PALLADIUM INSURANCE LIMITED

ANNUAL REPORT OF THE DIRECTORS AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2026

(Company Registration Number: 62801)

Palladium Insurance Limited

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Palladium Insurance Limited

Company Information
for the year ended 31 March 2026

DIRECTORS:	Christopher Schofield Andrew Ayres (resigned 9 January 2026) Jamie Polson (resigned 22 January 2026) Mark Helyar (appointed 9 January 2026) Edward Smethurst (appointed 19 January 2026)
COMPANY SECRETARY:	SRS Corporate Services Guernsey Limited
INSURANCE MANAGER:	SRS Management Guernsey Limited
REGISTERED OFFICE:	Second Floor, Block A, Lefebvre Court, Lefebvre Street, St. Peter Port, Guernsey GY1 2JP
INDEPENDENT AUDITOR:	Moore Stephens Audit and Assurance (Guernsey) Limited PO Box 146 Level 2, Park Place Park Street St Peter Port Guernsey GY1 3HZ

Report of the Directors
for the year ended 31 March 2026

Accounting period
The Directors present their annual report and the audited financial statements of Palladium Insurance Limited ('the Company') for the year ended 31 March 2026.

The Company
Palladium Insurance Limited was incorporated in Guernsey as a Company limited by shares on 29 November 2016.

Principal activity
The principal activity of the Company is that of underwriting general insurance business. The Company provides Legal Expenses and Conveyancing insurance policies through a Panel of Approved Solicitors.

Results
The results for the year ended 31 March 2026 are set out on pages 7 and 8.

Dividends
The Directors do not recommend the payment of a dividend for the year ended 31 March 2026 (2025: £nil).

Going concern
The accounts have been prepared on a going concern basis. The Directors believe that this basis is appropriate as on the date of approval the Company has net assets considerably in excess of its regulatory solvency requirement, is not dependent on any external finance and is expected to operate profitably in the foreseeable future. The Directors have deemed that the Company has adequate financial resources to meet its obligations.

As a result of the above factors the Directors have satisfied themselves that it is appropriate to prepare the financial statements on a going concern basis.

Directors
The Directors of the Company during the year ended 31 March 2026 and to date are as stated on page 1.

Secretary
The Secretary of the Company during the year ended 31 March 2026 and to date are as stated on page 1.

Directors' responsibilities statement
The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations. The Companies (Guernsey) Law, 2008 ("company law") and the Insurance Business (Bailiwick of Guernsey) Law, 2002 require the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103, Insurance Contracts. 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Palladium Insurance Limited

Report of the Directors
for the year ended 31 March 2026 (continued)

Directors' responsibilities statement (continued)

The Directors are responsible for keeping proper accounting records which 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 to enable them to ensure that the financial statements comply with the Insurance Business (Bailiwick of Guernsey) Law, 2002 and the Companies (Guernsey) Law, 2008.

The Directors 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.

Disclosure of information to the Auditor

In accordance with section 249 of the Companies (Guernsey) Law, 2008, the Directors, who held office at the date of approval of the Directors' report, confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent Auditor

Moore Stephens Audit and Assurance (Guernsey) Limited was appointed as the auditor to the Company by the Directors and will remain as auditor of the Company subject to approval from time to time by the Board.

APPROVED BY THE BOARD OF DIRECTORS

Mark Helyar (Jul 28, 2026 15:25:31 GMT+1)	C Schofield (Jul 29, 2026 08:17:17 GMT+1)
…………………………………………………….	…………………………………………………….
Director	Director
28/07/2026	29/07/2026
…………………………………………………….	…………………………………………………….
Date	Date

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PALLADIUM INSURANCE LIMITED

Opinion

We have audited the financial statements of Palladium Insurance Limited ('the company') which comprise the Statement of Financial Position as at 31 March 2026, and the Statement of Comprehensive Income – Technical Account, the Statement of Comprehensive Income – Non-Technical Account, the Statement of Changes in Equity, Statement of Cash Flows, and notes to the financial statements for the year then ended, including a summary of significant accounting policies.

