

Ageas Retail Limited

Annual Report For the year ended 31 December 2018

Company Registration Number: 1324965



Ageas Retail Limited

Company registration number: 1324965

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Ageas Retail Limited

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Directors and Advisers

Directors

Gregor Ball	
Antonio Cano	
Fernley Dyson	(resigned 31 December 2018)
James Furse	(resigned 31 December 2018)
Jeremy Haynes	(appointed 22 March 2019)
Malcolm McCaig	
Anthony Middle	
Lionel Perl	
Jonathan Price	(appointed 10 May 2019)
Tara Waite	(appointed 11 March 2019)
Andrew Watson	
Mark Winlow	

Secretary

Rosemary Smith

Head Office and Registered Address

Ageas House
Hampshire Corporate Park
Templars Way
Eastleigh
Hampshire
SO53 3YA

Independent Auditor

PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Savannah House 3 Ocean Way Southampton SO14 3TJ	(appointed 16 May 2018)
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KPMG LLP 15 Canada Square London E14 5GL	(resigned 16 May 2018)
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Bankers

HSBC
62-76 Park Street
London
SE1 9DZ

Registered Number

1324965
Registered in England and Wales

Ageas Retail Limited

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Strategic Report

Business review

Activities

Ageas Retail Limited ('the Company') is a broker of mainly home, motor and travel insurance and operates a variety of brands, including Ageas Direct and RIAS.

The Company is a 100% owned subsidiary of Ageas (UK) Limited, a company registered in England and Wales.

Performance during the year

Total revenue for 2018 was £90.4m (2017: £92.8m). The Company's continuing strategy to focus on the delivery of products direct to customers has meant that some partnership deals have now ceased, leading to a reduction in commissions and fees received.

The Company made a profit after tax of £12.4m in the year (2017: £9.6m), led by a reduction in administrative expenses following a £6.2m release of an onerous lease provision and efficiency savings.

Key Performance Indicators

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

- Revenue
- Profit before tax
- Expense ratio

	2018 £'000	2017 £'000	Change %
Revenue	90,406	92,806	(3%)

Revenue is a key indicator to the underlying performance of the Company and its ability to generate profits in line with the desired strategic direction.

	2018 £'000	2017 £'000	Change %
Profit before tax	17,072	10,538	62%

The Company aims to deliver profits through the delivery of superior customer service to its policyholders and intermediaries in line with the strategic aims of the Company.

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Strategic Report (continued)

Key Performance Indicators (continued)

	2018	2017	Change
Expense ratio	79%	87%	8%

The expense ratio is 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 total revenue.

Year End position

Shareholders' equity

Shareholders' equity has increased by £7.3m (2017: increase of £33.6m) in the year due to a profit after tax of £12.4m, offset by an opening reserves adjustment of £5.1m following the implementation of IFRS 9 Financial Instruments ('IFRS 9') and IFRS 15 Revenue from Contracts with Customers ('IFRS 15') on 1 January 2018.

Assets

Total assets decreased by £45.7m (2017: decrease of £14.4m). This was primarily in cash and cash equivalents, due to loan repayments to a fellow group undertaking, and a reduction in trade and other receivables following the reduction in commissions and fees.

Liabilities

Total liabilities decreased by £53.0m in the year (2017: decrease of £48.0m) following a £43.8m repayment of the credit facility the Company holds with a fellow group undertaking, and a reduction of £16.0m in the restructuring provision recognised against 1 Masterton Way, Glasgow, following the purchase of the property lease on 17 August 2018. This was partially offset by an increase of £6.0m in amounts due to group undertakings as a result of the timing of the settlement of intercompany balances.

Strategic aims and objectives

The strategic aim of the Company is to make life easier for all customers by making insurance personal. The Company's objective is to provide customers with home, motor and travel insurance policies underwritten by related and third parties, delivering superior customer service in compliance with the current regulatory framework.

Principal risks and uncertainties

The Company's principal risks and uncertainties and the way in which these are managed are detailed in note 3 to the financial statements.

This report was approved by the Board of Directors on 10 May 2019 and signed on its behalf by:



R Smith
Secretary

Ageas Retail Limited

Company registration number: 1324965

Report of the Directors

The directors submit their report, together with the audited financial statements for the year ended 31 December 2018.

Results

The results of the Company are contained in the financial statements on pages 6 to 34. The 2018 profit after tax was £12.4m (2017: profit of £9.6m).

No dividend was paid during the year (2017: £nil).

Business review

The business review is set out in the Strategic Report on pages 2 and 3.

Directors

The Members of the Board are shown on page 1. All directors served throughout the year and to the date of this report except as highlighted on page 1.

Employees

The average number of persons seconded to the Company during the year was 485 (2017: 1,441). The full time equivalent number of employees adjusted for part time staff was 410 (2017: 1,375). Their annual aggregate remuneration was £11.2m (2017: £44.8m). An analysis is shown in note 22.

On 1 January 2018 all employees of the Company were transferred to a fellow group undertaking, Ageas Insurance Limited. The above figures for 2017 represent persons employed by the Company.

Employee involvement

The Company keeps employees up to date on strategy and performance through a variety of channels which includes formal leadership events and regular employee briefings by senior managers. Employees are invited to provide feedback and to actively participate through continued use of the engagement survey, and the Employee Forum holds regular discussions with senior management at an organisational and site level. There are a range of technology based communications tools which give employees the opportunity to engage directly with colleagues and managers, creating a two way dialogue and sharing of views and ideas in a transparent and immediate manner.

As part of the wider engagement approach the Company supports the Charity of the Year, as nominated by its employees, which for 2018 was Hospice UK. The Company has also extended its activities in its industry and local education communities through engagement with industry bodies at a local level and its continued focus on career development and apprenticeships.

