

RIAS Plc
Registered Number 1324965

Directors' Report and Financial Statements
31 December 2011

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RIAS Plc

Directors' Report and Financial Statements

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RIAS Plc

Directors and Advisers

Directors

| | |
|-------------------|---------------------------|
| Peter Corfield | <i>Appointed 02 02 12</i> |
| Janet Connor | <i>Resigned 31 12 11</i> |
| Barry D Smith | |
| Julian R M Harvey | |
| Robert Bright | |
| Nicholas Lemans | |
| Darren Spriggs | <i>Resigned 11 02 11</i> |
| Sarah Howe | |
| Andrew Watson | |
| Peter Friend | <i>Appointed 02 03 11</i> |
| James Collins | <i>Appointed 27 04 11</i> |

Secretary

Rosemary A Smith

Head Office and Registered Address

RIAS Plc
RIAS House
Deansleigh Road
Bournemouth
BH7 7DU

Registered Number 1324965 England

Independent Auditor

KPMG Audit Plc
15 Canada Square
London
E14 5GL

Bankers

HSBC Bank Plc
165 High Street
Southampton
SO14 2NZ

RIAS Plc

Report of the Directors

The Directors submit their report, together with the audited financial statements, for the year ended 31 December 2011

Activities

During the year RIAS Plc ('the Company') continued to provide insurance marketing and broking services

Business review

Full details of the Company's results are contained in the financial statements on pages 6 to 22. The Directors intend to continue the development of insurance marketing and broking services

RIAS's vision is to be the natural choice for life's better half, playing an essential role in the lives of our customers helping with the things that matter. This will be achieved by building on our core heritage in general insurance, improve our product offering, our online capability and our service to customers

RIAS is a broker of mainly Home and Motor insurance predominantly for the over 50s generation. RIAS acquires customers using a range of direct marketing techniques including outbound telemarketing, inbound response generation (mailings, inserts, door drops) and the Internet. Sales and service calls are handled in two operations in Bournemouth and Belfast

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

- Revenue
- Operating profit
- Expense ratio

The Board also uses a number of other key indicators to assess the performance of individual parts of the business, including details on the number of policies written and various performance ratios

Financial performance

Revenue in thousands of pounds

| | 2009 | 2010 | 2011 |
|--|--------|--------|--------|
| Income from insurance marketing and broking services | 80,641 | 84,331 | 87,988 |
| Percentage change from previous year | 4% | 5% | 4% |

The amount of revenue drives the overall size and profitability of the Company. Whilst important as a measure of performance, much care is taken to ensure that expenses incurred in the acquisition and administration of customers' policies are at a level at which it is forecast that the Company will achieve a satisfactory margin

Profit before income taxes in thousand of pounds

| | 2009 | 2010 | 2011 |
|--------------------------------------|--------|--------|--------|
| Profit before income taxes | 24,765 | 25,712 | 28,396 |
| Percentage change from previous year | 10% | 4% | 10% |

Profit is considered a key performance measure. The Company aims to deliver sustainable growth in profits by well-directed marketing, provision of superior service levels to its customers and expense control

Expense ratio in percentages

| | 2009 | 2010 | 2011 |
|---------------|------|------|------|
| Expense ratio | 69% | 69% | 68% |

The expense ratio is considered a measure of the Company's overall efficiency. It is calculated as total expenses (cost of sales and administrative expenses) expressed as a percentage of earned commission income. As with operating profit, the operating ratio will not necessarily immediately reflect management actions and may also be influenced by external factors

RIAS Plc

Report of the Directors continued

Shareholders' equity

The Company paid a dividend to Ageas (UK) Ltd of £18.4m in 2011 (2010: £17.8m) and equity increased by £2.4m (2010: £0.6m)

Assets

Total assets increased by £1.9m during the year. Financial assets increased by £3.2m offset by reductions in cash and cash equivalents, deferred tax asset, and property, plant and equipment

Liabilities

Total liabilities decreased by £0.4m, loans and borrowings increased by £0.1m, this was offset by a reduction in current tax liabilities

Cash flow

Cash available to the Company decreased by £0.7m as detailed in the statement of cash flows on page 9

Principal risks and uncertainties

The Company's principal risks and uncertainties and the way in which these risks are managed are detailed in note 2 to the financial statements

Results and dividends

The result of the year's operation is a profit after taxation of £20,723,000 (2010: £18,420,000). A dividend of £18,371,000 was paid in 2011 (2010: £17,800,000)

Directors

The Members of the Board as at the date of these accounts are shown on Page 2. Peter Friend was appointed 2nd March 2011, James Collins was appointed 27th April 2011 and Peter Corfield was appointed 2nd February 2012. Darren Spriggs resigned 11 February 2011 and Janet Connor resigned 31 December 2011. All other directors served throughout the year, and to the date of this report.

