (specifically IBNR), including management margin, lie within what we consider to be a reasonable range of estimates. In addition, we consider that the disclosures made provide information that assists in understanding the uncertainty inherent in the estimation of claims outstanding.

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 Group to be £15.4 million (2023: £4.5 million), which is 2.5% (2023: 3%) 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.

We determined materiality for the Parent Company to be £9.2 million (2023: £5.7 million), which is 4.6% (2023: 5%) of net assets.

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 Group's overall control environment, our judgement was that performance materiality was 50% (2023: 50%) of our planning materiality, namely £7.7m (2023: £2.2m). 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.

Audit work was undertaken at the subsidiaries for the purpose of responding to the assessed risks of material misstatement of the group financial statements. The performance materiality set for each of the subsidiaries is based on the relative scale and risk of the subsidiary to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to subsidiaries was £7.6m to £1.54m (2023: £2.1m to £0.4m).

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 £0.77m (2023: £0.22m), 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 there is 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 group and parent 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 group or the parent 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 group and the parent 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) applicable to the subsidiary companies, and the relevant direct and indirect tax compliance legislation in the United Kingdom.
- We understood how the group and the parent company are 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 with the UK regulatory bodies and gained an understanding of the group and the parent company’s approach to governance, demonstrated by the Board’s approval of the governance framework and Board’s review of the risk management framework and internal control processes.
- We assessed the susceptibility of the group and the parent 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.

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

- 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 group 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.

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:

Ernst & Young LLP

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Vinood Ramabhai (Senior statutory auditor)

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

London

27 May 2025

Notes:

1. The maintenance and integrity of the Soteria Finance Holdings Limited and Tradex Insurance Company plc web sites are the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web sites.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Income Statement

For the year ended 31 December 2024
All amounts are stated in £m unless otherwise indicated

	Notes	**2024**	2023
Technical account – general business			
Earned premiums, net of reinsurance			
Gross premiums written	7	**617.1**	149.2
Outward reinsurance premiums	7	**(384.5)**	(76.2)
Net written premiums		**232.6**	73.0
Change in the provision for unearned premiums			
- gross amount	7	**(180.1)**	(82.0)
- reinsurers' share	7	**124.5**	37.0
Earned premiums, net of reinsurance	7	**177.0**	28.0
Other technical income, net of reinsurance	8	**1.5**	0.2
Total technical income		**178.5**	28.2
Claims incurred, net of reinsurance			
Claims paid			
- gross amount	9	**(226.2)**	(40.8)
- reinsurers' share	9	**104.7**	18.3
	9	**(121.5)**	(22.5)
Change in the provision for claims			
- gross amount	26	**(125.1)**	(71.7)
- reinsurers' share	26	**98.5**	48.9
		(148.1)	(45.3)
Claims incurred, net of reinsurance			
Net operating expenses	10	**(19.9)**	(6.1)
Total claims and expenses		**(168.0)**	(51.4)
Balance on the technical account for general business		**10.5**	(23.2)
Non-technical account			
Balance on the general business technical account		**10.5**	(23.2)
Investment income	11	**12.2**	4.9
Net unrealised gains on investments	11	**2.6**	4.4
Investment expenses and charges	12	**(16.2)**	(3.6)
Goodwill amortisation	14	**(3.4)**	2.5
Other income	8	**-**	0.1
Profit/(loss) on ordinary activities before tax		**5.7**	(14.9)
Tax on profit on ordinary activities	13	**6.8**	-
Profit/(loss) for the financial year		**12.5**	(14.9)

Consolidated Statement of Comprehensive Income/(Expense)

For the year ended 31 December 2024
All amounts are stated in £m unless otherwise indicated

	Notes	**2024**	2023
Profit/(loss) and total comprehensive income/(expense) for the financial year		**12.5**	(14.9)

Consolidated Statement of Financial Position

For the year ended 31 December 2024

All amounts are stated in £m unless otherwise indicated

	Notes	**2024**	2023
Assets			
Goodwill			
Goodwill	14	**-**	4.1
Negative goodwill	14	**(52.6)**	(59.2)
Net goodwill		**(52.6)**	(55.1)
Investments			
Financial investments	17	**328.1**	262.8
Deposits with credit institutions		**-**	45.8
		328.1	308.6
Reinsurers' share of technical provisions			
Provision for unearned premiums	25	**192.7**	68.3
Claims outstanding	26	**321.2**	215.2
		513.9	283.5
Debtors			
Debtors arising out of direct insurance operations			
- policyholders		**-**	0.1
- intermediaries		**246.3**	144.9
Debtors arising out of reinsurance operations		**49.6**	10.7
Deferred corporation tax	27	**9.3**	-
Corporation tax debtor	27	**2.4**	0.6
Other debtors	18	**9.3**	0.9
		316.9	157.2
Other assets			
Tangible assets	15	**1.2**	1.4
Cash at bank and in hand	19	**243.9**	127.0
		245.1	128.4
Prepayments and accrued income			
Accrued interest		**3.0**	2.8
Deferred acquisition costs	20	**31.4**	17.2
Other prepayments and accrued income		**7.0**	2.5
		41.4	22.5
Total assets		**1,392.8**	845.1

Consolidated Statement of Financial Position

For the year ended 31 December 2024
All amounts are stated in £m unless otherwise indicated

	Notes	**2024**	2023
Equity and Liabilities			
Capital and reserves			
Share capital	21	**1.0**	0.7
Share premium	22	**144.2**	72.3
Retained earnings	23	**(2.4)**	(14.9)
Total capital and reserves		**142.8**	58.1
Technical provisions			
Provision for unearned premiums	25	**308.9**	128.9
Claims outstanding	26	**604.6**	481.9
		913.5	610.8
Provisions for other risks			
Provision for taxation	26		-
Creditors			
Creditors arising out of direct insurance operations		**20.2**	23.0
Creditors arising out of reinsurance operations		**152.4**	56.1
Debenture loans	24	**70.2**	70.1
Other creditors including taxation and social security	28	**33.4**	17.5
		276.2	166.7
Accruals and deferred income			
Accrued expenses and deferred income		**8.5**	4.2
Reinsurers' share of deferred acquisition costs	20	**51.8**	5.3
		60.3	9.5
Total liabilities		**1,250.0**	787.0
Total equity and liabilities		**1,392.8**	845.1

Approved by the Board of Directors on 23 May 2025 and signed on its behalf by:

Sharon Ludlow, Director

Ewen Gilmour, Director

Company Statement of Financial Position

For the year ended 31 December 2024
All amounts are stated in £m unless otherwise indicated

	Notes	**2024**	2023
Assets			
Investments			
Investment in group undertakings	16	**243.7**	86.2
Debtors			
Other debtors	18	**30.2**	102.1
		30.2	102.1
Other assets			
Cash at bank and in hand	19	**1.6**	-
Total assets		**275.5**	188.3
Liabilities			
Capital and reserves			
Share capital	21	**1.0**	0.7
Share premium	22	**144.2**	72.3
Retained earnings	23	**53.0**	41.2
Total capital and reserves		**198.2**	114.2
Provisions for other risks			
Corporation tax creditor	27	**0.5**	**-**
Creditors			
Debenture loans	24	**70.2**	70.1
Intercompany loans	24	**6.1**	3.1
Other creditors including taxation and social security	28	**0.1**	0.1
		76.4	73.3
Accruals and deferred income		**0.4**	0.8
Total liabilities		**77.3**	74.1
Total equity and liabilities		**275.5**	188.3

Approved by the Board of Directors on 23 May 2025 and signed on its behalf by:

Sharon Ludlow

Sharon Ludlow, Director

Ewen Gilmour

Ewen Gilmour, Director

Consolidated Statement of Cash Flows
For the year ended 31 December 2024
All amounts are stated in £m unless otherwise indicated