Diversity and inclusion

The Company is committed to a culture which is inclusive and supports diversity. Recruitment, promotion, career development, selection for training and any other aspects of employee management of all employees are free from discrimination, including on the grounds of gender, ethnicity, disability, age, sexual orientation, marital status and other protected characteristics. The Board have set the policies and standards within which the Company will operate, and its approach to diversity and inclusion is monitored regularly by the Board. The Board places a high emphasis on ensuring the development of diversity across the business and has signed up to the HM Treasury's Women in Finance Charter, and supports various internal initiatives such as Women in Insurance Programme, and its Diversity and Inclusion Policy, Ageas Everyone.

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Report of the Directors (continued)

Donations

No political donations were made during the year by the Company (2017: £nil).

The Company made charitable donations of £500 in the year (2017: £nil).

Disclosure of information to auditor

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

Auditor

During 2017 Ageas UK undertook an audit tender and at the recommendation of the Ageas UK Audit Committee and the Company's Board, a written resolution to appoint PricewaterhouseCoopers LLP as auditor of the Company was approved by the shareholders on 16 May 2018.

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

The financial statements on pages 6 to 34 were approved by the Board of Directors on 10 May 2019 and signed on its behalf by:



R Smith
Secretary

Ageas Retail Limited

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Statement of profit or loss and other comprehensive income

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Revenue	4	90,406	92,806
Cost of sales	5	(55,843)	(46,708)
Gross profit		<u>34,563</u>	<u>46,098</u>
Administrative expenses	5	(15,626)	(34,397)
Operating profit		<u>18,937</u>	<u>11,701</u>
Finance income	6	110	117
Finance costs	7	(1,975)	(1,280)
Profit before tax		<u>17,072</u>	<u>10,538</u>
Income tax	8	(4,660)	(928)
Profit for the year		<u>12,412</u>	<u>9,610</u>
Other comprehensive income		-	-
Total comprehensive income		<u>12,412</u>	<u>9,610</u>

The notes to the financial statements on pages 10 to 34 form an integral part of these financial statements.

Ageas Retail Limited

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Statement of financial position

As at 31 December 2018

	Note	2018 £'000	2017 £'000
Assets			
Investments	9	10	10
Property, plant and equipment	10	4,246	2,421
Intangible assets	11	3,526	5,338
Financial assets	12	-	9,800
Deferred tax asset	13	7,201	9,144
Trade and other receivables	14	103,746	120,394
Cash and cash equivalents	15	14,405	31,705
Total assets		<u>133,134</u>	<u>178,812</u>
Shareholders' equity			
Share capital	21	24,050	24,050
Retained earnings		(1,184)	(8,475)
Total shareholders' equity		<u>22,866</u>	<u>15,575</u>
Liabilities			
Loans and borrowings	16	48,573	92,373
Current tax liability	17	564	309
Provisions	18	1,420	16,747
Trade and other payables	20	59,711	53,808
Total liabilities		<u>110,268</u>	<u>163,237</u>
Total equity and liabilities		<u>133,134</u>	<u>178,812</u>

The notes to the financial statements on pages 10 to 34 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 10 May 2019 and were signed on its behalf by:



A Middle
Director

Ageas Retail Limited

Company registration number: 1324965

Statement of changes in equity

For the year ended 31 December 2018

	Note	Share capital £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2017		50	(18,085)	(18,035)
Profit for the year		-	9,610	9,610
Issue of share capital	21	24,000	-	24,000
Balance as at 31 December 2017		<u>24,050</u>	<u>(8,475)</u>	<u>15,575</u>
Impact of initial application of IFRS 9	2	-	(1,551)	(1,551)
Impact of initial application of IFRS 15	2	-	(3,570)	(3,570)
Restated balance as at 1 January 2018		<u>24,050</u>	<u>(13,596)</u>	<u>10,454</u>
Profit for the year		-	12,412	12,412
Balance as at 31 December 2018		<u>24,050</u>	<u>(1,184)</u>	<u>22,866</u>

The notes to the financial statements on pages 10 to 34 form an integral part of these financial statements.

See note 2 for details on the initial application of IFRS 9 and IFRS 15.

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Statement of cash flows

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Profit before tax		17,072	10,538
<i>Adjustments for:</i>			
Finance income	6	(110)	(117)
Finance costs	7	1,975	1,280
Depreciation of property, plant and equipment	10	950	826
Amortisation of intangible assets	11	1,906	1,990
Decrease in provisions	18	(15,327)	(7,452)
Operating profit before working capital changes		6,466	7,065
Decrease in trade and other receivables	2, 14	14,733	36,900
Increase/(decrease) in trade and other payables	2, 20	1,495	(45,722)
Cash flows generated from/(used in) operations		22,694	(1,757)
Interest received	6	110	117
Interest paid	7	(1,975)	(1,280)
Income tax (paid)/recovered		(1,260)	592
Net cash flows generated from/(used in) operating activities		19,569	(2,328)
Cash flows used in investing activities			
Purchase of property, plant and equipment and intangibles	10, 11	(2,869)	(1,923)
Net cash used in investing activities		(2,869)	(1,923)
Cash flows (used in)/generated from financing activities			
(Decrease)/increase in loans and borrowings	16	(43,800)	4,894
Loan repaid/(issued)	12	9,800	(9,800)
Proceeds from issue of share capital	21	-	24,000
Net cash (used in)/generated from financing activities		(34,000)	19,094
Net (decrease)/increase in cash and cash equivalents		(17,300)	14,843
Cash and cash equivalents at 1 January		31,705	16,862
Cash and cash equivalents at 31 December	15	14,405	31,705

The notes to the financial statements on pages 10 to 34 form an integral part of these financial statements.

The opening reserves adjustment for IFRS 9 and IFRS 15 has been removed from the working capital changes. For more information see note 2.

Ageas Retail Limited

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Notes to the financial statements

1 Accounting policies

Ageas Retail Limited is a private company, limited by shares, domiciled and incorporated in England and Wales. The address of its registered office is Ageas House, Hampshire Corporate Park, Templars Way, Eastleigh, Hampshire, SO53 3YA.