Information provided to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

Creditor payment policy

The Company agrees terms and conditions under which business transactions with suppliers are conducted. It is the Company's policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions.

Employees

The number of persons employed in the United Kingdom by the Company at the end of the year was 1,165. The full time equivalent number of employees adjusted for part time staff was 1,074. Their annual aggregate remuneration was £28.8m. An analysis is shown on Page 21.

Employee involvement

Employees are kept up to date about a wide range of Company developments through a programme of engagement activities, delivered through a variety of channels. This includes formal Director briefings for all employees and management on the Company's performance and strategy, as well as regular bulletins and employee newsletters. In addition, informal discussions take place with senior management. In 2011 RIAS's parent company Ageas (UK) Limited ran its third UK-wide engagement survey and started development of an intranet to further promote a two-way dialogue between employees and the organisation, and to connect people across different businesses.

RIAS Plc

Report of the Directors continued

Disabled persons

Following the Equality Act 2010 coming into force on 1 October 2010 we have taken a number of actions in response. The Act consolidates the range of discrimination legislation that has previously been in place and, as a result, the Company's policy and procedures have been reviewed. The new requirements have been built into our management training and an e-learning module has been created to further embed our approach to a diverse working environment.

Charitable Donations

Charitable donations in the year amounted to £1,450 (2010: £1,878).

This Report was approved by the Board of Directors on 27 April 2012 and signed on its behalf by



R A Smith
Secretary

RIAS Plc

Statement of comprehensive income

For the year ended 31 December 2011

In thousands of pounds

| | Notes | 2011 | 2010 |
|-----------------------------------|-------|---------------|---------------|
| Revenue | 3 | 87,988 | 84,331 |
| Cost of sales | 4 | (36,893) | (36,805) |
| Gross profit | | <u>51,095</u> | <u>47,526</u> |
| Administrative expenses | 4 | (22,524) | (21,618) |
| Operating profit | | <u>28,571</u> | <u>25,908</u> |
| Finance income | 5 | 136 | 198 |
| Finance costs | 6 | (311) | (394) |
| Profit before income taxes | | <u>28,396</u> | <u>25,712</u> |
| Income taxes | 7 | (7,673) | (7,292) |
| Profit for the year | | <u>20,723</u> | <u>18,420</u> |
| Other comprehensive income | | - | - |
| Total comprehensive income | | <u>20,723</u> | <u>18,420</u> |

The significant accounting policies on pages 10 to 13 and the notes on pages 14 to 22 are an integral part of these financial statements

RIAS Plc

Statement of changes in equity

For the year ended 31 December 2011

In thousands of pounds

| | Share capital | Retained earnings | Total |
|---|---------------|-------------------|----------|
| Balance as at January 2010 | 50 | 20,115 | 20,165 |
| Profit for the year | - | 18,420 | 18,420 |
| Total recognised income for the year | 50 | 38,535 | 38,585 |
| Dividend paid during the year | - | (17,800) | (17,800) |
| Balance as at 31 December 2010 | 50 | 20,735 | 20,785 |
| Profit for the year | - | 20,723 | 20,723 |
| Total recognised income for the year | 50 | 41,458 | 41,508 |
| Dividend paid during the year | - | (18,371) | (18,371) |
| Balance as at 31 December 2011 | 50 | 23,087 | 23,137 |

The significant accounting policies on pages 10 to 13 and the notes on pages 14 to 22 are an integral part of these financial statements

RIAS Plc

Statement of financial position

As at the 31 December 2011

In thousands of pounds

| | Notes | 2011 | 2010 |
|-------------------------------------|-------|---------------|---------------|
| Assets | | | |
| Property, plant and equipment | 8 | 3,546 | 3,910 |
| Deferred tax assets | 9 | 1,332 | 1,518 |
| Financial assets | 10 | 49,884 | 46,730 |
| Cash and cash equivalents | 11 | 17,987 | 18,658 |
| Total assets | | <u>72,749</u> | <u>70,816</u> |
| Shareholders' equity | | | |
| Share capital | 12 | 50 | 50 |
| Retained earnings | | 23,087 | 20,735 |
| Total shareholders' equity | | <u>23,137</u> | <u>20,785</u> |
| Liabilities | | | |
| Financial liabilities | | | |
| - Loans and borrowings | 13 | 13,196 | 13,084 |
| Trade and other payables | 14 | 32,722 | 32,401 |
| Current tax liabilities | 15 | 3,694 | 4,546 |
| Total liabilities | | <u>49,612</u> | <u>50,031</u> |
| Total Equity and Liabilities | | <u>72,749</u> | <u>70,816</u> |

The significant accounting policies on pages 10 to 13 and the notes on pages 14 to 22 are an integral part of these financial statements