Group	Notes	**2024**	2023
Cash flows from operating activities			
Profit/(loss) before tax		**5.7**	(14.9)
Adjustment for:			
Investment income		**(12.2)**	(3.5)
Gains less losses arising from financial instruments		**(2.6)**	(4.3)
Increase in reinsurers' share of technical provisions		**(230.4)**	(79.1)
Net proceeds on purchases and sales of financial investments		**(62.4)**	-
Increase in debtors, prepayments and accrued income		**(167.5)**	(137.7)
Increase in insurance contract liabilities		**302.7**	153.5
Increase in reinsurance liabilities		**96.3**	51.6
Investment interest received		**12.0**	4.0
Increase in creditors, accruals and deferred income		**64.0**	42.2
Purchase of tangible assets		**(0.1)**	(0.1)
Depreciation of property, plant and equipment		**0.3**	-
Amortisation of goodwill		**3.4**	(2.5)
Tax paid		**(4.3)**	-
Net cash flows from operating activities		**4.9**	9.2
Cash flows from investing activities			
Cost of acquisition of subsidiary undertakings		**(6.0)**	(29.5)
Cash acquired with subsidiary undertakings		**-**	125.2
Net cash flows from investing activities		**(6.0)**	95.7
Cash flows from financing activities			
Issuance of share capital and share premium		**72.2**	73.0
Issuance of subordinated notes		**-**	(5.1)
Net cash flows from financing activities		**72.2**	67.9
Net increase in cash at bank and in hand		**71.1**	172.8
Cash at bank and in hand at the start of the financial year		**172.8**	-
Cash at bank and in hand at the end of the financial year		**243.9**	172.8
Comprising:			
Cash at bank	19	**142.3**	104.5
Cash on deposit	19	**3.5**	-
Money market funds	19	**98.1**	22.5
Deposits with credit institutions		**-**	45.8
		243.9	172.8

Cash flows from operating activities

The Group classifies the cash flows for the acquisition and disposal of financial assets as operating cash flows. This is because purchases are funded from the cash flows associated with the origination of insurance contracts, net of the cash flows for payments of claims incurred for insurance contracts, which are classified under operating activities.

Consolidated and Company Statement of Changes in Equity

For the year ended 31 December 2024
All amounts are stated in £m unless otherwise indicated

Group	Called up share capital	Share premium	Retained earnings	Total
2024				
Balance at the beginning of the financial year	**0.7**	**72.3**	**(14.9)**	**58.1**
Profit and total comprehensive income for the financial year	**-**	**-**	**12.5**	**12.5**
Issuance of ordinary shares	**0.3**	**71.9**	**-**	**72.2**
Balance at the end of the financial year	**1.0**	**144.2**	**(2.4)**	**142.8**
2023				
Balance at the beginning of the financial year	-	-	-	-
Loss and total comprehensive expense for the financial year	-	-	(14.9)	(14.9)
Issuance of ordinary shares	0.7	72.3	-	73.0
Balance at the end of the financial year	**0.7**	**72.3**	**(14.9)**	**58.1**

Company	Called up share capital	Share premium	Retained earnings	Total
2024				
Balance at the beginning of the financial year	**0.7**	**72.3**	**41.2**	**114.2**
Profit and total comprehensive income for the financial year	**-**	**-**	**11.8**	**11.8**
Issuance of ordinary shares	**0.3**	**71.9**	**-**	**72.2**
Balance at the end of the financial year	**1.0**	**144.2**	**53.0**	**198.2**
2023				
Balance at the beginning of the financial year	-	-	-	-
Profit and total comprehensive income for the financial year	-	-	41.2	41.2
Issuance of ordinary shares	0.7	72.3	-	73.0
Balance at the end of the financial year	**0.7**	**72.3**	**41.2**	**114.2**

1. General information

Saturn Holdings Limited (‘SHL’ or the ‘Company’), a Limited Company registered in England under the Companies Act 2006, together with its subsidiaries, Tradex Insurance Company plc (‘Tradex’), Soteria Finance Holdings Limited (‘SFHL’) and Soteria Insurance Limited (‘SIL’) are collectively referred to as the ‘Group’. SHL’s registered office is 11-12 Hanover Square, London, W1S 1JJ. The Group underwrites insurance, predominantly in personal lines (Motor and Home) via Tradex and SIL, with SIL ceasing underwriting and entering run-off in 2021.

2. Basis of preparation and statement of compliance

The consolidated financial statements of the Group and 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 Group 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 in section 408 of the Companies Act 2006 not to publish its individual profit and loss account and the related notes on the condition that the Company’s individual balance sheet shows the Company’s loss for the financial year.

The financial information has been prepared under the historic 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 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 5, 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 35, 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 the Group and the Company have 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.

The going concern assessment performed takes into account that the Group and the Company continue as a going concern. Their ability to continue as a going concern has been considered by reference to the Group’s projected coverage of regulatory capital requirements and resilience to withstand foreseeable stress scenarios. They also take into account the option to cancel or defer, respectively, the interest payments on the Tier 1 and Tier 2 loan instruments in the event that SHL has insufficient solvency or liquidity.

In the central forecast case, solvency projections show the Solvency Capital Requirement (SCR) coverage is set to remain above 140% throughout the forecast period.

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%.

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.

Functional and presentational currency

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

The Group holds some investments denominated in Euros, US Dollars and Polish Zloty which are translated to the Group’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.

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) Basis of consolidation and goodwill

The Group financial statements comprise a consolidation of SHL, Tradex, SIL and SFHL from their acquisition dates, per the requirements of FRS 102, whereas the Company financial statements are comprised solely of SHL. FRS 102 requires a parent company to consolidate entities it controls. A parent controls an entity when it has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Business combinations are accounted for using the acquisition method. Under this method the acquirer recognises the acquiree's fair value of the identifiable assets, liabilities (including contingent liabilities) at the acquisition date.

Goodwill represents the difference between the fair value of the consideration paid for an acquisition plus directly attributable acquisition costs and the fair value of the net identifiable assets acquired, and is measured on initial recognition at cost. Following initial recognition, goodwill is stated at cost less amortisation and accumulated impairment losses. The goodwill asset is amortised to offset the recognition of a deferred tax asset which was unrecognised at the point of purchase of Tradex. Goodwill assets are tested for impairment annually or when there is evidence of possible impairment. Goodwill is impaired when the recoverable amount is less than the carrying value.

Negative goodwill is the excess of the fair value of identifiable net assets acquired in a business combination over the fair value of the consideration and directly attributable costs. It is capitalised at cost and shown as a negative asset. Subsequently it is recognised in the income statement in the periods expected to be benefited. Negative goodwill is recognised in the income statement to offset any reserves strengthening, by book of business, relating to the reserves at the point of acquisition, over a maximum period of five years.

b) Investments in subsidiaries

Subsidiaries are entities that the Company controls, by being exposed to, or having rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated with the parent company in the Group financial statements and carried as an asset in the Company financial statements.

Investment in subsidiaries in the Company financial statements are held at cost less accumulated impairment losses, and are considered for impairment at each reporting date.

c) Revenue recognition

i) Premium income from insurance contracts

The Group's accounting policy in respect of revenue arising from insurance contracts is set out within the insurance specific accounting policy note 3 d) 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 underwriting 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.

3. Significant accounting policies (continued)

d) Insurance contracts

i) Classification of insurance contracts

Contracts under which the Group 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 Group are classified as insurance contracts. General insurance business is accounted for on an annual basis.

ii) Recognition of premium income

Gross written premiums comprise premiums receivable on those contracts which incepted during the financial year, irrespective of whether they relate 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 renewal contracts which incepted 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.

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

iv) Acquisition costs

Costs directly associated with the acquisition of new business, including commission, are capitalised and amortised in accordance with the rate at which the gross written premiums associated with the underlying contract are earned.

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); 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 and a portion of historic liability claims from the electric industry for which separate assets are held of similar duration. 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 Group's reinsurance programme over time.

3. Significant accounting policies (continued)

vii) Reinsurance (continued)

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.

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) Unexpired risk provision

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

x) Unexpired risk 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.

Unexpired risk 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).

e) Financial instruments

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

i) Recognition of financial assets and financial liabilities

Financial investments are recognised by the Group 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 Group 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 Group 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 when the terms of an existing liability are substantially modified, the original liability is derecognised and a new liability is recognised. Any difference in carrying amounts recognised in the income statement.

Significant accounting policies (continued)

e) Financial instruments (continued)

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 Group’s holdings in debt securities is at fair value, being purchase price on the date on which the Group 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 Group 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.

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 subordinated bond issues 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 Group 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 Group 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.

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.