(a) Statement of compliance

The financial statements were approved for issue by the Board of Directors on 10 May 2019.

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRS Interpretations Committee ('IFRS IC') as adopted by the European Union ('EU').

The financial statements have also been prepared in accordance with those parts of the Companies Act 2006 ('CA 2006') applicable to companies reporting under IFRS.

In accordance with IFRS 8, the Company is not required to present segmental information as the equity of the Company is not publicly traded.

(b) Basis of preparation

The Company has elected not to prepare consolidated financial statements. The accounts as prepared are separate financial statements and the exemption from consolidation, in accordance with the CA 2006 s400(2), has been used. Consolidated accounts including the results of the Company are prepared by the ultimate holding company; ageas SA/NV, a company incorporated in Belgium, and copies can be obtained from the Company Secretary, Ageas (UK) Limited, Ageas House, Hampshire Corporate Park, Templars Way, Eastleigh, Hampshire, SO53 3YA.

The financial performance and position of the Company, its cash flows, liquidity position and borrowings are set out in the primary statements on pages 6 to 9, and in the subsequent notes on pages 10 to 34. Further analysis of the objectives and policies for mitigating risk can be found within note 3.

Having considered the position of the Company, its forecast for the next 12 months and reviewing the potential risks to the Company, the directors have concluded the Company has sufficient resources to continue in operation for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

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 settled in less than one year are referred to as current; and
- amounts expected to be settled in more than one year are referred to as non-current.

(i) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(ii) Functional and presentation currency

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

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Notes to the financial statements

1 Accounting policies (continued)

(b) Basis of preparation (continued)

(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.

All new standards and interpretations released by the International Accounting Standards Board (IASB) have been considered. The following new and amended standards that came into effect in the year have been adopted by the Company during the year as appropriate:

- Improvements to IFRSs (2014-2016)
- IFRS 9: Financial Instruments
- IFRS 15: Revenue from Contracts with Customers

The impact of the change in accounting policies following the adoption of IFRS 9 and IFRS 15 can be found in note 2.

In addition, the following is a list of standards that are in issue but are not effective in 2018, together with the effective date of application to the Company:

- Improvements to IFRSs (2015-2017) – January 2019
- IAS 19 Amendments: Plan amendment, curtailment or settlement – January 2019
- IFRIC 23: Uncertainty over income tax treatments – January 2019
- IAS 28 Amendments: Long term interests in associates and joint ventures – January 2019
- IFRS 16: Leases – January 2019

The standards and interpretations coming into effect from January 2019 have been reviewed. Of those standards that are not yet effective, IFRS 16 Leases ('IFRS 16') is expected to have a material impact on the Company's financial statements in the period of initial application.

IFRS 16: Leases

The Company is required to adopt IFRS 16 from 1 January 2019. The Company has assessed the estimated impact that the initial application of IFRS 16 will have on its financial statements. The estimated impact of the adoption of this standard on the Company's equity as at 1 January 2019 is based on assessments undertaken to date and is summarised below. The actual impacts of adopting the standard at 1 January 2019 may change as the new accounting policies are subject to change until the Company presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for all lessees. An entity recognises a right-of-use asset representing its right to use the underlying asset, and a lease liability representing its obligation to make future lease payments.

On adoption of IFRS 16 the Company will recognise lease liabilities in relation to leases which had previously been classified as operating leases (note 23) under the principles of IAS 17 Leases. These liabilities will be measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at 1 January 2019.

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Notes to the financial statements

1 Accounting policies (continued)

(b) Basis of preparation (continued)

IFRS 16: Leases (continued)

The right-of-use assets will be measured at the amount of the lease liability on initial adoption of the standard plus any lease payments made at or before the commencement date and estimated restoration costs.

Key judgements and estimates will be made in relation to assessing a lease, determining the lease term, and calculating the discount rate.

The estimated impact on the statement of financial position as at 1 January 2019 is the recognition of right-of-use assets of £14.0m and a lease liability of £13.9m.

The Company will be required to present in its financial statements sufficient information that gives a basis for the user to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.

The Company will apply the standard from 1 January 2019 and intends to apply the modified retrospective approach and will therefore not restate comparative amounts for the year prior to first adoption. Differences in the carrying amounts of assets and liabilities resulting from the adoption of IFRS 16 will be recognised in the statement of financial position as at 1 January 2019.

(c) Revenue

The Company's revenue is primarily derived from the provision of insurance broking services which is undertaken within the United Kingdom. Revenue represents the Company's brokerage commission earned on insurance premiums written, instalment income and other income.

Commission is recognised in full on the sales/renewal of the insurance policy, irrespective of the timing of monies being received from the customer for this policy. This is the most appropriate date for when the related performance obligation has been met.

Following the implementation of IFRS 15, instalment income is recognised over the period of time over which the customer loan is advanced for policies on monthly direct debit, i.e. over the performance obligation of the policy. Instalment income was previously recognised on the start date of the policy. Instalment income represents interest charges for customers paying by instalment in the accounting period.

Other income represents share of profits from the Company's investment in Ageas Law LLP and income from the sale of renewal rights. Other income is recognised in full upon the fulfilment of the relevant performance obligation which in the case of the sale of the renewal rights is linked to the number of renewals as each month passes.

Expected credit losses have been recognised at an appropriate level to reflect future default events for policies in force at the year end.

All turnover is from UK based operations.

(d) Recognition and measurement of expenses:

(i) Operating lease payments

Payments made under operating leases are recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease.

(ii) Finance costs

Finance costs comprise interest payable on borrowings, which are expensed as incurred in the statement of profit or loss and other comprehensive income in the period to which they relate. No finance costs are capitalised.