These financial statements were approved by the board of directors on 27 April 2012 and were signed on its behalf by



Andrew Watson
Managing Director



Nicholas Lemans
Director

Registered Number 1324965

RIAS Plc

Statement of cash flows

For the year ended 31 December 2011

In thousands of pounds

| | Notes | 2011 | 2010 |
|---|-------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Profit before tax | | 28,396 | 25,712 |
| <i>Adjustments for</i> | | | |
| Interest income | 5 | (136) | (198) |
| Finance cost | 6 | 311 | 394 |
| Depreciation | 8 | 1,597 | 1,506 |
| Operating profit before working capital changes | | <u>30,168</u> | <u>27,414</u> |
| Decrease in financial assets | 10 | (3,154) | (8,428) |
| Increase in financial liabilities | 13 | 112 | 1,243 |
| (Decrease)/increase in other liabilities | 14 | 321 | 12,490 |
| Cash flows from operations | | <u>27,447</u> | <u>32,719</u> |
| Interest received | 5 | 136 | 198 |
| Interest paid | 6 | (311) | (394) |
| Income taxes paid | | <u>(8,339)</u> | <u>(7,245)</u> |
| Net cash used in operating activities | | <u>18,933</u> | <u>25,278</u> |
| Cash flows from Financing Activities | | | |
| Dividends paid | | <u>(18,371)</u> | <u>(17,800)</u> |
| Net cash used in Financing Activities | | <u>(18,371)</u> | <u>(17,800)</u> |
| Cash flows from Investing Activities | | | |
| Purchase of property, plant and equipment | 8 | <u>(1,233)</u> | <u>(1,937)</u> |
| Net cash used in investing activities | | <u>(1,233)</u> | <u>(1,937)</u> |
| Net (decrease)/increase in cash and cash equivalents | | <u>(671)</u> | <u>5,541</u> |
| Cash and cash equivalents at 1 January | | <u>18,658</u> | <u>13,117</u> |
| Cash and cash equivalents at 31 December | 11 | <u>17,987</u> | <u>18,658</u> |

The significant accounting policies on pages 10 to 13 and the notes on pages 14 to 22 are an integral part of these financial statements

RIAS Plc

Significant accounting policies

RIAS Plc is a public company, limited by shares, domiciled and incorporated in England and Wales

The financial statements were authorised for issue by the directors on 27 April 2012

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations issued by the International Accounting Standards Board (IASB) as adopted by the European Union (EU). The financial statements have also been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

(b) Basis of preparation

The Company has prepared the financial statements on a going concern basis.

The Company presents its statement of financial position in order of liquidity in accordance with IAS 1 Presentation of Financial Statements. For each asset and liability line item in the statement of financial position that details amounts expected to be recovered or settled within twelve months, or more than twelve months after the statement of financial position date, a classification at the statement of financial position date is included within the notes. The disclosures in the notes for these classifications are distinguished as follows:

- amounts expected to be recovered in less than one year are referred to as current,
- amounts expected to be recovered in more than one year are referred to as non-current.

All new standards and interpretations released by the International Accounting Standards Board (IASB) have been considered and of these the following new and amended standards have been adopted by the group during the period:

IFRS 7 (amended), 'Financial instruments: Disclosures'. The amendments require an explicit statement that the interaction between qualitative and quantitative disclosures better enables users to evaluate an entity's exposure to risks arising from financial instruments.

IAS 1 (amended), 'Presentation of financial statements'. IAS 1 is amended to clarify that reconciliation from opening to closing balances is required to be presented in the statement of changes in equity for each component of equity. IAS 1 is also amended to allow the analysis of the individual other comprehensive income line items by component of equity to be presented in the notes.

In addition, the following is a list of standards that are in issue but are not effective in 2011, and have not yet been adopted in the EU, together with the effective date of application to the group:

- IAS 12 Amendment: Deferred tax: Recovery of underlying assets (effective 1 January 2012)
- IAS 1 Amendment: Presentation of items of other comprehensive income (effective 1 July 2012)
- IFRS 9: Financial Instruments (effective 1 January 2015)
- IFRS 10: Consolidated financial statements (effective 1 January 2013)
- IFRS 11: Joint arrangements (effective 1 January 2013)
- IFRS 12: Disclosure of interests in other entities (effective 1 January 2013)
- IFRS 13: Fair Value Measurement (effective 1 January 2013)
- IAS 19 Amendment: Defined benefit plans (effective 1 January 2013)
- IAS 32 Amendment: Offsetting financial assets and financial liabilities (effective 1 January 2014)
- IFRS 7 Amendment: Offsetting financial assets and liabilities (effective 1 January 2013)

The implications of these standards and interpretations are under review.