3. Significant accounting policies (continued)

e) Financial instruments (continued)

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

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

f) Impairment of non-financial assets

The carrying value of the Group's and 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.

g) Cash at bank and in hand

Cash at bank and in hand comprises cash balances and balances with a maturity of three months or less from the acquisition date, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Banking facilities that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash at bank and in hand for the purpose of the cash flow statement.

h) Offsetting

FRS 103 prohibits the offsetting of reinsurance assets against the related insurance liabilities unless the appropriate legal requirements are met. Financial 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. The contractual terms of the funds withheld quota share agreement require such a set-off of associated amounts.

Financial assets and liabilities are offset under FRS 102, 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.

i) 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 Group and Company determine taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in the Group and Company's corporation tax filing. If it is not probable that a particular tax treatment is accepted, the Group and Company use 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.

3. Significant accounting policies (continued)

i) Income tax (continued)

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. The following timing differences are not provided for:

- the initial recognition of goodwill not deductible for tax purposes; and
- timing differences arising on investments in subsidiaries where the Group controls the timing of the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

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.

j) 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

k) 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 Group are considered operating leases and no liability is recognised in the statement of financial position.

l) 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.

m) Pensions

The Group operates defined contribution pension plans which receive fixed contributions from the Group. The Group'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.

n) 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.

o) Dividends to shareholders

Dividends are only recognised in the annual report and accounts by the Group and Company once they have been approved by the Board.

p) Foreign currrencies

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.

3. Significant accounting policies (continued)

q) 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

The Group 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, Bornhuetter-Ferguson and Cape Cod.

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 accident or underwriting quarter, which is not yet fully developed, to produce an estimated ultimate claims cost for each accident or underwriting 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/Cape Cod method is often used in such cases. These methods use some prior expectation of the ultimate claims and stabilise the projected ultimate by weighting between the prior expected ultimate and that projected based on the assumed development factors. The Cape Cod method differs from the Bornhuetter-Ferguson method in that it uses a trending of ratios (such as the average cost) to arrive at a prior expected ultimate for use in the projections.

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 and subrogation recoveries. Provisions are not discounted for investment return other than any required additional provision for unexpired risks, periodic payment settlements and provisions relating to exposure within the electric industry.

Discounted reserves in respect of periodic payment settlements are £116.4m (2023: £123.8m) and historic liability claims from the electric industry discounted reserve amounts to £1.5m (2023: £1.7m). The net impact of the unwinding of the discounting in the year was £4.2m (2023: £0.3m). Further details around expected settlement patterns for claims arising on these reserves are disclosed within the market risk section on pages 34 to 35.

The historic liability claims from the electric industry reserve was based on a report produced for the industry in March 2022 by Willis Towers Watson, an actuarial consultancy. This gave Willis Towers Watson's estimate of both the undiscounted and discounted incurred but not reported (IBNR) reserves as at the end of June 2021. This was the most recent report available when SIL calculated its year end 2024 reserves.

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 Tradex and SIL Boards regularly commission an independent third party review, typically undertaken every two years, to ensure the reserves are reasonable.

The overall objective of the Group'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 adopted approach whereby reserves will include a management margin above the actuarial best estimate. The amount of margin held at any given time is determined by the Group's Chief Financial Officer taking into account current causes of uncertainty in the reserve.

Quarterly reports are produced by the actuarial team and presented to the Group's 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.

4. Use of estimates and judgments (continued)

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

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;
- Allowance for future inflation rates being different to those implied in the claims data;
- The pattern of future claims notifications relating to mesothelioma claims decaying as projected; and
- For bodily injury claims, allowance has been made for:
  i. use of the appropriate Ogden Tables and the current discount rate (-0.25% in England and Wales);
  ii. awards for general damages in accordance with the 16th 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.

Inflation

In light of current high levels of inflation, particular consideration has been given at the end of 2024 to the need to make additional allowance within reserves for the possible impact of continuing high inflation, in addition to the allowance already implicit in individual case estimates.

A sensitivity of a one percentage point increase in the rate of inflation for one year would increase the costs of outstanding claims by £3.0m (2023: £2.9m), net of reinsurance. The outstanding reserves are predominantly the larger or more complex claims which take longer to settle, and for which inflation is masked by mix volatility, and therefore this estimate is subject to considerable uncertainty.

Movement in insurance liabilities

An analysis of movements in claims and claims handling costs in respect of prior years for both Tradex and SIL can be found in the individual Annual Report and Accounts of each of the companies.

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 based on independent valuations which are updated at least quarterly.

5. Risk management

i) Risk management

The Group is exposed to insurance risk, via the insurance contracts it has entered into, and is exposed to financial risk through its holdings of financial assets and liabilities. This section summarises these risks and the way the Group manages them.

Our approach to risk management

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

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

Risk assessment of SHL

The principal risks of the Group are risks associated with the business of the Group's trading subsidiaries, Tradex and SIL. The Group 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 Group 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 the Group's risk policies.

5. Risk management (continued)

Responsibilities Map

SHL maintains a Responsibilities Map which sets out the accountabilities delegated by the CEO to each member of the Management and 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 SHL Board is responsible for approving the strategy and the level of acceptable risks articulated through its statement of risk appetite. The SHL Board is also responsible for overall corporate governance, which includes ensuring that there is an adequate system of risk management in place.

The Group has developed and implemented a governance and organisation structure, which supports the SHL Board with its responsibilities. The SHL, Tradex and SIL Boards have established separate risk and audit committees to:

- Oversee and advise the Boards of SHL, Tradex and SIL on current and potential risks and the overall risk framework.
- Ensure that risk appetite is appropriate and adhered to and that key risks are identified and managed.
- Review the effectiveness of internal controls and risk management systems.

To assist the SHL Board in carrying out its functions and to ensure that there are internal controls and risk management, the SHL, Tradex and SIL Boards have delegated certain responsibilities to a set of Board committees and, in the case of Tradex and SIL, to 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 Tradex and SIL Board Risk Committee (BRC).

All Board committees have Terms of Reference describing the authority delegated to them by their 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 the Group is exposed.

The most material risks that the Group is exposed to are premium risk, reserve risk, operational risk (third party) and market risk. SHL has in place a robust Governance structure and Risk Management Framework which includes a process for setting and reporting against risk appetite, which is consistent across each entity. The respective company Boards are responsible for monitoring the effectiveness of this framework and reporting in order to ensure that all risk mitigation activity in place is operating effectively.

Tradex has seen change in the measurement methods used over the year, with the introduction of new risk appetite metrics. For SIL, there has been no change.

A Risk Framework Owner (RFO) is appointed for each Level 1 risk category. The RFO is required to define and document a risk framework; this comprises a Risk Policy and framework documents and risk appetite tolerance metrics. The RFO will be 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 & Business risk is 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. The Group's financial objective in managing these risks is to maintain capital adequacy.

The Group's Risk Vision is set by the SHL Board and supported by a capital coverage risk appetite requirement at Group level. This is measured, monitored and reported regularly to the Executive, Risk Committee and Board.

Conduct risk

Conduct risk is the risk that the Group'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. The Group's objective is to conduct its business in a way that results in good outcomes for its customers and does not cause any foreseeable harm.

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. The Group 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 the Group 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.

The Group's objective is to be compliant with all relevant regulatory requirements.

Regulatory risks are regularly monitored and reported to the Group Executive, Risk Committee and Board.

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).

As SIL is in run-off, it therefore has no live exposure to premium risk.

Insurance risk – objective and strategy

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

The overriding objective in claims handling is to ensure that 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 (pages 31 to 32).

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. The Group takes all reasonable steps to ensure that it has information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The Group manages this risk through the Group's Reserving Committees, which support the CFO in their responsibility to formally review claims reserves on a quarterly basis.

Insurance risk – reinsurance

The Group uses reinsurance to manage insurance risk and holds both excess of loss cover, to cover large motor losses, and catastrophe cover.

Quota share reinsurance arrangements are also held to cede parts of the portfolio.

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.

The Group's investments are held within the trading subsidiaries, Tradex and SIL. Investments are held primarily in high-quality fixed and variable interest bonds issued by corporations ("corporate bonds"), the UK government ("gilts") and overseas governments ("other government bonds"). The value of, or income from, assets held 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.

The Group 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.

The Group invests in a limited amount of equities, index linked bonds, real-estate backed lending and collective investment funds which are of a more long term nature and are either held to match the long term liabilities or to improve rates of return on surplus capital.

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

The Group is not exposed to any pensions risk.