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Notes to the financial statements

1 Accounting policies (continued)

(d) Recognition and measurement of expenses (continued)

(iii) Pension scheme contributions

Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of profit or loss and other comprehensive income 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. On 1 January 2018, all employees were transferred to Ageas Insurance Limited. The pension scheme contributions recognised in the statement of profit or loss in 2018 represent the costs recharged to the Company in relation to seconded employees' pension contributions.

(iv) Other operating/administration expenses

Other operating and administration expenses are expensed as incurred in the statement of profit or loss and other comprehensive income in the period to which they relate.

(e) Income tax

Income tax in the statement of profit or loss and other comprehensive income for the year comprises current and deferred tax, and is recognised 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 substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the statement of financial position 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:

- 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 statement of financial position date.

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

Deferred tax assets and liabilities are not discounted.

(f) Investments

Investments are classified as non-current investments and are recorded in the statement of financial position at cost less any accumulated impairment. The carrying values of investments is reviewed at each reporting date. If an indication of impairment exists then the impairment policy (accounting policy (i)) becomes applicable.

(g) Property, plant and equipment

Items of property, plant and equipment are stated at cost (or deemed cost) less accumulated depreciation (see below) and impairment losses (see accounting policy (i)). 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the costs of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Ageas Retail Limited

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Notes to the financial statements

1 Accounting policies (continued)

(g) Property, plant and equipment (continued)

Depreciation is charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The estimated useful lives of assets are as follows:

Leasehold buildings	Over the period of the related lease
Office equipment	Five years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in the statement of profit or loss and other comprehensive income.

(h) Intangible assets

An intangible asset is defined as an identifiable non-monetary asset without physical substance. Intangible assets are stated at cost less any accumulated amortisation and any accumulated impairment losses (see accounting policy (i)). Cost is defined as its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and any directly attributable cost of preparing the asset for its intended use.

Amortisation is charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each intangible asset.

The estimated useful lives are as follows:

Computer software	Five years
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(i) Impairment

(i) Financial assets

From 1 January 2018, the Company has adopted a forward looking 'expected credit loss' ('ECL') model, following the implementation of IFRS 9.

The Company measures loss allowances on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. The Company determines that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables without a significant financing component; this policy also applies to trade receivables with a significant financing component.

Prior to adoption of IFRS 9, the Company assessed whether there was objective evidence that a financial asset was impaired at the end of each reporting period. A financial asset was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event'), and that loss event had an impact on the estimated future cash flows of the financial asset that could be reliably estimated.

For receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in the statement of profit or loss.

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Notes to the financial statements

1 Accounting policies (continued)

(i) Impairment (continued)

(i) Financial assets (continued)

If in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss was recognised in the statement of profit or loss.

(ii) Non-financial assets

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating assets exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Financial instruments

Following the implementation of IFRS 9 from 1 January 2018, a new classification and measurement approach is required for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVTPL'). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

On the date of initial application the financial assets of the Company were as follows with any reclassifications noted:

	Original (IAS 39)	New (IFRS 9)	Original £'000	New £'000	Difference £'000
Current financial assets					
Cash and short term deposits	Loans and receivables	Amortised cost	31,705	31,705	-
Trade and other receivables	Loans and receivables	Amortised cost	120,394	118,479	(1,915)
Financial assets	Loans and receivables	Amortised cost	9,800	9,800	-

Financial assets include cash and short term deposits, trade, insurance and other receivables, including amounts due from group undertakings. Financial assets are recognised in the statement of financial position on the date the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. The Company's financial assets are subsequently measured at amortised cost. Any interest income from these financial assets is included in the statement of profit or loss as finance income, using the effective interest rate method.

Ageas Retail Limited

Company registration number: 1324965

Notes to the financial statements

1 Accounting policies (continued)

(j) Financial instruments (continued)

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Any gain or loss arising on derecognition is recognised directly in the statement of profit or loss, and presents in other gains or losses.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income ('OCI'); and
- the remaining amount of change in the fair value is presented in the statement of profit or loss.

The Company has not designated any financial liabilities at FVTPL.

Financial liabilities include payables to group undertakings, 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, net of transaction costs incurred. Interest-bearing loans and borrowings are subsequently measured at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption amount is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Interest-bearing loans and borrowings are derecognised when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of profit or loss as other income or finance costs.

Management has determined that the carrying amounts of the Company's financial assets and financial liabilities reasonably approximates their fair values because they are mostly short term in nature or are repriced frequently.

(k) Provisions

A provision is recognised in the statement of financial position if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, 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.

Ageas Retail Limited

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Notes to the financial statements

2 Change in accounting policy

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Company's financial statements.

Impact on the financial statements

As a result in the changes to the Company's accounting policies, retained earnings and reserves as at 1 January 2018 have been restated in accordance with the transitional provisions of both IFRS 9 and IFRS 15.

The impact on the statement of financial position was as follows:

	31 December 2017 £'000	IFRS 9 impact £'000	IFRS 15 impact £'000	1 January 2018 restated £'000
Assets				
Investments	10	-	-	10
Property, plant and equipment	2,421	-	-	2,421
Intangible assets	5,338	-	-	5,338
Financial assets	9,800	-	-	9,800
Deferred tax asset	9,144	-	-	9,144
Trade and other receivables	120,394	(1,915)	-	118,479
Cash and cash equivalents	31,705	-	-	31,705
Total assets	178,812	(1,915)	-	176,897
Shareholders' equity				
Share capital	24,050	-	-	24,050
Retained earnings	(8,475)	(1,551)	(3,570)	(13,596)
Total shareholders' equity	15,575	(1,551)	(3,570)	10,454
Liabilities				
Loans and borrowings	92,373	-	-	92,373
Current tax liability	309	(364)	(838)	(893)
Provisions	16,747	-	-	16,747
Trade and other payables	53,808	-	4,408	58,216
Total liabilities	163,237	(364)	3,570	166,443
Total equity and liabilities	178,812	(1,915)	-	176,897

IFRS 9: Financial Instruments

IFRS 9 replaces the provisions of IAS 39 Financial Instruments: Recognition and Measurement that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The IFRS 9 classification requirements have resulted in a change in the accounting for the Company's trade and other receivables. There has not been any impact in respect of the classification of financial liabilities as the Company has not designated any financial liabilities as FVTPL.