(i) Basis of measurement

The financial statements are prepared on the historical cost basis. The directors have determined that the carrying values reasonably approximate their fair values as they are mostly short term in nature.

(ii) Functional and presentation currency

The financial statements are presented in Thousands of Pounds Sterling, which is the Company's functional currency.

RIAS Plc

Significant accounting policies

(iii) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These form the basis of judgements concerning carrying values of assets and liabilities that are not readily apparent from other sources. 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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgements made by the directors in the application of IFRS that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed in notes 1 and 2.

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(c) Recognition and measurement of revenue

Commission and other income is recognised on policies which incept before the end of the accounting period net of cancelled policies. Instalment service charge income from instalment policies is recognised evenly throughout the period of the policy.

Interest income comprises income from bank deposits.

(d) Revenue

Revenue represents income receivable from the provision of insurance marketing, broking services and service charge for customers paying by instalment in the accounting period.

(e) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(ii) Finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method and are expensed in the statement of comprehensive income in the period to which they relate. No finance costs are capitalised.

(f) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the income statement when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The company participates in the defined benefit Insurance Staff Pension Scheme. The company is unable to identify its share of the defined benefit scheme assets and liabilities on a consistent and reasonable basis and therefore, as permitted by IAS 19 'Employee benefits', the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme. Obligations for contributions to the pension plan are recognised as an employee benefit expense in the income statement when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

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Significant accounting policies

(g) Income tax and deferred tax

Income tax in the statement of comprehensive income for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case the related income tax is also recognised in equity.

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

Deferred tax is provided in full, using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided 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 balance sheet date.

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

Deferred tax assets and liabilities are not discounted.

(h) Segment reporting

The company has not applied IFRS 8 Operating Segments. In accordance with IFRS 8, the company is not required to present segmental information as the equity of the company is not publicly traded.

(i) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost (or deemed cost) less accumulated depreciation (see below) and impairment losses (see accounting policy n). Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

| | |
|------------------------------------|-----------|
| Furniture & fixtures | 5 years |
| Equipment (Computer and Telephony) | 2-5 years |
| Leasehold improvements | 15 years |

(j) Trade and other receivables

Trade and other receivables are stated at their cost less any impairment losses.

(k) Financial assets

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. The Company classifies cash and short-term deposits, trade, insurance and other receivables, including amounts due from related companies, as loans and receivables. Management has determined that their carrying amounts reasonably approximate their fair values as they are mostly short-term in nature or are repriced frequently.

Loans and receivables are recognised initially at fair value, plus any attributable transaction costs. Loans and receivables are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

RIAS Plc

Significant accounting policies

(m) Financial liabilities

Financial liabilities include payables to related parties and interest-bearing loans and borrowings and other payables. Financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs.

Management has determined that the carrying amounts of bank overdrafts and other payables reasonably approximate their fair values because these liabilities are mostly short term in nature or are repriced frequently. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

(n) Impairment

The carrying amounts of the Company's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the carrying value is reduced to the estimated recoverable amount by means of a charge to the statement of comprehensive income.

For assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each of the statement of financial position date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(o) Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(p) Dividends

Dividends payable on ordinary shares are recognised when they are paid.

(q) Insurance broking assets and liabilities

The company acts as an agent in broking the insurable risks of its clients and is not liable as a principal for premiums due to insurance companies or for claims payable to clients. Notwithstanding the company's legal relationship with clients and insurance companies and since in practice premiums are usually accounted for by insurance intermediaries, it has followed generally accepted accounting practice by showing cash, debtors and creditors relating to insurance business as assets and liabilities of the company itself.

RIAS Plc

Notes to the financial statements

1 Accounting estimates and judgements

The most critical judgements and estimates made by the Company are those relating to depreciable assets. The Company provides for depreciation of property, plant and equipment on a straight line basis over their estimated useful lives. The policy is reviewed regularly to ensure that the policy is appropriate for each class of asset. For further details on property, plant and equipment see Note 8.

2 Risk management

Objectives and policies for mitigating business risk

The Company's primary business is the provision of insurance marketing and broking services. As such it is exposed to a number of risks arising from its dealings with customers and suppliers as well as from its own internal operations. The Company has various procedures in place to manage these exposures. These include an overall Risk Management Framework, a statement on the Company's Risk Appetite, and a set of clearly defined risk policies. The Company also maintains a comprehensive risk register which identifies the individual risks faced in each area of the business and the controls in place to mitigate these. The Company has a Risk Committee which meets regularly to review both the risk policies and the risk register, to ensure they are up-to-date, reflecting the risks currently facing the business, and that corresponding control issues and risk mitigation actions are being addressed in a timely manner. The findings of the Risk Committee are reported to the Company's Board.