In summary, the key market risks that the Group 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

The Group's objective is to deliver an appropriate balance of investment return and underlying risk, targeting an increased return whilst appropriately matching to the liabilities.

The Group's investments are managed by Hundle & Partners Limited. The Group has investment mandates in place with the investment managers with limits for exposure by asset type, credit-rating, maximum terms and maximum exposure to individual counterparties.

The Group manages credit-spread and default risks from corporate bonds through the limits for exposure to credit-ratings and individual counterparties. Other risk mitigation techniques employed to manage exposure to counterparty default include transacting only through a diversified range of authorised counterparties. The IFCC and Investment Committees support the CFO in overseeing the monitoring and management of these risks and exposures against limits.

The investment mandate sets strategic asset allocation and limits on the types and duration of investments. The mandate has been set by considering the risk/reward trade off and the impact upon capital adequacy and solvency of the overall business.

All amounts are stated in £m unless otherwise indicated

5. Risk management (continued)

Market risk – sensitivity analysis

The most significant aspect of market risk to which the Group 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 affect the Group's solvency.

An increase of 100 basis points in credit-spreads would reduce the value of the Group's assets at the end of the financial year by approximately £2.6m (2023: £2.4m). This would reduce the Group's solvency (on all bases) by £2.0m (2023: £1.8m) net of tax, although it is likely that the overall net impact on solvency would be lower than this as the fall would be partially offset by a reduction in the value of liabilities arising from SIL's use of the Volatility Adjustment (under Solvency II) to value claims provisions. The impact of a decrease of 100 basis points in credit-spreads 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 £14.1m (2023: £14.4m) and the value of net PPO reserves by £4.4m (2023: £4.4m). A decrease in the discount rate of 100 basis points would increase the value of PPO reserves by £18.3m (2023: £18.9m) and the value of net PPO reserves by £5.7m (2023: £5.7m). Profit and equity would decrease by the same amount.

Climate change

The Group 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 Group has considered its exposure to climate change risk as at the end of December 2024. The Group has an exposure to climate risk in its investment portfolio and, therefore, in market risk. The risks include a fall in the value of corporate bonds in carbon intensive companies due to stranded assets or legislation to deal with climate change. Furthermore, as more investors move to sustainable investment strategies there is the risk that investments that fall outside these criteria fall in price as a result.

A review of the Group's investment portfolio has concluded that there is not an undue level of risk. Most of the Group's investment portfolio is held in corporate bonds and gilts, which are intended to closely align with the projected claims settlement patterns and, as such, are heavily weighted to mature within the next few years.

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

Currency risk

The Group is exposed to currency risk on its investments as corporate bonds, other government bonds and asset backed lending include investments denominated in Euros, US Dollars and Polish Zloty. The Group holds currency hedges against the majority of these assets to minimise exposure. The table below shows the exposures with reference to net assets/liabilities.

2023	**2024**	2023
Great British Pound	**102.7**	47.1
Euro	**15.3**	(0.2)
US Dollar	**13.1**	2.8
Polish Zloty	**11.7**	8.4
Total	**142.8**	58.1

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. The Group'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.

The Group 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
- Legal Risk
- Change Risk
- Product Governance Risk

All amounts are stated in £m unless otherwise indicated

5. Risk management and capital management (continued)

Operational risk (continued)

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

Third Party Risk is high, given the Group's reliance on MISL for the management of policies and claims. This is managed via agreements with Tradex and SIL, which are subject to regular monitoring.

The Group has a corporate insurance programme to transfer specific risks to insurers as part of its risk management approach which, in 2022 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 the Group's inability to meet its obligations when they come due without incurring unacceptable losses. The Group'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.

The actual and projected levels of cash and other assets held are monitored and managed through the Group's IFCC, with oversight by the Group BRC and Board. In addition, in between IFCC meetings, regular monitoring of liquid assets 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
As at 31 December 2024								
Insurance contract liabilities	604.6	722.2	156.6	98.1	69.9	52.8	41.3	303.5
Financial liabilities at amortised cost:								
Reinsurance liabilities	152.4	152.4	152.4					
Insurance and other payables	62.1	62.1	62.1					
	819.1	**936.7**	**371.1**	**98.1**	**69.9**	**52.8**	**41.3**	**303.5**
Other liabilities	430.9							
Total recognised liabilities	**1,250.0**							

	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
As at 31 December 2023								
Insurance contract liabilities	481.9	602.2	88.2	144.7	74.8	41.4	25.1	228.0
Financial liabilities at amortised cost:								
Reinsurance liabilities	56.1	56.1	56.1	-	-	-	-	-
Insurance and other payables	50.0	50.0	50.0	-	-	-	-	-
	588.0	**708.3**	**194.3**	**144.7**	**74.8**	**41.4**	**25.1**	**228.0**
Other liabilities	-							
Total recognised liabilities	**588.0**							

Credit risk

Credit risk is the risk to earnings and capital arising from a debtor's failure to meet their legal and contractual obligations. The Group 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.

The Group'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 the Group. The main potential cause of this would be reinsurance counterparties failing to meet financial obligations or entering into restructuring arrangements that may adversely affect reinsurance recoveries.

The Group manages credit risks associated with cash and corporate bonds as part of market risk. See market risk section on pages 36 to 37 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. The Group places limits over exposure to a single reinsurance counterparty, or counterparty group, based upon their credit-worthiness. Where concern exists over the credit quality of a reinsurer, a review will be undertaken to determine the most appropriate management action.

All amounts are stated in £m unless otherwise indicated

5. Risk management and capital management (continued)

Credit risk (continued)

As at the statement of financial position date, the table below provides analysis of the credit rating of those assets subject to credit risk. The Group's policy for making provisions for possible impairment is described within the accounting policy section on page 29.

	AAA	**AA**	**A**	**BBB and below**	**Not rated**	**Total**
As at 31 December 2024						
Investment assets:						
Corporate bonds	**2.7**	**2.7**	**12.5**	**32.7**	**93.1**	**143.7**
Gilts	**-**	**37.8**	**-**	**-**	**-**	**37.8**
Other government bonds	**15.6**	**5.0**	**2.1**	**0.8**	**-**	**23.5**
Asset backed lending	**-**	**-**	**-**	**-**	**56.7**	**56.7**
Collective investments	**-**	**-**	**-**	**-**	**15.2**	**15.2**
Foreign exchange hedges & options	**-**	**-**	**-**	**-**	**(0.1)**	**(0.1)**
Reinsurance assets	**-**	**100.1**	**259.1**	**11.5**	**0.1**	**370.8**
Insurance receivables and other assets	**-**	**-**	**-**	**-**	**261.4**	**261.4**
Cash at bank and in hand	**102.8**	**-**	**137.6**	**-**	**3.5**	**243.9**
	121.1	**145.6**	**411.3**	**45.0**	**429.9**	**1,152.9**
Salvage and subrogation						**1.9**
Assets not subject to credit risk						**238.0**
						1,392.8

	AAA	AA	A	BBB and below	Not rated	Total
As at 31 December 2023						
Investment assets:						
Corporate bonds	11.6	8.3	29.1	60.0	4.9	113.9
Gilts	-	44.6	-	-	-	44.6
Other government bonds	30.9	8.9	5.2	-	-	45.0
Equities	-	-	-	-	0.2	0.2
Asset backed lending	-	-	-	-	27.5	27.5
Collective investments	-	-	-	-	27.6	27.6
Foreign exchange hedges & options	-	-	-	-	0.5	0.5
Deposits with credit institutions	-	-	45.8	-	-	45.8
Reinsurance assets	-	89.6	125.4	0.1	0.2	215.3
Insurance receivables and other assets	-	-	-	-	157.7	157.7
Cash at bank and in hand	41.1	-	85.9	-	-	127.0
	83.6	151.4	291.4	60.1	218.6	805.1
Salvage and subrogation						4.2
Assets not subject to credit risk						17.8
						827.1

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

Objectives when managing capital

The Group'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 regulatory framework, the Prudential Regulation Authority (PRA) requires the Group to calculate a capital requirement and to hold sufficient capital to meet it.

(a) Regulatory required capital

The Solvency II regulatory regime came into force as at 1 January 2016. Under this solvency framework, the Group 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%. The Group 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 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.