In our opinion the accompanying financial statements:

- give a true and fair view of the financial position of the company as at 31 March 2026 and of its financial performance for the year then ended;
- have been properly prepared in accordance with FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" ('FRS 102') and FRS 103 "Insurance Contracts" ('FRS 103'); and
- have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008 and the Insurance Business (Bailiwick of Guernsey) Law, 2002.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with FRS 102, FRS 103, and The Companies (Guernsey) Law 2008, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PALLADIUM INSURANCE LIMITED

Auditor's responsibility for the audit of 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 assurance, but is not a guarantee that an audit conducted in accordance with the ISAs 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008, requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanation which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

We have nothing to report in respect of the following matters where the Insurance Business (Bailiwick of Guernsey) Law, 2002, requires us to report to you if, in our opinion:

- the information given in the annual return prepared pursuant to section 33 is inconsistent with the financial statements; or
- there is any transaction outside the normal course of business which resulted in the balance sheet showing a situation materially different from that which would otherwise have occurred, and which is not adequately disclosed in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PALLADIUM INSURANCE LIMITED

Use of our report

This report is made solely to the company's members, as a body, in accordance with Schedule 3 of the Insurance Business (Bailiwick of Guernsey) Law, 2002. Our audit work has been undertaken for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our work, for this report, or for the opinions we have formed.

Moore Stephens

Moore Stephens (Jul 29, 2026 11:47:41 GMT+1)

MOORE STEPHENS AUDIT AND ASSURANCE (GUERNSEY) LIMITED
PO Box 146, Level 2 Park Place
Park Street
St Peter Port
Guernsey
GY1 3HZ

Jul 29, 2026
Date ………………………

Palladium Insurance Limited

Statement of Comprehensive Income
for the year ended 31 March 2026

Technical Account

	Note	2026 £	2025 £
Premiums written - ATE		3,235,884	10,059,955
Cancellations during the year in respect of prior periods		(1,066,113)	(269,143)
Premium Written		2,169,771	9,790,812
Commissions paid and payable		(233,586)	(158,087)
Provision for unwinds	10	6,032,628	(5,490,958)
Net Earned Premium		7,968,813	4,141,767
Claims payable		(151,237)	(192,590)
Movement in provision for doubtful debt	8	50,955	13,742
Claims reserve	10	25,000	61,000
Movement in incurred but not reported (“IBNR”)	10	(6,758,694)	(75,759)
		(6,833,976)	(193,607)
Balance on the Technical Account		1,134,837	3,948,160

The notes on pages 12 to 24 form an integral part of these financial statements.

Palladium Insurance Limited

Statement of Comprehensive Income
for the year ended 31 March 2026

Non-Technical Account

	Note	2026 £	2025 £
INCOME			
Transfer from the Technical Account		1,134,837	3,948,160
Investment income	7	42,819	38,955
Realised gain on disposal of investments	7	55,243	4,195
		1,232,899	3,991,310
EXPENSES			
Management fees		(81,250)	(48,748)
Directors' fees		(13,375)	(12,500)
Audit fees		(11,558)	(11,105)
IT and other consultancy fees		(38,097)	(1,360)
Regulatory fees		(18,467)	(12,134)
Directors' & officers' liability insurance		-	(9,500)
Bank charges and investment management fees		(12,766)	(4,233)
Financial ombudsman		(1,638)	(2,296)
Professional fees		(19,507)	(6,384)
Travel and sundry expenses		(400)	(879)
		(197,058)	(109,139)
Unrealised fair value (loss) / gain on investments	7	(84,680)	52,520
Realised fair value gain on investments		93,623	106
Total comprehensive income		**1,044,784**	**3,934,797**

The above results are all derived from continuing activities. Therefore, the profit for the year is also the total comprehensive income for the year.