Credit Risks

The Company is exposed to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents and, other receivables (including related party balances), the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The company's liability to insurers is cancelled if a customer doesn't pay, therefore reducing its credit risk. Credit risk is constantly monitored to mitigate risk.

Amounts due from clients - Period overdue

| | | 2011 | 2011 | 2010 | 2010 |
|--------------|------|--------|-------|--------|-------|
| | Note | £000's | % | £000's | % |
| Within terms | | 47,858 | 99.9 | 44,538 | 100.0 |
| 0 - 1 month | | 66 | 0.1 | 18 | 0.0 |
| 2 months | | 6 | 0.0 | - | - |
| 3 - 6 months | | - | - | - | - |
| Total | 10 | 47,930 | 100.0 | 44,556 | 100.0 |

Liquidity risk

The Company has exposure to Liquidity Risk in that it has to ensure it has sufficient financial resources available to enable it to meet its obligations as they fall due. For the Company this is the management of risk arising from short-term cash-flows, rather than the risk arising from longer-term matching of assets and liabilities.

The Company has limited exposure to liquidity risk. The main sources of obligations arise from insurance monies payable to insurers, return premiums, general suppliers and salaries. All these items can be accurately forecasted within a small tolerance and are not subject to large variances.

Amount due from clients - Payment profile

| | | 2011 | 2011 | 2010 | 2010 |
|----------------|--|--------|-------|--------|-------|
| Payment period | | £000's | % | £000's | % |
| 0-1 month | | 8,156 | 17.0 | 7,967 | 17.9 |
| 2 months | | 6,994 | 14.6 | 6,434 | 14.4 |
| 3 - 6 months | | 21,048 | 43.9 | 19,362 | 43.5 |
| 7 - 12 months | | 11,732 | 24.5 | 10,793 | 24.2 |
| Total | | 47,930 | 100.0 | 44,556 | 100.0 |

RIAS Plc

Notes to the financial statements

2 Risk management (continued)

Objectives and policies for mitigating business risk

Operational risk

Operational risk arises from inadequate or failed internal processes, people and systems, or from external events. It is diverse in nature and permeates all business activities but remains a distinct form of risk. Operational risk includes for example, information technology, people, strategy, business continuity, regulatory, legal and financial crime.

The Company has carried out a detailed review of its operational processes and activities and, based on this, it has identified the areas of key risk to the business. These include the areas of Marketing, Operations, IT, Finance and HR. Separate risk policies have been formulated for each of these areas and, where appropriate, standard procedures have been carefully documented. As well as risk identification, the approach also incorporates risk measurement, risk monitoring, risk reporting and risk management. In evaluating the risks faced by the business significant focus is placed on the controls in place and how well they are operating. Regular reviews of both the risks faced, and the controls, are carried out by the Company's Risk Committee.

Capital management

Aims of capital management policy

The Company has established standards for the efficient management of capital, to meet the needs of the business and return on capital requirements of shareholders. This includes the capital required to support the risk appetite identified in the Company's Risk Policies together with a margin for safety, in full compliance with the requirements of the FSA. The FSA requires the company to hold capital of at least 2.5% of annual turnover, which for 2011 is £2,200,000. The closing capital and reserves of £23,137,000 is far in excess of this requirement.

Definitions of capital management (and supporting terms)

Capital Management is the collection of processes and activities undertaken to ensure that sufficient capital is maintained to ensure the organisation's ability to meet its liabilities and ultimately ensure its survival, particularly in case of losses arising from adverse events.

Capital Management includes the assessment of capital required to support the Company's plans and objectives, the structure of its shareholders' funds, arrangements to secure capital, and the ongoing monitoring of capital against business requirements, as well as the assessments required by the FSA.

Approach to capital management

The Company develops a Strategic Plan with a three-year outlook, which is reviewed and revised each year and then formally approved in the fourth quarter of each year by the Company's board.

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

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

- Capital required to support the planned growth in the business
- The expected dividend
- FSA capital requirements

RIAS Plc

Notes to the financial statements

2 Risk management (continued)

Sensitivity to key business drivers

In thousands of pounds

| | Interest rates decrease 1% | Expenses increase 10% |
|-----------------------------|-------------------------------|--------------------------|
| Impact - 2011 | | |
| Impact on profit before tax | 33 | (2,252) |
| Impact on net assets | 24 | (1,656) |
| Impact - 2010 | | |
| Impact on profit before tax | 25 | (2,162) |
| Impact on net assets | 18 | (1,556) |

The impact of the changes in key business drivers is each assumed to be a discrete change. All other factors will be unchanged.

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

Interest rates decrease by 1.0%

The company will be exposed to the impact of interest rate changes on its financial assets and liabilities. There would be a reduction in income on short-term cash balances and a reduction in the finance cost on the payable to group undertakings.