(b) Internal required capital

The SHL Board sets a capital risk appetite. As the material risks arising occur within the insurance subsidiaries, the more detailed risk limits are delegated to Tradex and SIL.

The Group has maintained capital above all its regulatory requirements throughout 2024, and SCR coverage has been maintained above the risk appetite throughout the year. The Group reviews the solvency position of Tradex and SIL through monthly or, when appropriate, more frequent monitoring. Quarterly reports on the solvency of the Group are provided to the Board. Quarterly reports on the solvency of Tradex and SIL are provided to the Investments, Finance and Capital Committee and to the Board.

In the event that the Group 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.

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

(c) Capital composition

The policies and processes employed by the Group 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 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 Group's excess of assets over liabilities, which comprises share capital and retained profits calculated on a Solvency II basis, is classified as tier 1 capital. In addition, the perpetual subordinated debt and term subordinated debt held by the business, disclosed in note 24, 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 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 basis, is included in the Group Solvency & Financial Condition Report published annually.

All amounts are stated in £m unless otherwise indicated

7. Net earned premiums

	2024	2023
Gross premiums		
Gross written premiums	**617.1**	149.2
Change in unearned premium provision	**(180.1)**	(82.0)
Gross earned premiums	**437.0**	67.2
Outward reinsurance premiums		
Premiums ceded	**(384.5)**	(76.2)
Change in unearned premium provision	**124.5**	37.0
Premiums ceded to reinsurers	**(260.0)**	(39.2)
Net earned premiums	**177.0**	28.0

8. Other income

	2024	2023
Other technical income, net of reinsurance		
Reinsurance commission earned	**1.5**	0.2
Other non-technical income	**-**	0.1
Total other income	**1.5**	0.3

Reinsurance commission earned relates to profit commission due to reinsurers under reinsurance arrangements.

9. Net claims paid

	Note	2024	2023
Gross claims paid			
Current year claims		**81.9**	9.6
Prior year claims		**146.2**	31.6
Gross claims paid	**26**	**228.1**	41.2
Less salvage and subrogation			
Current year claims		**-**	-
Prior year claims		**(1.9)**	(0.4)
Salvage and subrogation received		**(1.9)**	(0.4)
Claims paid		**226.2**	40.8
Less amounts receivable from reinsurers			
Current year claims		**(40.6)**	(3.5)
Prior year claims		**(64.1)**	(14.8)
Amounts receivable from reinsurers	**26**	**(104.7)**	(18.3)
Net claims paid		**121.5**	22.5

10. Net operating expenses

	2024	2023
Acquisition costs	**59.2**	(22.5)
Change in deferred acquisition costs	**(14.2)**	17.2
Reinsurance commissions	**(105.3)**	11.1
Reinsurance share of change in deferred acquisition costs	**46.5**	(5.3)
Administration expenses	**33.7**	5.6
Operating expenses	**19.9**	6.1

The Group has a small number of employees to oversee key functions, with other services provided by Markerstudy Insurance Services Limited. Key management compensation is disclosed in note 34. Staff costs included within administrative expenses are shown below. Included within the administration expenses is £0.8m (2023: £0.1m) paid by the Group in respect of regular pension contributions.

Details of the directors' remuneration paid by the Group can be found in note 34. No remuneration is paid in respect of SHL, as the services provided are not deemed to be a significant portion of the overall time spent on the Group.

Staff costs

	2024	2023
	£'000	£'000
Wages and salaries	**8,095**	1,413
Social security costs	**907**	284
Pension costs - defined contribution scheme	**529**	133
	9,531	1,830

Average number of employees

	2024	2023
Administration	**37**	20
Management	**9**	12
	46	32

Amounts payable to auditors

	2024	2023
	£'000	£'000
Audit of these financial statements	**52**	270
Audit of subsidiary financial statements	**1,136**	956
Other assurance services relating to the Company	**130**	-
Other assurance services relating to the subsidiaries	**367**	-
	1,685	1,226

All audit costs for subsidiaries acquired during the year relate to the fee for the full year.

The above amounts are exclusive of VAT.

All amounts are stated in £m unless otherwise indicated

11. Investment return

	2024	2023
Interest and similar income:		
Deposits with credit institutions	**2.9**	2.2
Listed debt securities	**12.0**	2.2
Equities	**0.5**	-
Asset backed lending	**1.5**	-
Collective investments	**1.3**	0.6
	18.2	5.0
Realised gains/(losses) on investments:		
Listed debt securities	**(9.1)**	(0.1)
Collective investments	**1.8**	-
Equities	**0.1**	-
Asset backed lending	**0.2**	-
Foreign exchange hedges	**1.0**	-
	(6.0)	(0.1)
Total investment return	**12.2**	4.9

	2024	2023
Unrealised gains/(losses) on investments:		
Listed debt securities	**4.8**	3.1
Equities	**(6.1)**	-
Asset backed lending	**3.7**	0.6
Collective investments	**0.6**	0.4
Foreign exchange hedges	**(0.4)**	0.3
	2.6	4.4

Included in the returns for listed debt securities and asset backed lending are a realised gain of £0.3m (2023: loss of £0.3m) and an unrealised gain of £0.8m (2023: £0.6m) relating to foreign exchange movements on investments denominated in currencies other than GBP.

12. Investment expenses and charges

	2024	2023
Interest incurred on subordinated debt	**12.3**	2.7
Investment management expenses	**3.9**	0.9
	16.2	3.6

13. Income tax

	2024	2023
Current tax		
Total current tax (charge)	**(2.5)**	-
Deferred tax		
Total deferred tax credit	**9.3**	-
Total tax (charge)/credit recognised in the income statement	**6.8**	-

Further information about deferred tax is presented in note 27.

All amounts are stated in £m unless otherwise indicated

13. Income tax (continued)

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	**5.7**	(14.9)
Tax calculated at domestic corporation tax rate of 25.0% (2023: 19%)	**(1.4)**	3.5
Effect of:		
Expenses not deductible for tax purposes	**(4.0)**	(0.8)
Income not taxable	**-**	0.6
Deferred tax not provided	**12.2**	(3.3)
Income tax credit	**6.8**	-

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

14. Goodwill

Group	**Goodwill on purchase of Tradex**	**Negative goodwill on purchase of Soteria**	**Total**
2024			
Opening net book value	**4.1**	**(59.2)**	**(55.1)**
New in the year	**-**	**5.9**	**5.9**
Amortised during the year	**(4.1)**	**0.7**	**(3.4)**
Closing net book value	**-**	**(52.6)**	**(52.6)**
2023			
Opening net book value	**-**	**-**	**-**
New in the year	**4.1**	**(61.7)**	**(57.6)**
Amortised during the year	**-**	**2.5**	**2.5**
Closing net book value	**4.1**	**(59.2)**	**(55.1)**

All amounts are stated in £m unless otherwise indicated

15. Tangible Assets

Group	Computer Equipment and Software	
	2024	2023
Cost		
At the start of the year	**7.6**	-
Acquired during the year		7.5
Additions	**0.1**	0.1
Disposals	**(0.1)**	-
At the end of the year	**7.6**	7.6
Depreciation		
At the start of the year	**(6.2)**	-
Acquired during the year		(6.2)
Charge for the year	**(0.3)**	-
Disposals	**0.1**	-
At the end of the year	**(6.4)**	(6.2)
Net Book Value		
At the end of the year	**1.2**	1.4
At the start of the year	**1.4**	-

16. Investment in group undertakings

Company	2024	2023
Investment in Tradex	**139.7**	69.7
Investment in SIL	**103.6**	-
Investment in SFHL	**0.4**	16.5
At the end of the period	**243.7**	86.2

On 19 February 2024, ownership of SIL was transferred from SFHL to SHL and so SIL has become a directly owned subsidiary of SHL.

17. Financial investments

Group	2024	2023
Corporate bonds	**143.7**	113.9
Gilts	**37.8**	44.6
Other government bonds	**23.5**	45.0
Equities	**51.3**	3.8
Asset backed lending	**56.7**	27.4
Collective investment assets	**15.2**	27.6
Derivatives	**(0.1)**	0.5
	328.1	262.8

At 31 December 2024, corporate bonds, gilts, other government bonds and equities of £171.0m (2023: £97.9m) are expected to be recovered more than 12 months after the reporting date. All other amounts are expected to be recovered within one year. There are no secured deposits included in the above figures.

