Ageas Retail Limited

Annual Report
For the year ended 31 December 2019

Company Registration Number: 1324965

Ageas Retail Limited

Company registration number: 1324965

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Ageas Retail Limited
Company registration number: 1324965

Directors and Advisers

Directors

Gregor Ball	
Antonio Cano	
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	(Resigned 17 June 2020)
Mark Winlow	

Secretary

Claire Marsh	(Appointed 1 November 2019)
Rosemary Smith	(Resigned 1 November 2019)

Head Office and Registered Address

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

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Savannah House
3 Ocean Way
Southampton
SO14 3TJ

Bankers

HSBC
62-76 Park Street
London
SE1 9DZ

Registered Number

1324965
Registered in England and Wales

Ageas Retail Limited

Company registration number: 1324965

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 directors anticipate that the business model of the Company will remain unchanged for the foreseeable future.

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 2019 was £85.3m (2018: £90.4m). Direct income continues to grow year on year but revenue is down overall due to a one off income stream in 2018 relating to the sale of renewal rights and exit of the underperforming partnership arrangements.

The Company made a profit after tax of £4.1m in the year (2018: £12.4m). The reduction in profit in the year is as a result of the sale of renewal rights in 2018 as well as a one-off £6.2m release of an onerous release provision in 2018.

On 23 January 2019 the Company announced its intention to close its operations at Stoke, and subsequently assigned the lease on 5 July 2019 to a third party. This resulted in an impairment of £2.1m to property, plant and equipment.

Covid-19

The outbreak of the virus Covid-19, publicly also referred to as the Coronavirus, is considered to be a non-adjusting event after the reporting date. Please refer to note 25.

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

	2019 £'000	2018 £'000	Change
Revenue	85,333	90,406	(6%)

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.

	2019 £'000	2018 £'000	Change
Profit before tax	6,124	17,072	(64%)

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.

	2019	2018	Change
Expense ratio	91%	79%	12%

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.

Strategic Report (continued)

Key Performance Indicators (continued)

Year end position

Shareholders' equity

Shareholders' equity has increased by £4.1m (2018: increase of £7.3m) due to the profit after tax in the year.

Assets

Total assets have increased by £15.6m (2018: decrease of £45.7m). This was primarily driven by a £10.6m increase in property, plant and equipment following the adoption of IFRS 16: Leases (see note 2) and an increase in trade and other receivables of £7.3m as a result of increased amounts due from customers.

Liabilities

Total liabilities have increased by £11.5m in the year (2018: decrease of £53.0m) following an increase in other financial liabilities as a result of the adoption of IFRS 16: Leases during the year (see note 2).

Section 172(1) statement

The Ageas UK directors have always been aware of and attentive to all of their duties and responsibilities, including those as set out under section 172 of the Companies Act 2006, when setting and embedding Ageas UK's culture and values in line with its purpose to "make life easy for all customers by making insurance personal". The Ageas UK Boards (including the Board of Ageas Retail Limited) recognise that the long-term success of the Company is only possible through engagement with, and having regard to, the interests of key stakeholders, which for Ageas UK includes customers, employees, shareholders, suppliers and the community at large.

The Ageas UK Boards' role is to perpetuate the long term, sustainable success of the Ageas UK business; providing strategic leadership within a framework of prudent and effective controls, setting the strategy, ensuring the direction and performance of the business is aligned to Ageas Group objectives, and that obligations to all stakeholders are understood and met. A range of mechanisms have been established to support directors in the discharge of their duties and further detail has been incorporated within the Stakeholder Engagement statements set out in this report. Furthermore, throughout 2020 the Ageas UK Boards will continue to review and challenge how Ageas UK can improve engagement with its stakeholders.

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 4 to the financial statements.

This report was approved by the Board of Directors on 4 August 2020 and signed by its order:

C Marsh
Secretary

Ageas Retail Limited

Company registration number: 1324965

Directors' Report

The directors submit their report, together with the audited financial statements for the year ended 31 December 2019.

Results

The results of the Company are contained in the financial statements on pages 7 to 33. The 2019 profit after tax was £4.1m for the year (2018: profit of £12.4m).

No dividend was paid during the year (2018: £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 845 (2018: 485). The full time equivalent number of employees adjusted for part time staff was 775 (2018: 410). Their annual aggregate remuneration was £11.6m (2018: £11.2m). An analysis is shown in note 23.

Stakeholder Engagement Statements

Ageas UK Shareholder, ageas SA/NV

Given ageas SA/NV's 100% ownership of the Company, the promotion of the long term success of Ageas UK, including the development of a clear UK purpose and strategy, is fully aligned to and supportive of ageas SA/NV's strategy, Connect21. ageas SA/NV is represented on the Ageas UK Boards by one Ageas Group Executive and one Non-Executive Director.