Expenses increase by 10.0%

If administration expenses were to increase by 10.0% there would be an impact on profit of the additional costs.

RIAS Plc

Notes to the financial statements

3 Revenue

All revenue is derived from the provision of insurance marketing and broking services which is undertaken within the United Kingdom

4 Operating expenses

In thousands of pounds

| | 2011 | 2010 |
|--|---------------|---------------|
| Advertising | 16,706 | 17,500 |
| Depreciation | 1,597 | 1,506 |
| Hire of plant and machinery | 247 | 195 |
| Hire of other assets | 1,476 | 1,456 |
| Personnel expenses | | |
| - Wages, salaries and redundancy | 25,331 | 23,346 |
| - Compulsory social security contributions | 2,332 | 2,160 |
| - Contributions to pension plans | 1,110 | 1,047 |
| Recruitment costs | 601 | 693 |
| Goods and services | 3,694 | 4,024 |
| Software costs | 1,667 | 2,145 |
| Other costs | 4,656 | 4,351 |
| Total operating expenses | 59,417 | 58,423 |
| Operating expenses are analysed as: | | |
| Cost of sales | 36,893 | 36,805 |
| Administrative expenses | 22,524 | 21,618 |
| | 59,417 | 58,423 |

Goods and services includes auditor's remuneration of £32,600 (2010 £36,996) for the audit of the Company's annual financial statements. Fees payable to the company's auditors for other goods and services were £0 (2010 £0)

5 Finance income

In thousands of pounds

| | 2011 | 2010 |
|------------------------------------|------|------|
| Bank and other interest receivable | 136 | 198 |

6 Finance costs

In thousands of pounds

| | 2011 | 2010 |
|-------------------------------|--------------|--------------|
| Payable to group undertakings | (311) | (394) |
| | (311) | (394) |

RIAS Plc

Notes to the financial statements

7 Income taxes

Recognised in the statement of comprehensive income

| <i>In thousands of pounds</i> | 2011 | 2010 |
|--|----------------|----------------|
| Current tax expense | | |
| Current year charge | (7,452) | (7,641) |
| Prior year adjustment | (35) | (434) |
| Total current tax charge for the year | <u>(7,487)</u> | <u>(8,075)</u> |
| Deferred tax expense | | |
| Current year charge | (102) | 429 |
| Prior year adjustment | 29 | 384 |
| Impact of change in rate | (113) | (30) |
| Total deferred tax charge for the year | <u>(186)</u> | <u>783</u> |
| Total tax charge for the year | <u>(7,673)</u> | <u>(7,292)</u> |

Reconciliation of effective tax rate

Finance Act 2011 enacted the reduction in corporation tax rate to 26% with effect from April 2011 and 25% from April 2012. Accordingly, this rate reduction to 25.25% has been reflected in the deferred tax liability which forms part of the statement of financial position.

The UK Government announced at the Budget 2012 on 21 March 2012 that the corporation tax rate would instead reduce to 24% from April 2012 with two further annual 1% cuts to 22% by April 2014. Other than the enacted changes to 26% and 25%, the effects of the announced changes are not reflected in the financial statements for the year ended 31 December 2011 as they were not enacted at the balance sheet date. The tax assessed on the year is higher (2010: higher) than the standard rate of corporation tax in the United Kingdom of 26.5% (2010: 28%).

The differences are explained below

| <i>In thousands of pounds</i> | 2011 | 2010 |
|--|----------------|----------------|
| Profit before tax | <u>28,396</u> | <u>25,712</u> |
| Income tax using the domestic corporation tax rate 26.5% (2010: 28%) | (7,525) | (7,199) |
| Permanent differences | (29) | (13) |
| Other temporary differences | | |
| Fixed asset temporary differences | | |
| Prior year adjustment in respect of current tax | (35) | (434) |
| Prior year adjustment in respect of deferred tax | 29 | 384 |
| Impact of change in rate | (113) | (30) |
| | <u>(7,673)</u> | <u>(7,292)</u> |

8 Property, plant and equipment

| <i>In thousands of pounds</i> | Leasehold buildings | Office equipment | Total |
|---|---------------------|------------------|---------------|
| Cost | | | |
| Balance at 31 December 2010 | 1,457 | 11,965 | 13,422 |
| Acquisitions | 208 | 1,025 | 1,233 |
| Balance at 31 December 2011 | <u>1,665</u> | <u>12,990</u> | <u>14,655</u> |
| Depreciation and impairment losses | | | |
| Balance at 31 December 2010 | 655 | 8,857 | 9,512 |
| Depreciation charge for the year | 103 | 1,494 | 1,597 |
| Balance at 31 December 2011 | <u>758</u> | <u>10,351</u> | <u>11,109</u> |
| Carrying amounts | | | |
| At 31 December 2010 | 802 | 3,108 | 3,910 |
| At 31 December 2011 | <u>907</u> | <u>2,639</u> | <u>3,546</u> |