The notes on pages 12 to 24 form an integral part of these financial statements.

Palladium Insurance Limited

Statement of Financial Position
as at 31 March 2026

	Note	2026 £	2025 £
CURRENT ASSETS			
Investments	7	2,229,782	1,994,408
Premium receivable	8	18,299,417	16,859,407
Prepayments		19,482	11,250
Cash and cash equivalents		183,189	180,485
TOTAL ASSETS		**20,731,870**	**19,045,550**
CAPITAL AND RESERVES			
Share capital	9	100,000	100,000
Profit and loss account		8,550,028	7,505,244
SHAREHOLDER'S FUNDS		8,650,028	7,605,244
TECHNICAL PROVISION			
Provision for policy unwinds	10	4,537,884	10,570,512
Claims reserved	10	-	150,000
Incurred but not reported ("IBNR")	10	7,047,640	288,946
		11,585,524	11,009,458
CREDITORS: AMOUNTS FALLING DUE IN LESS THAN ONE YEAR			
Trade and other payables	11	496,318	430,848
TOTAL LIABILITIES AND EQUITY		**20,731,870**	**19,045,550**

The financial statements on pages 7 to 24 were approved and authorised for issue by the Board of Directors on and were signed on its behalf by:

Mark Helyar (Jul 28, 2026 15:25:31 GMT+1)
……………………………………………………
Director

C Schofield
C Schofield (Jul 29, 2026 08:17:17 GMT+1)
……………………………………………………
Director

The notes on pages 12 to 24 form an integral part of these financial statements.

Palladium Insurance Limited

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

	Share Capital	Profit and Loss Account	Total
At 31 March 2024	**100,000**	**3,570,447**	**3,670,447**
Profit for the year being total comprehensive income	-	3,934,797	3,934,797
At 31 March 2025	**100,000**	**7,505,244**	**7,605,244**
Profit for the year being total comprehensive income	-	1,044,784	1,044,784
At 31 March 2026	**100,000**	**8,550,028**	**8,650,028**

The notes on pages 12 to 24 form an integral part of these financial statements.

Palladium Insurance Limited

Statement of Cash Flows
for the year ended 31 March 2026

	2026	2025
	£	£
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	1,044,784	3,934,797
Adjusted for:		
Movement in unwinding provision	(6,032,629)	5,490,957
Movement in IBNR	6,758,694	75,759
Movement in provision for doubtful debt	(50,955)	(13,742)
Investment income	(42,819)	(38,955)
Realised gain on disposal of investments	(55,243)	(4,195)
Unrealised fair value loss / (gain) on investments	84,680	(52,520)
	1,706,512	9,392,101
Changes in operating assets and operating liabilities		
Increase in debtors	(1,397,287)	(9,129,697)
Decrease in creditors	65,470	64,873
Increase in claims reserved	(150,000)	(61,000)
CASH GENERATED FROM OPERATING ACTIVITIES	224,695	266,277
CASH FLOWS FROM INVESTING ACTIVITIES		
Movement in investment portfolio	(221,991)	(231,969)
CASH USED IN INVESTING ACTVITIES	(221,991)	(231,969)
Net (decrease)/increase in cash and cash equivalents	2,704	34,309
Cash and cash equivalents at the beginning of the year	**180,485**	**146,176**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**183,189**	**180,485**

The notes on pages 12 to 24 form an integral part of these financial statements.

1. GENERAL INFORMATION

Palladium Insurance Limited ("The Company") is registered and incorporated in Guernsey (registration number: 62801) and is licensed as a general insurer by the Guernsey Financial Services Commission ('the GFSC'). The Company's registered office is Second Floor, Block A, Lefebvre Court, Lefebvre Street, St Peter Port, Guernsey, GY1 2JP.

The Company provides Legal Expense and Conveyancing policies through a Panel of Approved Solicitors.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The financial statements are prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103, Insurance Contracts.