With regards to impairments, the Company has taken advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. The impact on the Company in the year of first adoption has been a decrease to opening reserves of £1.6m, representing additional impairment losses for trade receivables, net of tax.

Ageas Retail Limited

Company registration number: 1324965

Notes to the financial statements

2 Change in accounting policy (continued)

IFRS 15: Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, replacing previous revenue recognition guidance including IAS 18 Revenue.

The Company adopted IFRS 15 using the modified retrospective approach, with the difference in the carrying amounts resulting from the first time adoption being recognised as a decrease in retained earnings as at 1 January 2018 of £3.6m.

Following an assessment of the new standard, an accounting policy change was required on the recognition of instalment income revenue, which represents interest charges for customers paying by instalments over a period of time. The performance obligation for instalment income occurs over the period of time over which the customer loan is advanced and therefore an element of revenue has been deferred over the life of the customer contract, compared with full recognition on the start date of the policy as previously accounted for under IAS 18.

The difference between the revenue recognised under the new accounting policy compared with the previous accounting policy for the year ended 31 December 2018 was an overall increase in instalment income of £40,000.

3 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 Ageas UK Board Risk Committee established by the Boards of the Company, Ageas (UK) Limited, Ageas Insurance Limited and Ageas Services (UK) Limited meets regularly to review both the risk policies and the risk register, to ensure they are up-to-date, reflect 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 Board Risk Committee are reported to the Boards.

Ageas Retail Limited

Company registration number: 1324965

Notes to the financial statements

3 Risk management (continued)

(a) Credit risk

The Company is exposed to credit risk arising from the 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.

Credit risk is monitored by management to mitigate risk and the credit quality of customers is viewed and assessed by monthly reviews of the levels of default, and an expected credit loss is calculated based on possible default events for the policies in force.

The Company's liability to insurers is cancelled if a customer does not pay as the customer is given notice that the insurance policy will be cancelled on default of payment, therefore reducing the Company's credit risk exposure.

Impairment of financial assets

The Company's trade and other receivables are subject to the expected credit loss model.

Trade and other receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivable.

The loss allowance is calculated separately for each brand. For each aging bracket of the debt, a percentage is applied to arrive at the total loss allowance. These percentages are calculated based on the prior years' experience of debt that was written off and amounts retrieved through debt recovery agents. These percentages are adjusted for known future events.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for trade receivables:

	Note	Instalments £'000	Overdue instalments £'000	Cancellation £'000	Specific provisions £'000	Total £'000
As at 31 December 2017		-	886	530	-	1,416
IFRS 9 impact	2	1,440	475	-	-	1,915
As at 1 January 2018		1,440	1,361	530	-	3,331
Increase in loss allowance		-	-	-	821	821
Allowance utilised in the year		(1,120)	(487)	(180)	-	(1,787)
As at 31 December 2018		320	874	350	821	2,365

For further details on the current and previous impairment policy for financial assets and non-financial assets, see accounting policy (i) in note 1.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Ageas Retail Limited

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Notes to the financial statements

3 Risk management (continued)

(a) Credit risk (continued)

Amounts due from clients – period overdue:

	Note	2018 £'000	2018 %	2017 £'000	2017 %
Within terms		92,631	99.7	110,336	99.7
0 - 1 month		41	0.0	134	0.1
2 -3 months		74	0.1	145	0.1
4 - 6 months		55	0.1	158	0.1
7 - 12 months		52	0.1	12	0.0
Total	14	<u>92,853</u>	<u>100.0</u>	<u>110,785</u>	<u>100.0</u>

(b) Liquidity risk

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 forecast within a small tolerance and are not subject to large variances. The Company manages its liquidity risk by holding cash surpluses in its bank accounts such that its financial assets can be realised at short notice in the event that this is necessary. The Company may also make use of borrowing facilities if required.

Financial liabilities - Maturity profile

	2018 £'000	2018 %	2017 £'000	2017 %
Less than 1 year	108,284	100.0	55,959	34.3
Between 1 and 5 years	-	-	106,969	65.7
Over 5 years	-	-	-	-
Total	<u>108,284</u>	<u>100.0</u>	<u>162,928</u>	<u>100.0</u>

Ageas Retail Limited

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Notes to the financial statements

3 Risk management (continued)

(c) 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 Board Risk Committee.

(d) Capital management

(i) 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 on-going monitoring of capital against business requirements, as well as the assessments required by the Financial Conduct Authority ('FCA').

(ii) 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 FCA.

(iii) Approach to capital management

The Company provides input into the Ageas UK Business Plan which is reviewed and revised each year and then formally approved by the Board.

A factor in the formulation of the Business 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; and
- FCA capital requirements.

Ageas Retail Limited

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Notes to the financial statements

3 Risk management (continued)

(e) Sensitivity to key business drivers

Effective interest rates increase by 1.0%

The Company will be exposed to the impact of interest rate changes on its financial assets and liabilities. If interest rates were to increase, there would be an increase in the finance costs in relation to the financing facility. The impact of this can be seen in the table below.

	2018 £'000	2017 £'000
Impact on profit before tax	(1,268)	(1,278)
Impact on net assets	(1,027)	(1,032)

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. The impact of this can be seen in the table below.

	2018 £'000	2017 £'000
Impact on profit before tax	(1,563)	(3,440)
Impact on net assets	(1,266)	(2,778)

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 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.

4 Revenue

	2018 £'000	2017 £'000
Commissions and fees	64,644	71,049
Instalment income	14,436	16,680
Other	11,326	5,077
Total	90,406	92,806

Ageas Retail Limited

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Notes to the financial statements

5 Operating expenses

Operating expenses comprise cost of sales and administrative expenses.