RIAS Plc

Notes to the financial statements

9 Deferred tax assets

| <i>In thousands of pounds</i> | 2011 | 2010 |
|--|--------------|--------------|
| a) Movement in year | | |
| At 1 January | 1,518 | 735 |
| (Charge)/credit for the year (See Note 7) | (186) | 783 |
| At 31 December | <u>1,332</u> | <u>1,518</u> |
| b) Represented by | | |
| Variance between capital allowances and depreciation | 1,299 | 1,499 |
| Other temporary differences | 33 | 19 |
| | <u>1,332</u> | <u>1,518</u> |

10 Financial assets

| <i>In thousands of pounds</i> | 2011 | 2010 |
|--|---------------|---------------|
| Amounts falling due within one year | | |
| Due from clients | 47,930 | 44,556 |
| Other assets and prepayments | 1,654 | 1,912 |
| Accrued interest income | - | 16 |
| Other accrued income | 300 | 246 |
| Total other receivables | <u>49,884</u> | <u>46,730</u> |

11 Cash and cash equivalents

| <i>In thousands of pounds</i> | 2011 | 2010 |
|--|---------------|---------------|
| Bank and cash balances | 17,987 | 18,658 |
| Cash and cash equivalents in the statement of cash flows | <u>17,987</u> | <u>18,658</u> |

The effective interest rate at 31 December 2011 on short term bank deposits was 1.5% (2010: 1.5%), with an average maturity of one day.

Included in cash and cash equivalents held by the Company are monies, held in separate bank accounts, totalling £14,551,391 (2010: £16,110,565) that are not available for use by the Company. These amounts and the matching liabilities are included in the statement of financial position.

12 Share capital

| | Ordinary shares | |
|---|-----------------|-----------|
| <i>In thousands of pounds</i> | 2011 | 2010 |
| In issue at 1 January and at 31 December - Fully Paid | <u>50</u> | <u>50</u> |

At 31 December 2011, the authorised share capital is 50,000 ordinary shares (2010: 50,000), which have a par value of £1.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

RIAS Plc

Notes to the financial statements

13 Loans and borrowings

| <i>In thousands of pounds</i> | 2011 | 2010 |
|-------------------------------|---------------|---------------|
| Current liabilities | | |
| Due to group undertakings | <u>13,196</u> | <u>13,084</u> |

The balance represents an unsecured loan from the holding company, repayable on demand in cash. The effective rate of interest as at 31 December 2011 was 2.5% (2010: 2.5%).

14 Trade and other payables

Amounts falling due within one year

| <i>In thousands of pounds</i> | 2011 | 2010 |
|---------------------------------------|---------------|---------------|
| Due to insurers | 23,759 | 25,112 |
| Trade creditors | 1,754 | 12 |
| Other payables and accrued expenses | 6,516 | 6,598 |
| VAT and other taxes payable | 693 | 679 |
| Total trade and other payables | <u>32,722</u> | <u>32,401</u> |

15 Current tax assets and liabilities

The current tax liability of £3,694,270 (2010: £4,546,402) represents the residual amount of income taxes payable in respect of the current year under the quarterly payment system less adjustment in respect of prior years.

16 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows

| <i>In thousands of pounds</i> | 2011 | | 2010 | |
|-------------------------------|------------------|-----------|------------------|-----------|
| | Land & Buildings | Other | Land & Buildings | Other |
| Less than one year | 1,486 | 12 | 1,466 | 24 |
| Between one and five years | 5,884 | 20 | 5,864 | 32 |
| More than five years | 9,872 | - | 11,358 | - |
| Total | <u>17,242</u> | <u>32</u> | <u>18,688</u> | <u>56</u> |

The Company leases office premises under two operating leases. One runs to 2020 with five year break clause and a rent review in 2015. The other lease runs to March 2024 with a break clause in 2014 and 2019. Lease payments are increased every five years to reflect market rentals. None of the leases include contingent rentals.

During the year ended 31 December 2011, £1,723,035 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2010: £1,650,857).

17 Capital commitments

Capital commitments of the Company at the end of the year for which no provision has been made are as follows

| <i>In thousands of pounds</i> | 2011 | 2010 |
|-----------------------------------|------------|------------|
| Customer Management System | | |
| Authorised and contracted for | <u>432</u> | <u>533</u> |

RIAS Plc

Notes to the financial statements

18 Pension scheme

In thousands of pounds

| | 2011 | 2010 |
|--|--------------|--------------|
| Contributions to defined benefit scheme | 84 | 79 |
| Contributions to defined contribution plan | <u>1,026</u> | <u>968</u> |
| | <u>1,110</u> | <u>1,047</u> |

The Company makes contributions to the Ageas Insurance Staff Pension Scheme which is a defined benefit scheme that provides pension benefits for employees upon retirement. The plan does not invest in shares issued by the company. The full disclosure of the scheme is included in the financial statements of Ageas Insurance Limited.