The financial statements have been prepared in accordance with the provisions of the Companies (Guernsey) Law, 2008 and the Insurance Business (Bailiwick of Guernsey) Law, 2002 and show a true and fair view.

The accounts have been prepared on a going concern basis. The Directors believe that this basis is appropriate as on the date of approval the Company has net assets considerably in excess of its regulatory solvency requirement, is not dependent on any external finance and is expected to operate profitably in the foreseeable future. The Directors have deemed that the Company has adequate financial resources to meet its obligations.

As a result of the above factors the Directors have satisfied themselves that it is appropriate to prepare the financial statements on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Pounds Sterling ('GBP', '£') which is the Company's functional currency.

b) Insurance Contracts

i) Classification
The Company issues contracts that transfer insurance risk which are classified as insurance contracts. As a general guideline, the Company defines significant insurance risk as the possibility of having to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. These contracts remain insurance contracts until such time as all rights and obligations under the contract are extinguished or expire.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Insurance Contracts (continued)

ii) Premium Written

Premiums written are recognised as earned on a basis which reflects the profile of the risk written. The Company writes After the Event ("ATE") and Legal Indemnity insurance policies and earns all of the premium written at policy inception date which means that the premium is fully earned on day one of the policy. This is in line with the risk profile of ATE policies as they cover the policyholder against certain legal expenses in case the underlying court case is lost, which means that the insured event is certain at inception of the policy, just the outcome of the court case is uncertain. In essence the cover against the adverse risk of the legal case is provided in full to the policyholder at the inception date of the policy. A pro-rated earning pattern over the life of the policy would not suit the risk profile as the cover provided is not in relation to a certain period of time. Similarly, Legal Indemnity insurance policies are non-renewable, with an indefinite duration. A pro-rata earning pattern is therefore not suitable.

Where the underlying court case is lost, the policyholder is indemnified against the premium payment, in which case the premium debtor is written off against claims expenses. Therefore, on inception of the policy and aligned with the earning of the premium, a claims provision is established on day one to include a provision for such premiums indemnified to policyholders. The claims provision also includes the projection of other ultimate claims expenses in relation to policies on their inception.

Written premiums for certain policies increase in stages as legal cases develop. Estimates of those premium increases (stage premiums) on existing policies are recognised in gross premiums written as they incur and up to the balance sheet date, based on historical experience.

The Company makes an allowance to gross written premiums for policy unwinds, off risks and voids. Unwinds, off risk and voids are policies that do not proceed to either a successful outcome or to a claim against the policy; instead, the policies are terminated or voided. This allowance to gross written premiums reduces premium debtors, which otherwise include all outstanding premiums as these will only become due on settlement of the court case in a successful outcome.

iii) Introducer Commissions

Introducer commissions are expensed within the Statement of Comprehensive Income – Technical Account in the period over which they are incurred.

iv) Claims

Claims incurred comprise claims and related expenses reported in the year and changes in the provisions for outstanding claims. Claims paid are recognised as an expense when due for payment to the insured.

v) Movement in IBNR

Provision is made at the year-end for the estimated cost of claims incurred but not reported ("IBNR") at the reporting date. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claim's exposures.

The estimation of IBNR is subject to an industry standard calculation which eliminates much of the uncertainty with regard to the actual cost of settling claims already notified.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial Instruments (continued)

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

i) Initial recognition and measurement
All financial assets and financial liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are only offset in the Statement of Financial Position when and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

ii) Derecognition of financial instruments
Financial assets are derecognised when, and only when, a) the contractual rights to the cash flows from the financial asset expire or are settled or b) the Company transfers to another party substantially all the risks and rewards of ownership of the financial asset. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

d) Receivables
Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. When a financial asset is recognised initially it is measured at fair value plus transaction costs that are directly attributable to the acquisition or issue. Receivables are subsequently measured at amortised cost. Receivables comprise premium debtors arising from insurance contracts and are reviewed for impairment. This basis of valuation is viewed by the Directors as having prudent regard to the likely realisable value. Discounting has not been applied to receivables as they are receivable on demand.