	2018 £'000	2017 £'000
Advertising	14,519	12,850
Depreciation:		
- Leasehold buildings	190	206
- Office equipment	760	620
Amortisation:		
- Computer software	1,906	1,990
Hire of plant and machinery	-	17
Hire of other assets	1,918	953
Provisions released during the year	(6,200)	-
Personnel expenses:		
Amounts in relation to seconded employees (2017: directly employed):		
- Wages and salaries	9,848	38,870
- Compulsory social security contributions	711	3,878
- Contributions to pension plans	655	2,039
Residual personnel recharges from a fellow group subsidiary:		
- Wages and salaries	27,964	-
- Compulsory social security contributions	2,920	-
- Contributions to pension plans	1,612	-
Goods and services	654	11,920
Software costs	8,700	7,625
Other costs	5,312	137
Total operating expense	71,469	81,105
Operating expenses are analysed as:		
Cost of sales	55,843	46,708
Administrative costs	15,626	34,397
	71,469	81,105

Auditor's remuneration

Auditor's remuneration for the year ended 31 December 2017 is included within goods and services costs above.

	2018 £'000	2017 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	64	91

In 2018 the auditor's remuneration was borne by a fellow group undertaking, Ageas Insurance Limited.

6 Finance income

	2018 £'000	2017 £'000
Bank and other interest receivable	110	117

Ageas Retail Limited

Company registration number: 1324965

Notes to the financial statements

7 Finance costs

	2018 £'000	2017 £'000
Interest expense	<u>1,975</u>	<u>1,280</u>

8 Income tax

(a) Amounts recognised in profit or loss

	Note	2018 £'000	2017 £'000
Current tax expense			
UK corporation tax on profits for the year		(2,662)	(392)
Prior year (under)/over provision in respect of current tax		<u>(55)</u>	<u>191</u>
		<u>(2,717)</u>	<u>(201)</u>
Deferred tax expense			
Origination and reversal of temporary differences		(2,274)	(256)
Impact of variable tax rates		143	(311)
Prior year over/(under) provision in respect of deferred tax		<u>188</u>	<u>(160)</u>
	13	<u>(1,943)</u>	<u>(727)</u>
Total income tax expense		<u>(4,660)</u>	<u>(928)</u>

From 1 April 2017, the main rate of UK corporation tax rate was 19%. The Finance Act 2016 was substantively enacted on 6 September 2016 and further reduces the corporation tax rate to 17% (effective from 1 April 2020). The changes to the main rate of corporation tax will reduce the Company's future current tax charge accordingly. The deferred tax asset recognised as at 31 December 2018 has been calculated based on these rates.

(b) Reconciliation of effective tax rate

The tax assessed on the year is higher (2017: lower) than the standard rate of corporation tax in the United Kingdom of 19.00% (2017: 19.25%). The differences are explained below:

	2018 £'000	2017 £'000
Profit before tax	<u>17,072</u>	<u>10,538</u>
Standard rate of corporation tax in year	19.00%	19.25%
Expected tax charge based on the standard rate of corporation tax in the UK	(3,244)	(2,029)
Income not taxable for tax purposes	7	1,427
Expenses not deductible for tax purposes	(1,699)	(46)
Effect of variable tax rates	<u>143</u>	<u>(311)</u>
	<u>(4,793)</u>	<u>(959)</u>
Prior year (under)/over provision in respect of current tax	(55)	191
Prior year over/(under) provision in respect of deferred tax	<u>188</u>	<u>(160)</u>
	<u>(4,660)</u>	<u>(928)</u>

Ageas Retail Limited

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Notes to the financial statements

9 Investments

	2018 £'000	2017 £'000
Quote Searcher Limited	<u>10</u>	<u>10</u>

Investment	Country of registration	Type of holding	% owned	Nature of business
Ageas Law LLP	England	Partnership	50.0	Partnership
Ageas Legal LLP (dissolved 8 January 2019)	England	Partnership	14.3	Partnership
Quote Searcher Limited	England	Ordinary shares	9.9	Intermediary

The registered address of Quote Searcher Limited is 8 Waldegrave Road, Teddington, Middlesex, TW11 8GT.

As at the reporting date the Company had a holding in Ageas Legal LLP of £10 (2017: £10). Ageas Legal LLP, a limited liability partnership registered in England and Wales, was dissolved on 8 January 2019.

The Company has a holding in Ageas Law LLP of £1 (2017: £1). Ageas Law LLP is a limited liability partnership registered in England and Wales and whose registered address is Belmont House, Churchill Way, Cardiff, South Glamorgan, CF10 2HE.

10 Property, plant and equipment

	Investment property	Leasehold land and buildings £'000	Office equipment £'000	Total £'000
Cost				
Balance as at 1 January 2017	-	4,690	13,866	18,556
Acquisitions	-	-	949	949
Balance as at 31 December 2017	-	4,690	14,815	19,505
Acquisitions	900	-	1,875	2,775
Balance as at 31 December 2018	<u>900</u>	<u>4,690</u>	<u>16,690</u>	<u>22,280</u>
Accumulated depreciation and impairment losses				
Balance as at 1 January 2017	-	3,940	12,318	16,258
Depreciation charge for the year	-	206	620	826
Balance as at 31 December 2017	-	4,146	12,938	17,084
Depreciation charge for the year	-	190	760	950
Balance as at 31 December 2018	-	<u>4,336</u>	<u>13,698</u>	<u>18,034</u>
Carrying amounts				
Balance as at 31 December 2017	-	544	1,877	2,421
Balance as at 31 December 2018	<u>900</u>	<u>354</u>	<u>2,992</u>	<u>4,246</u>

The acquisition of leasehold land and buildings in 2018 relates to the purchase of a longhold lease and option for freehold for the office premises in Masterton Way, Glasgow, on 17 August 2018.