£19.3m (2023: £2.6m) of the asset backed lending is expected to be recovered more than 12 months after the reporting date.

The collective investment assets include investments in funds of European asset-backed credit and global credit. These funds have no maturity date and units are readily tradeable.

Derivatives consist of foreign exchange hedges and options.

All amounts are stated in £m unless otherwise indicated

18. Other debtors

Group	2024	2023
Accounts receivable:		
Other	**1.9**	0.7
From shareholders	**7.4**	0.1
Insurance premium tax debtor	**-**	0.1
	9.3	0.9

Company	2024	2023
Amounts due from group undertakings	**30.2**	102.1

19. Cash at bank and in hand

Group	2024	2023
Cash at bank	**142.3**	104.5
Cash on deposit	**3.5**	-
Money market funds	**98.1**	22.5
Net cash at bank and in hand	**243.9**	127.0

This balance is included as cash at bank and in hand for the purpose of the statement of cash flows. The balance represents the net position across the Group's various bank accounts.

A balance of £1 was held in cash by the Company at the current and prior year end.

Included in cash at bank and in hand is £16.0m (2023: £18.7m) held in the Group's custodian account for investment purposes. A further £101.6m (2023: £22.5m) is held in money market funds for investment purposes.

20. Deferred acquisition costs

Group	2024 Gross	2024 Reinsurance	2024 Net	2023 Gross	2023 Reinsurance	2023 Net
At 1 January	**17.2**	**(5.3)**	**11.9**	-	-	-
Expenses for the acquisition of insurance contracts deferred during the year	**14.2**	**(46.5)**	**(32.3)**	17.2	(5.3)	11.9
At 31 December	**31.4**	**(51.8)**	**(20.4)**	17.2	(5.3)	11.9

21. Share capital

Group and Company	2024 £	2023 £
Authorised	**979,055**	730,000
Issued and fully paid		
At the start of the year	**730,000**	1
Issued on 7 July 2023	**-**	719,999
Issued on 10 October 2023	**-**	10,000
Issued on 28 March 2024	**68,825**	-
Issued on 26 June 2024	**120,827**	-
Issued on 2 October 2024	**29,100**	-
Issued on 23 December 2024	**30,303**	-
At the end of the year	**979,055**	730,000

All amounts are stated in £m unless otherwise indicated

21. Share capital (continued)

SHL originally issued 1 share of £1 on incorporation. On 6 July 2023, this was subdivided into 100 shares of £0.01. On 7 July 2023, a further 71,999,900 shares were issued and settled in cash, resulting in 72,000,000 shares with share capital of £720k and share premium of £71,280k. On 10 October 2023, a further 1,000,000 shares were issued and settled in cash, resulting in share capital of £730k and share premium of £72,270k.

During 2024, SHL completed further share issues on 28 March, 26 June, 2 October and 23 December.

22. Share premium

Group and Company	**2024**	2023
	£	£
At the start of the year	**72,270,000**	-
Issued on 7 July 2023 (refer to note 21)	**-**	71,280,000
Issued on 10 October 2023 (refer to note 21)	**-**	990,000
Issued on 28 March 2024 (refer to note 21)	**18,811,175**	-
Issued on 26 June 2024 (refer to note 21)	**33,499,173**	-
Issued on 2 October 2024 (refer to note 21)	**9,673,859**	-
Issued on 23 December 2024 (refer to note 21)	**9,969,697**	-
At the end of the year	**144,223,904**	72,270,000

23. Retained earnings and other reserves

Group	**2024**	2023
Retained earnings		
At the beginning of the financial year	**(14.9)**	-
Profit/(loss) for the financial year	**12.5**	(14.9)
At the end of the financial year	**(2.4)**	(14.9)

Any retained earnings would represent amounts available for dividend distribution to the equity shareholders of the Group, subject to certain conditions being met.

Company	**2024**	2023
Retained earnings		
At the beginning of the financial year	**41.2**	-
Profit for the financial year	**11.8**	41.2
At the end of the financial year	**53.0**	41.2

All amounts are stated in £m unless otherwise indicated

24. Borrowings

	Group and Company	Group and Company	Company only	Company only
	£12m loan at 17.5%	**£60m loan at 16.9%**	**£3.1m loan at 7%**	**£3.0m loan at 7%**
2024				
At the beginning of the financial year	**11.6**	**58.5**	**3.1**	**-**
Issued in the year	**-**	**-**	**-**	**3.0**
Loan revaluation	**-**	**0.1**	**-**	**-**
At the end of the financial year	**11.6**	**58.6**	**3.1**	**3.0**
2023				
At the beginning of the financial year	-	-	-	-
Acquired in the year	11.6	58.5	3.1	-
At the end of the financial year	11.6	58.5	3.1	-

On 10 October 2023, SHL acquired a £12m subordinated perpetual loan charged at 17.5% interest per annum and a £60m subordinated term year loan charged at 16.9% interest per annum. These loans were originally issued by SFHL on 2 December 2020, then transferred from SFHL to SHL on 10 October 2023.

Finance costs incurred during the financial year include £12.3m (2023: £3.1m) in relation to interest on the subordinated loans. SHL incurred stamp duty of £0.2m upon acquisition of the subordinated loans in the period, these costs have been capitalised.

The Company acquired a £3.1m perpetual loan from Tradex on 7 July 2023, charged at 7% per annum and repayable on demand.

Finance costs incurred during the financial year include £0.2m (2023: £0.1m) in relation to interest on the perpetual loan.

The Company took out a £3.0m perpetual loan from SIL on 28 June 2024, charged at 7% per annum and repayable on demand.

Finance costs incurred during the financial year include £0.1m (2023: £nil) in relation to interest on the perpetual loan.

There were no defaults or breaches of contractual obligations attaching to the loans during the financial year.

25. Provision for unearned premiums

Group	**Gross 2024**	**Reinsurance 2024**	**Net 2024**	Gross 2023	Reinsurance 2023	Net 2023
At the beginning of the financial year	**128.9**	**(68.3)**	**60.6**	-	-	-
At acquisition	**-**	**-**	**-**	46.9	(31.3)	15.6
Increase in the financial year	**617.1**	**(384.5)**	**232.6**	149.2	(76.2)	73.0
Release in the financial year	**(437.1)**	**260.1**	**(177.0)**	(67.2)	39.2	(28.0)
Movement in the financial year	**180.0**	**(124.4)**	**55.6**	82.0	(37.0)	(45.0)
At the end of the financial year	**308.9**	**(192.7)**	**116.2**	128.9	(68.3)	60.6

All amounts are stated in £m unless otherwise indicated

26. Claims outstanding

Group

Change in insurance contract liabilities (net of salvage and subrogation)

	Gross	Unexpired risk provision	Salvage & Subrogation	Net
2024				
At the beginning of the financial year	**481.9**	**-**	**(4.2)**	**477.7**
Movement in the financial year	**122.7**	**-**	**2.4**	**125.1**
At the end of the financial year	**604.6**	**-**	**(1.8)**	**602.8**
2023				
At the beginning of the financial year	**-**	**-**	**-**	**-**
Acquired in the year	**410.4**	**-**	**(4.4)**	**406.0**
Movement in the financial year	**71.5**	**-**	**0.2**	**71.7**
At the end of the financial year	**481.9**	**-**	**(4.2)**	**477.7**