The Company operates a defined contribution plan called RIAS Group Personal Pension Scheme. The assets of the plan are held separately from those of the Company in an independently administered fund. The pension cost in respect of members of this plan represents the contribution payable by the company to the plan.

19 Staff numbers and costs

The average number of persons employed by the Company (including executive directors) in the year, analysed by category, was as follows

| | 2011 | 2010 |
|---------------------------------------|--------------|--------------|
| Corporate, administration and support | 175 | 176 |
| Marketing and sales | <u>943</u> | <u>908</u> |
| | <u>1,118</u> | <u>1,084</u> |

The full time equivalent number of employees was as follows

| | 2011 | 2010 |
|---------------------------------------|--------------|------------|
| Corporate, administration and support | 165 | 163 |
| Marketing and sales | <u>893</u> | <u>816</u> |
| | <u>1,058</u> | <u>979</u> |

The aggregate payroll costs in respect of these persons were as follows

In thousands of pounds

| | 2011 | 2010 |
|-----------------------|---------------|---------------|
| Wages and salaries | 25,335 | 23,363 |
| Social security costs | 2,332 | 2,160 |
| Other pension costs | <u>1,110</u> | <u>1,047</u> |
| | <u>28,777</u> | <u>26,570</u> |

RIAS Plc

Notes to the financial statements

20 Related party transactions

The Company has a related party relationship with its key management personnel who are all Directors of the Company

Transactions with Directors

In addition to their salaries, the Company also provides non-cash benefits to Directors and contributes to a post-employment defined contribution plan or a defined benefit scheme on their behalf

The Directors' compensations are as follows

| <i>In thousands of pounds</i> | 2011 | 2010 |
|--------------------------------|------------|--------------|
| Short term employment benefits | 725 | 933 |
| Post employment benefits | 135 | 164 |
| | <u>860</u> | <u>1,097</u> |

In respect of the highest paid Director

| | | |
|--------------------------------|------------|------------|
| Short term employment benefits | 353 | 350 |
| Post employment benefits | 84 | 82 |
| | <u>437</u> | <u>432</u> |

Under the defined benefit scheme, the highest paid Director's accrued pension at the year-end was £20,339 (2010 £16,092)

In the ordinary course of business the Company carries out transactions with related parties as defined in IAS 24, Related Party Disclosures
Material transactions are set out below

| <i>In thousands of pounds</i> | 2011 Statement of Comprehensive Income | 2011 Statement of Financial Position | 2010 Statement of Comprehensive Income | 2010 Statement of Financial Position |
|---|---|---|---|---|
| Immediate parent and ultimate holding company transactions and assets held in the statement of financial position | (2,031) | (13,196) | (1,590) | (13,084) |
| Fellow subsidiary company transactions and assets held in the statement of financial position | 36,251 | (19,120) | 31,938 | (15,144) |
| Pension scheme transaction and liability | (84) | 2 | (79) | - |
| | <u>34,136</u> | <u>(32,314)</u> | <u>30,269</u> | <u>(28,228)</u> |

The Company's immediate parent undertaking is Ageas (UK) Ltd which provides the Company with administration and management services

Fellow subsidiary company transactions and assets relate to insurance policies written by Ageas Insurance Limited and Ageas Protect Limited

The pension scheme transactions and liabilities relate to the Ageas Insurance Staff Pension Scheme

21 Parent company

The Company's immediate parent is Ageas (UK) Limited, a company registered in England

The Company's results are consolidated into the accounts of Ageas Insurance International NV, a Company incorporated in the Netherlands

The joint ultimate holding companies of the Company are Ageas NV incorporated in the Netherlands, and Ageas SA/NV, incorporated in Belgium

Copies of the above accounts can be obtained from the Company Secretary, RIAS Plc, RIAS House, Deansleigh Road, Bournemouth, BH7 7DU

22 Events after the balance sheet date

On 30th January 2012 the Company concluded a £30 million receivables financing facility with RBS Invoice Finance Limited (RBSIF). On the same day the Company borrowed £20 million against the facility to repay intra-group loans and provide additional working capital

RIAS Plc

Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing 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 they have elected to prepare the financial statements in accordance with IFRS as adopted by the EU and applicable law.

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 estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRS as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

RIAS Plc

Independent Auditor's Report to the Members of RIAS Plc

We have audited the financial statements of RIAS Plc for the year ended 31 December 2011 set out on pages 6 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Steve Liddell (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

27 April 2012