Ageas Retail Limited

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Notes to the financial statements

11 Intangible assets

	Computer software £'000
Cost	
Balance as at 1 January 2017	15,814
Acquisitions	974
Balance as at 31 December 2017	16,788
Acquisitions	94
Balance as at 31 December 2018	16,882
Accumulated amortisation and impairment losses	
Balance as at 1 January 2017	9,460
Amortisation charge for the year	1,990
Balance as at 31 December 2017	11,450
Amortisation charge for the year	1,906
Balance as at 31 December 2018	13,356
Carrying amounts	
Balance as at 31 December 2017	5,338
Balance as at 31 December 2018	3,526

12 Financial assets

	2018 £'000	2017 £'000
Loan with parent company	-	9,800

On 5 May 2017 the Company issued a loan of £9.8m to its parent company, Ageas (UK) Limited. Interest was charged at 1.5% above LIBOR. The loan was settled in full on 4 April 2018.

13 Deferred tax

Recognised deferred tax

Deferred tax assets and liabilities are attributable to the following:

	2018 £'000	2017 £'000
Fixed assets	4,784	4,696
Losses	1,795	4,020
Other temporary differences	622	428
Deferred tax asset	7,201	9,144

The balance is all non-current (2017: all non-current).

There is no unrecognised deferred tax (2017: none).

Ageas Retail Limited

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Notes to the financial statements

13 Deferred tax (continued)

Movement in temporary differences during the year

	1 Jan 2018 £'000	Recognised in profit £'000	31 Dec 2018 £'000
Fixed assets	4,696	88	4,784
Losses	4,020	(2,225)	1,795
Other temporary differences	428	194	622
Tax assets	<u>9,144</u>	<u>(1,943)</u>	<u>7,201</u>

	1 Jan 2017 £'000	Recognised in profit £'000	31 Dec 2017 £'000
Fixed assets	4,061	635	4,696
Losses	5,635	(1,615)	4,020
Other temporary differences	175	253	428
Tax assets	<u>9,871</u>	<u>(727)</u>	<u>9,144</u>

14 Trade and other receivables

	2018 £'000	2017 £'000
Due from clients	92,853	110,785
Other receivables and prepayments	3,856	4,681
Other accrued income	258	394
Due from group undertakings	<u>6,779</u>	<u>4,534</u>
Total trade and other receivables	<u>103,746</u>	<u>120,394</u>

Ageas Retail Limited

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Notes to the financial statements

15 Cash and cash equivalents

2018	2017
£'000	£'000

Cash at bank	<u>14,405</u>	<u>31,705</u>
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Cash and cash equivalents comprise cash balances and call deposits.

The effective interest rate at 31 December 2018 on short term bank deposits was 0.85% (2017: 0.60%), with an average maturity of one day.

16 Loans and borrowings

2018	2017
£'000	£'000

Due to fellow group subsidiary	<u>48,573</u>	<u>92,373</u>
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The loan with Ageas Insurance Limited has a maximum capacity of £100.0m, including a covenant to maintain at all times sufficient capital to comply with the rules of the Financial Conduct Authority. The loan bears interest at 1.6% above LIBOR per annum, with interest payable at the end of each quarter. There is also a non-utilisation charge at 0.56% per annum of the undrawn portion of the maximum capacity.

17 Current tax

2018	2017
£'000	£'000

Current tax liability	<u>564</u>	<u>309</u>
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The current tax liability of £564,000 (2017: £309,000) represents the residual amount of income taxes payable in respect of the current year under the quarterly payment regime less any adjustment in respect of prior years.

18 Provisions

2018	2017
£'000	£'000

Balance at 1 January	16,747	24,199
Provisions made during the year	425	-
Provisions utilised during the year	(9,552)	(7,452)
Provisions released during the year	(6,200)	-
Balance at 31 December	<u>1,420</u>	<u>16,747</u>

The provisions held at 31 December 2018 and 31 December 2017 relate to onerous leases.

The provisions are expected to be fully utilised by 2024.

Ageas Retail Limited

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Notes to the financial statements

19 Pension scheme

	2018 £'000	2017 £'000
Payments to defined contribution plan	<u>2,267</u>	<u>2,039</u>

On 1 January 2018, all employees were transferred to Ageas Insurance Limited.

Until the transfer of the employees to Ageas Insurance Limited on 1 January 2018, the Company participated in a defined contribution plan called the Ageas Group Personal Pension Scheme. The assets of the plan were held separately from those of the Company in an independently administered fund.

The pension cost in 2017 in respect of members of this plan represents the contributions payable by the Company to the plan.

For 2018, the pension cost represents the costs recharged to the Company in relation to seconded employees' pension contributions and administrative staff recharges from a fellow group subsidiary.

The Company offered a funded defined benefit pension scheme, the Ageas Insurance Staff Pension Scheme, in respect of staff who were members of the scheme on 31 December 1997. The scheme is now closed to new members and the Company no longer has any active members within the scheme.

20 Trade and other payables

	2018 £'000	2017 £'000
Due to insurers	8,652	7,408
Trade payables	1,192	809
Amounts due to group undertakings	37,866	31,835
Other payables and accrued expenses	7,617	12,986
Deferred income	4,368	-
VAT and other taxes payable	16	770
Total trade and other payables	<u>59,711</u>	<u>53,808</u>

Deferred income relates to the deferral of instalment income following the implementation of IFRS 15.

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.

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Notes to the financial statements

21 Capital and reserves

(a) Share capital

	Ordinary shares	
	2018 £'000	2017 £'000
In issue at 1 January	24,050	50
Share issue	-	24,000
In issue at 31 December	<u>24,050</u>	<u>24,050</u>

During 2017, the Company increased its authorised and issued share capital to 24,050,000 ordinary shares with a par value of £1 each.