Customers and Suppliers

Customers are at the heart of how Ageas UK's business is conducted, supported by its purpose which is set by the Boards and articulated within the Ageas UK strategy. The Ageas direct brand strategy has been underpinned by the theme "Easy As" reflecting our purpose to offer customers a simple, straightforward, no-nonsense customer experience.

In 2019, customer interests have been considered in a wide range of activities overseen by the Ageas UK Boards, and customer experience reports and focus sessions have been provided by the Chief Customer Officer, an appointed director of the Ageas UK Boards, to support oversight. Within Sales and Service Operations the customer journey was improved and simplified based on customer feedback. Digital solutions have been progressed to enhance the customer end to end experience, including the integration of artificial intelligence into the claims process. A real time 'voice of the customer' programme was introduced providing immediate feedback and giving new measures with positive results. These efforts were recognised through a number of industry awards including "Best Contact Centre" in the UK Customer Experience Awards and "Most Effective Improvement programme" in the European Contact Centre Awards. A Customer Care training programme was launched to ensure that vulnerable customers who may require additional help can be identified and that the appropriate resources are automatically made available to them. A Fair Pricing Framework that seeks to deliver fair customer outcomes through pricing to our customers in line with our risk appetite, has also been a key consideration of the Ageas UK Boards during 2019.

Directors' Report (continued)

Customers and Suppliers (continued)

Ageas UK uses a wide variety of suppliers. Like most large businesses it engages with suppliers to support the provision of core business activities (e.g. IT), the supply of commodities, maintenance service contracts or facilities management services, such as catering and cleaning providers. As an insurer it also engages with suppliers of goods and repair services when customers' property has been lost or damaged, and medical and assistance services when customers have suffered accident or injury. Ageas UK is committed to high standards of business conduct and has policies and procedures in place to define the way in which Ageas wants to do business and the standards of conduct required. Where Ageas appoints a third party to undertake any business activities, Ageas expects they are carried out in line with Ageas' standards and risk appetite.

Employee engagement

The Company keeps employees up to date on strategy and performance through a variety of channels including formal leadership events, employee briefings, the Employee Forum and a digital employee communication tool. Regular meetings with the Employee Forum have continued on a quarterly basis, and are supported by the HR Director and members of the UK Executive team, facilitating the escalation and cascade of key messages from and to the Executive team and the Ageas UK Boards. The Ageas UK Boards have agreed that the Chair of the Remuneration Committee, an Independent Non-Executive Director, will attend the Employee Forum on an annual basis and meet twice yearly with the Chair of the Forum, without the Executive present, in order to enhance the engagement between the Employee Forum and the Ageas UK Boards.

During a challenging year, steps were taken to simplify the business while continuing to invest in technology to increase efficiency. The infrastructure that supports the Ageas UK business needed to reflect the emerging customer environment with customers increasingly choosing to transact online, so Ageas UK's property portfolio and staffing requirements were reviewed. The difficult decision to close the Port Solent and Stoke-on-Trent sites was taken by the Ageas UK Boards, and in doing so the requirement to do the right thing by Ageas employees was reinforced. Additionally, a material outsourcing relationship was entered into to support IT Infrastructure and Operations services, with most employees in the IT Infrastructure and Operations team transferring to that third party provider. The Employee Forum was engaged in discussions and helped to support the process. The Port Solent site was closed, with most employees transferring to the Eastleigh office.

In the process of announcing the closure of our office in Stoke, an agreement with an insurance partner was secured to take on the site and they have offered employment to the majority of the Ageas UK employees based at that site. The Ageas UK Boards regularly received reports to monitor these changes, including the transition of the IT infrastructure and operational services to the third party provider.

During 2019 a new digital employee engagement tool was rolled out across the business. The key themes emanating from the tool are brought to the attention of the Ageas UK Boards and resulting actions are tracked. Based on employee feedback a full review of employee benefits was undertaken in the year, with the result that paid maternity and paternity leave was increased, the decision was taken to ensure that all salaries are above the Rowntree Foundation Real Living Wage, and a minimum redundancy payment was introduced.

Ageas UK has established and promotes a culture where employees have the confidence and ability to raise their concerns. Directors and managers have a responsibility to ensure that mechanisms are in place to encourage such concerns to be raised and any wrongdoing dealt with, and the Chair of the Audit Committee has responsibility for the maintenance of the independence, autonomy and effectiveness of Ageas UK whistleblowing policies and procedures, with a report to the Ageas UK Audit Committee in 2019 stating his view that the systems and controls in place were satisfactory.