e) Investments
The Company classifies its investments as financial assets at fair value through profit or loss. The Company’s investments comprise investments held in a managed portfolio. The best evidence of fair value is a quoted market price for an individual asset in an active market. Realised and unrealised gains and losses arising from changes in the fair value of investments are included in the Statement of Comprehensive Income – Non Technical Account in the period in which they arise.

f) Cash and cash equivalents
Cash and cash equivalents comprise demand deposits and highly liquid investments with original maturities of three months or less.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Basic financial liabilities, which is comprised of creditors, are initially recognised at transaction price and subsequently carried at amortised cost using the effective interest method unless payment is due within one year or less in which case, no discounting is applied.

h) Interest income and investment income

All interest income is recognised in the Statement of Comprehensive Income – Non-Technical Account on an accrual's basis. This comprises income earned on cash deposits. Dividend income from equity investments is recognised in the Statement of Comprehensive Income – Non-Technical Account when the relevant investment is quoted ex-dividend. Income is recognised gross of any withholding tax.

i) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other consideration received or receivable, net of direct issue costs.

j) Impairment of financial assets

The Company assesses at the end of each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. An asset or a group of assets is impaired, and impairment losses are incurred if there is objective evidence that the estimated future cash flows of the financial asset will be adversely affected by events, that this can be reliably measured and that as a result, the recoverable amount is lower than the carrying value.

Impairment losses are initially recognised in the Statement of Comprehensive Income - Non-Technical Account. If in a subsequent period, the impairment loss decreases and the decrease is related to events which led to the initial recognition of impairment, then the loss is reversed to the extent that the carrying value of the financial asset would not be higher than the carrying value would have been, had the impairment not initially been recognised.

k) Expenses

Expenses are accounted for on an accrual's basis. Administrative expenses are accounted for in the Statement of Comprehensive Income – non-technical account.

l) Segmental reporting

The Directors regard the Company as conducting a single segment of business, being the provision of insurance business in the United Kingdom ("UK").

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities which are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

a) Critical judgements in applying the Company's accounting policies

i) Impairment of premium debtor
In the process of applying the Company's accounting policies, management has made judgements in relation to impairment of premiums receivable. In arriving at a judgement, management has considered historic information in relation to the receipts of premiums due and to any available information which would cast doubt on the future recoverability of amounts due. Based on this assessment, management has a reasonable expectation that amounts which are due will be received and as a result those balances are considered to be receivable not impaired.

b) Key sources of estimation uncertainty

i) Claims reserves and estimates
The most critical judgements and estimates made by the Company are those regarding the level of reserves to be established.

Provisions for IBNR are based on the number of ATE cases that have reached a certain stage in their evolution multiplied by a percentage as determined by the Board, of the maximum claim under each policy. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claim's exposures. However, given the uncertainty in establishing claims reserves and other estimates, it is likely that the final outcome will prove to be different from the original liability established.

ii) Provision of policy unwinds
Provisions are made for policy unwinds, being a provision against the premium receivable that would be repayable in the future event of cancellation of a policy. These provisions are made by review of the type of policy written, and the policy experience for that policy type along with other available information.

iii) Fair value estimation
Investments are measured at fair value. Fair value is the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction.

The fair value measurement of the Company's investments utilises observable inputs and data as far as possible. Inputs used in determining fair value are categorised into different levels based on the nature of the observable inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
Level 3 – Inputs for the asset of liability that are not based on observable market data (unobservable inputs)

The classification of investments into the above levels is based on the lowest level of inputs used that has a significant effect on the fair value measurement. Transfers between levels are recognised in the period they occur.

5. INSURANCE AND FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of insurance and financial risks. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The aim of the framework is to achieve the appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The Board of Directors has ultimate responsibility for risk management.