At 31 December 2018, the authorised and issued share capital is 24,050,000 ordinary shares (2017: 24,050,000), which have a par value of £1 per ordinary share.

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.

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

(b) Dividends

No dividend has been paid in the year (2017: £nil).

Ageas Retail Limited

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Notes to the financial statements

22 Staff numbers and costs

The employees who provided services to the Company were employed directly by the Company in 2017 through contracts of service.

On 1 January 2018, all employees' contracts of service were transferred to Ageas Insurance Limited although some employees continued to work full time for the Company and were seconded back to the Company. Note 5 includes details of the amounts recharged by Ageas Insurance Limited to the Company in respect of services provided by employees.

The current year disclosure represents the employees seconded to the Company. The amounts disclosed below are included within note 5, along with the additional recharge for other staff of Ageas Insurance Limited who provided services to the Company during the year.

The total number of employees at the year end, analysed by category, was as follows:

	2018 No.	2017 No.
Corporate, administration and support	269	297
Marketing and sales	159	968
	<u>428</u>	<u>1,265</u>

The full time equivalent number of employees was as follows:

	2018 No.	2017 No.
Corporate, administration and support	220	288
Marketing and sales	141	921
	<u>361</u>	<u>1,209</u>

The average number of employees during the year was as follows:

	2018 No.	2017 No.
Total number of employees	<u>485</u>	<u>1,441</u>
Full time equivalent number of employees	<u>410</u>	<u>1,375</u>

The aggregate recharged costs in respect of these persons were as follows:

	2018 £'000	2017 £'000
Wages and salaries	9,848	38,870
Social security costs	711	3,878
Other pension costs	655	2,039
	<u>11,214</u>	<u>44,787</u>

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Notes to the financial statements

23 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings	Other	Land and buildings	Other
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Less than one year	2,463	44	2,805	45
Between one and five years	6,994	11	11,155	55
More than five years	7,486	-	16,699	-
Total	16,943	55	30,659	100

The Company leases office premises under three operating leases. Deansleigh House in Bournemouth runs to June 2029. Prospect House in Stoke runs to December 2024 and 1 Forest Gate in Glasgow runs to October 2021. There are rent reviews every five years. None of the leases include contingent rentals.

On 17 August 2018 the longhold lease and option for freehold for the office premises in Masterton Way, Glasgow, was purchased by the Company.

The Deansleigh House site is owned by a related party, Ageas Insurance Limited.

During the year ended 31 December 2018, £2.5m was recognised as an expense in the statement of profit or loss in respect of operating leases (2017: £2.9m).

From 1 January 2019 the Company is required to adopt IFRS 16 which introduces a single, on-balance sheet lease accounting model for lessees. An overview of the expected impact of this new standard can be found in note 1.

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Notes to the financial statements

24 Related party transactions

The Company has a related party relationship with the directors and other key management personnel of the Company.

Transactions with directors and other key management personnel

In addition to their salaries, the Company also provides non-cash benefits to the directors and other key management personnel. Their compensations are as follows:

The remuneration of the directors and other key management personnel consists of:

	2018 £'000	2017 £'000
Short-term employee benefits	1,553	1,526
Post-employment benefits	22	16
Share-based payments	140	162
Termination benefits	57	-
	<u>1,772</u>	<u>1,704</u>

In respect of the highest paid director:

	2018 £'000	2017 £'000
Short-term employee benefits	551	198
Post-employment benefits	1	46
Share-based payments	65	-
	<u>617</u>	<u>244</u>

One of the Company's directors is not included in the disclosure above as no recharge is received for their services.

Under the defined benefit scheme, the highest paid director's accrued pension at the year-end was £nil (2017: £nil).

The directors and other key management personnel are able to obtain discounted personal insurance at the same rates as all other staff.

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Notes to the financial statements

24 Related party transactions (continued)

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:

	2018 Comp. income £'000	2018 Financial Position £'000	2017 Comp. income £'000	2017 Financial Position £'000
	Income/ (expense)	Asset/ (liability)	Income/ (expense)	Asset/ (liability)
Immediate parent and intermediate holding company	52	(69)	(7,670)	9,558
Fellow subsidiary company transactions and balances	32,205	(79,591)	92,776	(119,432)
	<u>32,257</u>	<u>(79,660)</u>	<u>85,106</u>	<u>(109,874)</u>

The Company's loan with its immediate parent undertaking, Ageas (UK) Limited, was settled in full on 4 April 2018. The income in the current year represents income receivable on this loan.

Fellow subsidiary company transactions and assets relate to commission received on insurance policies written by Ageas Insurance Limited, the provision of administration and management services by Ageas Insurance Limited and profit share received from Ageas Law LLP. All related party transactions are settled on a net basis.

25 Post balance sheet event

On 23 January 2019, the Company announced plans to close its operations at Prospect House, Stoke, by June 2020. This has been treated as a non-adjusting event under IAS 10: Events After the Reporting Period.

26 Parent company

The Company's immediate parent is Ageas (UK) Limited, a company registered in England and Wales whose registered address is Ageas House, Hampshire Corporate Park, Templars Way, Eastleigh, Hampshire SO53 3YA.

The Company's results are consolidated into the accounts of the ultimate holding company ageas SA/NV, a company incorporated in Belgium whose registered address is Markiesstraat 1 Box 7, 1000 Brussels.

Copies of the above accounts can be obtained from the Company Secretary, Ageas (UK) Limited, Ageas House, Hampshire Corporate Park, Templars Way, Eastleigh, Hampshire SO53 3YA.

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

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

Ageas Retail Limited

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Independent Auditor's Report to the Members of Ageas Retail Limited

Report on the audit of the financial statements

Opinion

In our opinion, Ageas Retail Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 December 2018; the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

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Independent Auditor's Report to the Members of Ageas Retail Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 35, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

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Independent Auditor's Report to the Members of Ageas Retail Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Adam Beasant (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

13 May 2019