Directors' Report (continued)

Diversity and inclusion

The Company is committed to a culture which is inclusive and supports diversity. Recruitment, promotion, career development, selection for training and all 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 Ageas UK Boards have set the policies and standards within which the Company will operate, and the Boards' approach to diversity and inclusion is monitored regularly. During 2019 as part of the Diversity and Inclusion strategy, Ageas UK was the official sponsor of the Bournemouth Pride event, Bourne Free.

In line with legislation relating to discrimination in employment, including the employment of people with disabilities, Ageas UK policies and standards include further detail of our requirements. Employees with disabilities are treated fairly and can compete on equal terms for career progression. Ageas UK is committed to continuing the employment of, and for arranging training for, employees who have become disabled while employed by Ageas.

Community

In terms of the wider society, we continue to support the important work of the Road Safety Foundation to measure, map and track the safety performance of Britain's main roads. We are also proudly taking an industry lead in key initiatives that have an important environmental and economic impact such as the new "green parts" initiative to make the repair of vehicles more sustainable.

The difficult decision made by the Ageas UK Boards to close Ageas UK sites in Stoke and Port Solent involved consideration of customer interests and the wider impact on communities, including engagement with local authorities and members of parliament to ensure a transparent and collaborative approach to finding solutions.

The Company supports local initiatives such as Bourne Free, the Bournemouth Pride event celebrating diversity, as well as a "Charity of the Year" as nominated by the employees, which for 2019 was Hospice UK and for 2020 is Rays of Sunshine.

Donations

No political donations were made during the year by the Company (2018: £nil).

The Company made no charitable donations in the year (2018: £500).

Disclosure of information to auditors

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 auditors 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 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 PricewaterhouseCoopers LLP will therefore continue in office.

The financial statements on pages 7 to 33 were approved by the Board of Directors on 4 August 2020 and signed by order of the board by:

C Marsh
Secretary

Ageas Retail Limited
Company registration number: 1324965

Statement of profit or loss and other comprehensive income
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Revenue	5	85,333	90,406
Cost of sales	6	(39,347)	(55,843)
Gross profit		45,986	34,563
Administrative expenses	6	(37,959)	(15,626)
Operating profit		8,027	18,937
Finance income	7	25	110
Finance costs	8	(1,928)	(1,975)
Profit before tax		6,124	17,072
Income tax	9	(1,982)	(4,660)
Profit for the year		4,142	12,412
Other comprehensive income		-	-
Total comprehensive income		4,142	12,412

The notes to the financial statements on pages 11 to 33 form an integral part of these financial statements.

Ageas Retail Limited

Company registration number: 1324965

Statement of financial position

As at 31 December 2019

	Note	2019	2018
		£'000	£'000
Assets			
Investments	10	10	10
Property, plant and equipment	11	13,267	4,246
Intangible assets	12	2,321	3,526
Deferred tax asset	13	5,358	7,201
Trade and other receivables	14	111,047	103,746
Cash and cash equivalents	15	16,743	14,405
Total assets		148,746	133,134
Shareholders' equity			
Share capital	22	24,050	24,050
Retained earnings		2,958	(1,184)
Total shareholders' equity		27,008	22,866
Liabilities			
Financial liabilities			
- Loans and borrowings from group companies	16	75,000	48,573
- Other financial liabilities	17	10,771	-
Current tax liability	18	64	564
Provisions	19	703	1,420
Trade and other payables	21	35,200	59,711
Total liabilities		121,738	110,268
Total equity and liabilities		148,746	133,134

The notes to the financial statements on pages 11 to 33 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 4 August 2020 and were signed by its order:

A Middle
Director

Ageas Retail Limited
Company registration number: 1324965

Statement of changes in equity
For the year ended 31 December 2019

	Share capital £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2018	24,050	(13,596)	10,454
Profit for the year	-	12,412	12,412
Balance as at 31 December 2018	24,050	(1,184)	22,866
Profit for the year	-	4,142	4,142
Balance as at 31 December 2019	24,050	2,958	27,008

The notes to the financial statements on pages 11 to 33 form an integral part of these financial statements.