The significant risks facing the Company are insurance risk, market risk, liquidity risk, and credit risk. Market risk includes currency risk, interest rate risk and other price risk.

a) Insurance risk

The Company issues contracts that transfer insurance risk or financial risk or both.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance event, this risk is random and therefore unpredictable. The terms and conditions of the contracts set out the basis for the determination of the Company’s liability should the insured event occur.

The principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments are significantly different to the amounts included within the technical provisions. This could occur because the frequency or severity of claims and benefits are greater or lower than estimated. Insurance events are random and the actual number and amount of claims and benefits may vary from year to year from the estimate established using statistical techniques.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The Company manages these risks through an underwriting strategy that is approved by the Board after having considered experts’ advice. The contracts issued by the Company are issued with limits on event or aggregate liability towards the policyholder. The Company engages the services of an insurance manager to assist in managing its operations and to support the Directors’ view on the adequacy of its loss reserves for certain classes of business.

The risks underwritten by the Company during the year comprised mostly of ATE legal expense insurances.

Claims on contracts are accounted for on a claims-made basis.

The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures and establishes reserves on this basis. However, the provisions will only be reviewed once underlying legal cases enter a certain stage.

In calculating the estimated cost of unpaid claims, the Company uses a combination of estimation techniques, based partly on known information at period end and partly on statistical analysis of historical experience.

The Company has elected not to present a claims development table in these financial statements. This decision is based on the nature of the After-the-Event (ATE) insurance policies underwritten, where a significant proportion of insured cases are cancelled or withdrawn prior to reaching a stage where claims are incurred.

5. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

a) Insurance risk (continued)

As a result, the volume of claims that develop over time is minimal, and the available data does not provide a meaningful representation of claims development trends. The majority of claims, where they do arise, are settled within a short duration and do not exhibit material development over multiple reporting periods.

Accordingly, management has determined that the inclusion of a claims development table would not enhance the understanding of the Company’s claims liabilities or risk profile.

IBNR Development
IBNR is calculated for each claim category (categorised by the nature of the claim - e.g. road traffic accident) based on the estimated average claim value, multiplied by the number of Stage 2 cases and by the likelihood of the claim being successful (claim occurrence percentage). During the year the number of categories with Stage 2 claims has increased, the number of Stage 2 cases has increased, and the base assumptions for calculating IBNR for each category has not changed.

Concentration of Insurance risk
Concentration risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The company considers that its concentration risk is low as it has a wide customer base and utilises advertising to legal firms to bring in new business.

b) Financial instruments
The following table outlines the Company's exposure to financial instruments at the reporting date, all measured in accordance with the accounting policies as described in note 3:

	2026	**2025**
	£	**£**
Financial assets		
Investments	2,229,782	1,994,408
Premium receivable	18,299,417	16,859,407
Cash and cash equivalents		
Lloyds Bank Corporate Markets plc	174,894	171,323
Rathbones Investment receivable	8,295	9,162
	20,712,388	**19,034,300**

5. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

b) Financial instruments (continued)

	2026	2025
	£	£
Financial liabilities		
Accruals	16,489	10,911
Commission Payable	453,020	382,504
Claims Payable	1,105	12,672
	470,614	**406,087**

c) Market risk

The risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly arises from changes in interest rates and other price risk, which may be specific to the individual asset, or to factors affecting all assets traded in the market.

i) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of differences in market interest rates. The Company is exposed to interest rate risk on cash and cash equivalents balances held in current accounts, which do not have a fixed rate of interest.

The Company seeks to mitigate the risk by managing the levels of deposits held in current accounts and transferring excess cash to other instruments with more predictable rates of return.