Claims and claims handling costs

	Gross 2024	Reinsurance 2024	Net 2024	Gross 2023	Reinsurance 2023	Net 2023
At the start of the financial year	**481.9**	**(215.2)**	**266.7**	-	-	-
At the start of the financial year/acquired in the year:						
Claims reported	**337.1**	**(170.9)**	**166.2**	316.8	(155.0)	161.8
Claims incurred but not reported	**142.0**	**(57.5)**	**84.5**	90.8	(31.9)	58.9
Claims settlement expenses	**2.8**	**-**	**2.8**	2.8	-	2.8
	481.9	**(228.4)**	**253.5**	410.4	(186.9)	223.5
Quota Share		**13.2**	**13.2**	-	13.9	13.9
At the start of the financial year	**481.9**	**(215.2)**	**266.7**	410.4	(173.0)	237.4
Claims paid	**(228.1)**	**104.7**	**(123.4)**	(41.2)	18.3	(22.9)
Increase/(decrease) in liabilities	**350.6**	**(203.2)**	**147.4**	112.7	(67.2)	45.5
Provision for claims handling costs	**0.2**	**-**	**0.2**	-	-	-
	122.7	**(98.5)**	**24.2**	71.5	(48.9)	22.6
Reinsurance commutations	**-**	**-**	**-**	-	7.4	7.4
Quota Share	**-**	**(7.5)**	**(7.5)**	-	(0.7)	(0.7)
Total movement	**122.7**	**(106.0)**	**16.7**	71.5	(42.2)	29.3
At the end of the financial year:						
Claims reported	**440.1**	**(266.2)**	**173.9**	337.1	(170.9)	166.2
Claims incurred but not reported	**162.4**	**(60.7)**	**101.7**	142.0	(57.5)	84.5
Claims settlement expenses	**2.1**	**-**	**2.1**	2.8	-	2.8
	604.6	**(326.9)**	**277.7**	481.9	(228.4)	253.5
Quota Share	**-**	**5.7**	**5.7**	-	13.2	13.2
At the end of the financial year	**604.6**	**(321.2)**	**283.4**	481.9	(215.2)	266.7

The balance in the quota share funds withheld account is £11.8m (2023: £18.3m). The figures for quota share in the table above represent the quota share funds withheld net of the expected future profit commission of £6.1m (2023: £5.1m).

Included within the movement in claims liabilities is £4.2m gross (2023: £0.6m), £1.5m net (2023: £0.3m), being the unwind of discounting relating to Periodic Payment Order (PPO) claims.

All amounts are stated in £m unless otherwise indicated

26. Claims outstanding (continued)

Analysis of claims development

	Underwriting year										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	**Total**
Gross of reinsurance											
At end of the underwriting year:	-	-	-	-	-	-	-	-	71.2	219.8	**291.0**
One year later	-	-	-	-	-	-	-	57.0	174.2		**231.2**
Two years later	-	-	-	-	-	-	53.6	63.1			**116.7**
Three years later	-	-	-	-	-	287.5	67.9				**355.4**
Four years later	-	-	-	-	435.2	284.8					**720.0**
Five years later	-	-	-	474.1	435.0						**909.1**
Six years later	-	-	473.8	468.8							**942.6**
Seven years later	-	469.1	473.5								**942.6**
Eight years later	375.1	468.9									**844.0**
Nine years later	374.4										**374.4**
Estimate for cumulative claims	374.4	468.9	473.5	468.8	435.0	284.8	67.9	63.1	174.2	219.8	**3,030.4**
Cumulative payments to date	(373.9)	(426.9)	(452.8)	(443.1)	(394.1)	(241.6)	(34.4)	(30.3)	(69.6)	(81.9)	**(2,548.6)**
Gross outstanding claims liabilities	0.5	42.0	20.7	25.7	40.9	43.2	33.5	32.8	104.6	137.9	**481.8**
Provision for prior years											**120.5**
Gross outstanding claims liabilities											**602.3**
Gross claims reported											**440.1**
Gross claims incurred but not reported											**162.4**
Gross outstanding claims liabilities											**602.5**

Included in the analysis above is £116.4m (2023: £123.8m) of discounted reserves relating to PPOs. PPO reserves in SIL are discounted at 4.5% and in Tradex reserves are discounted at 3.0%, reflecting the expected yield on the investments held to back the PPO claims, adjusted for credit risk. Undiscounted reserves relating to PPOs are £235.9m (2023: £243.9m). The above analysis excludes claim handling expenses of £2.1m (2023: £2.1m).

	Underwriting year										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	**Total**
Net of reinsurance											
At end of the underwriting year:	-	-	-	-	-	-	-	-	27.8	105.7	**133.5**
One year later	-	-	-	-	-	-	-	21.0	76.9		**97.9**
Two years later	-	-	-	-	-	-	26.9	17.6			**44.5**
Three years later	-	-	-	-	-	226.9	27.7				**254.6**
Four years later	-	-	-	-	297.5	222.3					**519.8**
Five years later	-	-	-	345.9	298.7						**644.6**
Six years later	-	-	339.4	341.0							**680.4**
Seven years later	-	320.8	340.8								**661.6**
Eight years later	304.9	320.2									**625.1**
Nine years later	304.7										**304.7**
Estimate for cumulative claims	304.7	320.2	340.8	341.0	298.7	222.3	27.7	17.6	76.9	105.7	**2,055.6**
Cumulative payments to date	(307.1)	(310.2)	(331.2)	(326.3)	(275.4)	(191.6)	(17.1)	(9.5)	(36.3)	(41.2)	**(1,845.9)**
Net outstanding claims liabilities	(2.4)	10.0	9.6	14.7	23.3	30.7	10.6	8.1	40.6	64.5	**209.7**
Provision for prior years											**65.9**
Net outstanding claims liabilities											**275.6**
Net claims reported											**173.9**
Net claims incurred but not reported											**101.7**
Net outstanding claims liabilities											**275.6**

Included in the analysis above is £33.4m (2023: £34.9m) of discounted reserves relating to PPOs. It is to be expected that releases will normally be made to prior years' claims as current reserves are set such that no adverse deterioration is expected. However, from time to time the random occurrence of significant large individual claims or events being worse than expected can give rise to a required strengthening, in addition to normal claims development being adverse.

The above figures exclude claim handling expenses of £2.1m (2023: £2.1m) relating to SIL and quota share funds withheld.

All amounts are stated in £m unless otherwise indicated

27. Taxation

Group	2024	2023
Current tax		
Asset at the beginning of the financial year	**0.6**	-
Asset relating to section 455 repayable	**-**	0.5
Tax on structured settlements	**-**	0.1
Tax charged to income statement	**(2.5)**	-
Tax paid during the financial year	**4.3**	-
Asset at the end of the financial year	**2.4**	0.6

	2024	2023
Deferred tax asset		
At the beginning of the financial year	**-**	-
Tax credited to the income statement	**9.3**	-
At the end of the financial year	**9.3**	-
Analysis of deferred tax asset		
Capital allowances on fixed assets	**0.1**	-
Tax losses	**9.2**	-
Asset at the end of the financial year	**9.3**	-

	2024	2023
Deferred tax liability		
Liability at the beginning of the financial year	**-**	-
Tax credited to the income statement	**-**	-
Liability at the end of the financial year	**-**	-
Analysis of deferred tax liability		
Capital allowances on fixed assets	**0.2**	0.2
FRS 102 transitional adjustments	**(3.1)**	(3.6)
Tax losses	**2.9**	3.4
Liability at the end of the financial year	**-**	-

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 £13.5m, relating to losses of £54.1m and £0.4m, relating to timing differences of £1.6m between depreciation and capital allowances on fixed assets has not been recognised.

In the prior year, deferred tax assets of £25.6m, relating to losses of £102.3m, £0.4m relating to timing differences of £1.4m on derecognition of DAC on consolidation and £0.2m relating to timing differences of £0.7m between depreciation and capital allowances on fixed assets have not been 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.

Company	2024	2023
Current tax		
Liability at the beginning of the financial year	**-**	-
Tax charged to income statement	**(0.5)**	-
Liability at the end of the financial year	**(0.5)**	-

All amounts are stated in £m unless otherwise indicated

28. Other creditors including taxation and social security

Group	2024	2023
Insurance premium tax payable	**20.3**	13.9
Levies payable	**12.3**	3.2
Other creditors	**0.8**	0.4
	33.4	17.5

Company	2024	2023
Amounts due to group undertakings	**0.1**	0.1

29. Obligations under operating leases

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

Group	2024	2023
On lease expiring:		
Within 1 year	**0.1**	-
Between 1-5 years	**0.2**	0.2
After 5 years	**-**	-
	0.3	0.2

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

30. Contingent assets and liabilities

The Group does not have any contingent assets or liabilities.

As a financial services provider, the Group is subject to extensive and comprehensive regulation. It must comply with numerous laws and regulations, including the Consumer Credit Act, which significantly affect the way it does business. Whilst the Group believes there are no unidentified areas or failures to comply with these laws and regulations which would have a material impact on the financial statements, there can be no guarantee that all issues have been identified.

31. Contingent contract obligations

The Group does not have any contingent contract obligations.