A sensitivity assessment has been undertaken in relation to movements by reference to the best estimate of movement on Bank of England ("BOE") base rates, which has been determined to be the factor most likely to influence interest rates. With all other variables held constant, if the BOE base rate had increased/(decreased) by 50 basis points for the financial year, the profit for the year would have increased/(decreased) by £909 (2025: £817) when taken against the weighted average of reported balances.

ii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price, other than those arising from interest rate or currency risk, whether those changes are caused by factors specific to the instrument or affecting all similar instruments in the market.

5. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

ii) Other price risk (continued)

The Company is exposed to other price risk on its managed portfolio investment which is not susceptible to any one market change. The associated holdings are part of the Company's risk mitigation strategy in relation to the holding of cash and cash equivalents. An incremental increase/decrease of 1% in market value of the investment held at the reporting date would have resulted in a fair value gain/(loss) on investment of +/- £22,298 (2025: +/- £19,944).

d) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are premium receivable, and cash and cash equivalents

The company manages the levels of credit risk it accepts by maintaining funds in approved banks and vetting the members of the Panel of Approved Solicitors.

The Company's maximum exposure to credit risk is £18,482,606 (2025: £17,039,891), however this risk is made up of largely small balances spread across a large number of customers.

i) Premium receivable

The Company has considered the likelihood of impairment of receivables and has noted that there is no evidence to indicate that the amounts will not be received. As a result, no impairment of balances has been recognised.

ii) Cash and cash equivalents

The risk is managed within the Company’s investment guidelines which is regularly reviewed by the Board of the Company. The Company’s cash is held in deposit accounts with financial institutions regulated by the GFSC and with a S&P (or equivalent) credit rating of BBB or better. The Directors have sought to diversify the exposure to holdings balances with a single institution by investing cash resources not deemed to be required to settle liabilities in the foreseeable future.

iii) Liquidity risk

Liquidity risk is the risk that the Company, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost. The primary liquidity risk of the Company is the obligation to pay claims as they fall due, which has been considered as part of the underwriting risk. The Company is also exposed to liquidity risk in relation to accruals. This risk is managed by ensuring that the Company maintains sufficient assets in the form of cash and short term investments, which are held in accounts with same day liquidity. The financial liabilities of the Company all have a maturity of less than 12 months.

d) Capital management

Capital management includes the assessment of capital required to support the Company’s plans and objectives, the structure of its shareholder’s funds, arrangements to secure capital, and the ongoing monitoring of capital against business requirements.

The Company defines capital in accordance with regulations prescribed by the GFSC. The Company’s capital to meet the Minimum Capital Requirement ('MCR') and Prescribed Capital Requirement ('PCR') consists of:

5. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

e) Capital management (continued)

	2026	2025
	£	£
Share capital	100,000	100,000
Retained earnings	8,550,028	7,505,244
Capital to meet MCR	**8,650,028**	**7,605,244**
Uncalled share capital	900,000	900,000
Capital to meet PCR	**9,550,028**	**8,505,244**

Its objectives when managing capital are:

i) to comply with legal and statutory obligations and maintain capital resources commensurate
with the nature, scale and risk profile of its business;

ii) to provide a framework for monitoring the financial and capital position of the Company, including the procedures to be followed during a period of general financial distress, either due to internal or external events; and

iii) to safeguard the Company's ability to continue as a going concern.

Under the rules prescribed by the GFSC, the Company must at all times maintain assets of a value sufficient to cover its liabilities, including liabilities arising under or in connection with contracts of insurance, and that there is a suitable matching of assets and liabilities. The GFSC rules require the Company to maintain a surplus of admissible assets over its liabilities which is at all times higher than both its MCR and PCR. The MCR represents the point at which the regulator would invoke the strongest action, while the PCR is the level of capital above which no action is required, with varying degrees of action required if capital lies between the MCR and PCR. As at 31 March 2026 the Company held a surplus of £7,259,764 (2025: £6,284,109) above its MCR requirement of £1,390,263 (2025: £1,321,135) and a surplus of £4,609,855 (2025: £3,518,728) above its PCR requirement of £4,940,172 (2025: £4,986,516).

Management information to monitor the Company's capital requirements and solvency position is produced and presented to the Board on a regular basis ensuring that the Company meets its capital requirements at all times. The Company has complied with the GFSC imposed rules and guidance in respect of capital since its incorporation.

6. TAXATION

The Company is liable to tax in Guernsey at the Guernsey Standard Rate of zero percent.

7. INVESTMENTS

Investments are held in a managed portfolio which is managed by a regulated investment manager. The investments held are all quoted securities in an active market and as such are valued using available market values. All investments are classified as level 1 in the fair value hierarchy.

	2026	2025
	£	£
Managed funds portfolio		
Fair value of investments at 1 April	1,994,408	1,666,770
Net acquisitions and disposals	221,992	231,968
Investment income	42,819	38,955
Realised gain on disposal of investment	55,243	4,195
Fair value movement	(84,680)	52,520
Fair value of investments at 31 March	2,229,782	1,994,408

8. PREMIUM RECEIVABLE

	2026	2025
	£	£
Premium Receivable	18,344,499	16,955,443
Provision for doubtful debt	(45,082)	(96,036)
Premium receivable	**18,299,417**	**16,859,407**

9. SHARE CAPITAL

	2026	2025
	£	£
Authorised share capital		
1,000,000 Ordinary Shares at £1 each	1,000,000	1,000,000
Issued and fully paid up share capital		
1,000,000 issued shares 10% paid	100,000	100,000

Ordinary Shares carry full voting rights and rights to dividends.

10. TECHNICAL PROVISIONS

	Claim reserves	Policy Unwinds	IBNR
	£	£	£
At 31 March 2024	**211,000**	**5,079,553**	**213,187**
Movement for the year	(61,000)	5,490,959	75,759
At 31 March 2025	**150,000**	**10,570,512**	**288,946**
Movement for the year	(150,000)	(6,032,628)	6,758,694
At 31 March 2026	**-**	**4,537,884**	**7,047,640**

At 31 March 2025, the Company held a total provision of £9,628,870 in respect of motor vehicle litigation, which was fully allocated to the unwind provision.

During the year, the Company obtained an independent third-party opinion to assess the appropriateness of the claims reserves relating to the motor vehicle litigation policies Based on this review, the total provision at 31 March 2026 amounted to £9,626,406 and has been reallocated between incurred but not reported claims (“IBNR”) and unwind provision on a 70% and 30% basis, respectively.

The Directors consider this reallocation to represent a prudent and reasonable estimate of the ultimate liability, having regard to the nature, uncertainty, and long-tail characteristics of the underlying claims.

11. TRADE AND OTHER PAYABLES

	2026	2025
	£	£
Accruals	16,489	10,911
Insurance premium tax	25,704	24,761
Commission payable	453,020	382,504
Claims payable	1,105	12,672
	496,318	**430,848**

12. RELATED PARTY TRANSACTIONS

Jamie Polson was a Director of the Company until 22 January 2026 and is a Director of SRS Management Guernsey Limited, the Insurance Manager and Corporate Compliance Officer of the Company and had waived his rights to Director fees. Edward Smethurst, who is also the ultimate controlling party was appointed as a director of the Company on 19 January 2026. Management fees of £81,250 (2025: £48,748) were paid during the year. No fees were owed to SRS Management Guernsey Limited at the reporting date (2025: £Nil).

Directors' fees in the year totalled £13,375 (2025: £12,500) of which £1,800 (2025: £nil) was outstanding at the reporting date.

13. ULTIMATE CONTROLLING PARTY

The immediate and ultimate controlling party holding 100% of the issued capital is Edward Smethurst.

14. SUBSEQUENT EVENTS

There have been no significant events between the reporting date and the date of approval of these financial statements which would require a change to, or disclosure in the financials.

PALLADIUM INSURANCE LIMITED FS (2026) Final

Final Audit Report 2026-07-29

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