32. Business combinations

Following a strategic decision by its shareholders, on 7 July 2023 SHL acquired 100% of the issued share capital of TIHL and its subsidiary Tradex, for a consideration of £13.0m. On 10 October 2023, SHL acquired 100% of the issued share capital of SFHL and its subsidiary SIL for a consideration of £16.5m. Both Tradex and SIL are general insurance companies, regulated by the Prudential Regulatory Authority ('PRA') and the Financial Conduct Authority ('FCA'). The assets acquired and liabilities assumed have been recorded at their fair value for the purposes of the acquisition balance sheet and included in the consolidated financial statements of the Group.

Tradex contributed £28.1m to net earned premium and a loss of £17.0m to the Group since acquisition. SIL contributed £0.1m expense to net earned premium and a profit of £2.9m to the Group since acquisition.

All amounts are stated in £m unless otherwise indicated

32. Business combinations (continued)

The table below shows the fair value of the 100% share of the net assets acquired, liabilities assumed, consideration paid and the resulting goodwill.

	Value on acquisition		
	Tradex	**SFHL Group (SFHL & SIL)**	**Total**
Financial investments	**26.0**	**232.6**	**258.6**
Deposits with credit institutions	**10.4**	**-**	**10.4**
Reinsurers' share of technical provisions:			
- Provision for unearned premiums	**31.3**	**-**	**31.3**
- Claims outstanding	**106.4**	**66.6**	**173.1**
Debtors arising out of direct insurance operations:			
- policyholders	**-**	**0.1**	**0.1**
- intermediaries	**22.9**	**5.4**	**28.2**
Debtors arising out of reinsurance operations	**2.3**	**-**	**2.3**
Corporation tax debtor	**-**	**0.6**	**0.6**
Other debtors	**4.6**	**2.0**	**6.6**
Tangible assets	**1.3**	**-**	**1.3**
Cash at bank and in hand	**5.2**	**109.6**	**114.8**
Accrued interest	**-**	**3.3**	**3.3**
Other prepayments and accrued income	**0.6**	**0.6**	**1.2**
Total assets	**211.0**	**420.8**	**631.8**
Technical provisions:			
- Provision for unearned premiums	**46.9**	**-**	**46.9**
- Claims outstanding	**142.1**	**268.3**	**410.4**
Creditors arising out of direct insurance operations	**-**	**0.6**	**0.6**
Creditors arising out of reinsurance operations	**4.1**	**0.3**	**4.4**
Debenture loans	**5.0**	**70.2**	**75.2**
Other creditors including taxation and social security	**3.5**	**0.7**	**4.2**
Accruals and deferred income	**0.5**	**2.5**	**3.0**
Total liabilities	**202.1**	**342.6**	**544.7**
Net identifiable assets	**8.9**	**78.2**	**87.1**
Total consideration paid in cash	**13.0**	**16.5**	**29.5**
Goodwill recognised on acquisition	**4.1**	**(61.7)**	**57.6**

The goodwill asset is to be amortised to offset recognition of the deferred tax asset which was unrecognised at the point of purchase of Tradex and, as such, is anticipated to be fully amortised within 12 months.

The negative goodwill from the acquisition of the SFHL Group is to be recognised in the income statement to offset any reserves strengthening, by book of business, relating to the reserves at the point of acquisition, over a maximum period of five years.

33. Parent company

SHL owns 100% of the share capital of Tradex, SFHL and SIL. Together these entities form the Group. The results of SHL and its subsidiaries are not consolidated into any other financial statements.

As at 31 December 2024, PSC Nominee 4 Limited was the principal investor in the Group, holding over 78% of the share capital of SHL on behalf of the investors in PSC Fund IV, with other investors individually holding no more than 10%.

From March 2025, following transactions on 4 March 2025 and 28 March 2025, the principal investor in the Group was PSC Accelerator Nominee II Limited, which holds over 78% of the share capital of SHL on behalf of the investors in PSC Fund Accelerator II, with other investors individually holding no more than 10%.

All amounts are stated in £m unless otherwise indicated

34. Related party transactions

Group

Balances at the end of the year	**2024**	2023
Amounts due from related parties:		
Markerstudy Insurance Services Limited	**222.8**	117.3
Clegg Gifford & Co Limited	**11.6**	23.9
Newpoint Re Group	**1.0**	-
Investments held with related parties:		
Newpoint Re Group	**90.0**	-
Global Recovery Limited	**40.8**	-

Transactions during the year	**2024**	2023
Income from transactions with related parties:		
Markerstudy Insurance Services Limited	**564.8**	99.7
Clegg Gifford & Co Limited	**52.3**	49.4
Newpoint Re Group	**0.5**	-
Expenditure from transactions with related parties:		
Markerstudy Insurance Services Limited	**(52.2)**	(8.2)
Clegg Gifford & Co Limited	**(8.9)**	(12.5)
Global Recovery Limited	**40.8**	-
Pollen Street Capital		-
Newpoint Re Group	**(90.0)**	-
Northlight Group LLP	**(0.4)**	-

Related party transactions consist of:

- Transactions with MISL, representing amounts charged for the provision of insurance services under outsourcing agreements.
- Investment management fees charged by Pollen Street Credit.
- Investment management fees charged by Northlight Group LLP.
- An investment into equities issued by Global Recovery Limited.
- An investment into corporate bonds issued by Newpoint Surety Asset Finance Ltd.
- A quota share reinsurance arrangement with Newpoint Re.

Company

Balances at the end of the year	**2024**	2023
Amounts due from other group companies:		
Soteria Insurance Limited	**-**	41.9
Soteria Finance Holdings Limited	**-**	59.9
Amounts due to other group companies:		
Soteria Insurance Limited	**(3.2)**	-
Tradex Insurance Company Limited	**(3.1)**	(3.2)
Amounts due from other related parties:		
Markerstudy Insurance Services Limited	**0.1**	0.1

Transactions during the year	**2024**	2023
Income from transactions with other group companies:		
Tradex Insurance Company Limited	**1.8**	-
Soteria Finance Holdings Limited	**44.1**	-
Expenditure from transactions with other group companies:		
Soteria Insurance Limited	**-**	(0.1)
Soteria Finance Holdings Limited	**-**	(0.1)
Tradex Insurance Company Limited	**-**	(0.1)

All amounts are stated in £m unless otherwise indicated

34. Related party transactions (continued)

Key management compensation

Key management is considered to include the members of the Company's Board and the Board and Executive committee members of SHL's subsidiaries. Details of transactions and balances with Key Management during the financial period are provided below.

Group	2024	2023
Salaries and short term benefits	**3.6**	0.9

In respect of Executive and Non-Executive Directors:

	2024	2023
Salaries and short term benefits	**2.2**	0.6

In respect of the highest paid director:

	2024	2023
Salaries and short term benefits	**1.0**	0.2

35. 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.

Based upon guidance issued by The Committee or European Securities Regulators (CESR), SIL classifies debt securities in level 1 only if it can be demonstrated on an individual security by security basis that the price quotes obtained are representative of actual trades in an active market (through obtaining binding quotes or through corroboration to published market prices). Pricing providers cannot guarantee that the prices that they provide are based on actual trades in the market. Therefore, all of the corporate bonds, gilts and equities are classified as level 2 and valued using the market prices as at the reporting date multiplied by the number of each security held.

Level 3 investments are valued using valuation techniques described in note 3 e) iv) Other financial instruments on page 28.

Valuation of financial investments

2024	Level 1	Level 2	Level 3	Total
Financial investments	**-**	**210.3**	**117.8**	**328.1**

2023	Level 1	Level 2	Level 3	Total
Financial investments	-	213.1	49.7	262.8

36. Events after the Reporting Period

Subsequent to acquiring Tradex, the Tradex 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 Tradex 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, such as costs associated with remedial activities or regulatory actions.

On 21 March 2025, SIL entered into a loss portfolio transfer (LPT) arrangement with a third party to cover its obligations relating to liability claims, transferring liabilities of £23.6m. The net impact on inception of the arrangement was a profit of £5.7m.

In March 2025, following transactions on 4 March 2025 and 28 March 2025, the principal investor in the Group transferred from being PSC Nominee 4 Limited, which held over 78% of the share capital of SHL on behalf of the investors in PSC Fund IV, to being PSC Accelerator Nominee II Limited, which holds over 78% of the share capital of SHL on behalf of the investors in PSC Fund Accelerator II.