Ageas Retail Limited
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Statement of cash flows
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Profit before tax		6,124	17,072
Adjustments for:			
Finance income	7	(25)	(110)
Finance costs	8	1,928	1,975
Depreciation of property, plant and equipment	11	2,445	950
Amortisation of intangible assets	12	1,676	1,906
Impairment of property, plant and equipment	11	2,088	-
Profit on disposal of property, plant and equipment		(160)	-
Decrease in provisions	19	(954)	(15,327)
Operating profit before working capital changes		13,122	6,466
(Increase)/decrease in trade and other receivables	14	(7,413)	14,733
(Increase)/decrease in other financial liabilities	17	(3,343)	-
(Decrease)/increase in trade and other payables	21	(24,511)	1,495
Cash flows (used in)/generated from operations		(22,145)	22,694
Interest received	7	25	110
Interest paid	8	(1,928)	(1,975)
Income tax paid		(638)	(1,260)
Net cash flows (used in)/generated from operating activities		(24,686)	19,569
Cash flows from/(used in) investing activities			
Sale of property, plant and equipment and intangibles	11, 12	1,603	-
Purchase of property, plant and equipment and intangibles	11, 12	(1,006)	(2,869)
Net cash from/(used in) investing activities		597	(2,869)
Cash flows generated from/(used in) financing activities			
Increase/(decrease) in loans and borrowings	16	26,427	(43,800)
Loan repaid		-	9,800
Net cash generated from/(used in) financing activities		26,427	(34,000)
Net increase/(decrease) in cash and cash equivalents		2,338	(17,300)
Cash and cash equivalents at 1 January		14,405	31,705
Cash and cash equivalents at 31 December	15	16,743	14,405

The notes to the financial statements on pages 11 to 33 form an integral part of these financial statements.

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 4 August 2020.

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') 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').

In accordance with IFRS 8: Operating Segments, 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 financial statements as prepared are separate financial statements and the exemption from consolidation, in accordance with the CA 2006 s400(2), has been used. Consolidated financial statements 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 7 to 10, and in the subsequent notes on pages 11 to 33. Further analysis of the objectives and policies for mitigating risk can be found within note 4.

Having considered the position of the Company, its forecast for the next 12 months and reviewing the potential risks to the Company (including considering the potential impacts of Covid-19), 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.

The principal accounting policies adopted are listed below. These policies have been consistently applied to all years presented, unless otherwise stated.

(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.

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.

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 following year, are discussed in notes 3 and 4.

(iv) New accounting standards
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:

- IFRS 16: Leases
- IAS 19 amendments: plan amendments, curtailments, and settlements

The impact of the change in accounting policies following the adoption of IFRS 16 can be found in note 2.

In addition, the following is a list of standards that are in issue but are not effective in 2019, together with the effective date of application to the Company:

- IFRS 3 amendments: Definition of a business – January 2020
- IAS 1 and IAS 8 amendments: Definition of material – January 2020
- Conceptual Framework: Amendments to References to the Conceptual Framework in IFRS Standards

The standards effective from 2020 have been reviewed and are not expected to have a material impact on the Company. The implications of the remaining standards are under review.

(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 from allowing customers to pay monthly, 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 reflects the date on which the related performance obligation has been met.

Instalment income is recognised over the period of time over which the customer loan is advanced for policies on monthly direct debit, i.e. as the performance obligation is satisifed. 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 was 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.

Notes to the financial statements

1 Accounting policies (continued)

(d) Recognition and measurement of expenses

(i) 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.

(ii) 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 The pension scheme contributions recognised in the statement of profit or loss represent the costs recharged to the Company in relation to seconded employees' pension contributions.

(iii) 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.

Notes to the financial statements

1 Accounting policies (continued)

(g) 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 (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.

(ii) Leased assets
Until 31 December 2018, leases under whose terms the Company assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition the leased asset was measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Other leases were classified as operating leases and were not recognised in the Company's statement of financial position.

Following the implementation of IFRS 16 Leases on 1 January 2019, leases under which the Company is a lessee are recognised as a right-of-use asset and measured at the amount equal to the present value of the minimum lease payments, adjusted by the amount of any prepaid or accrued lease payments relating to that lease, plus any dilapidation provision required. Low value and short-term leases are not recognised in the Company's statement of financial position.

See note 2 for further details on the adoption of IFRS 16 Leases.

(iii) Depreciation
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:

Buildings	Fifty years
Office equipment	Five years
Right-of-use assets	Over the period of the related lease

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

Notes to the financial statements

1 Accounting policies (continued)

(i) Impairment

(i) Financial assets

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

- 12-month expected credit losses ('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.

(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

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.

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.

The fair value changes on financial assets measured at fair value through profit or loss (FVTPL) are 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.

Notes to the financial statements

1 Accounting policies (continued)

(j) Financial instruments (continued)

The Company has not designated any financial liabilities as FVTPL.

Financial liabilities include payables to group undertakings, interest-bearing loans and borrowings, lease liabilities 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-bearings loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Interest-bearing loans and borrowing 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.

2 Change in accounting policy

This note explains the impact of the adoption of IFRS 16 Leases on the Company's financial statements.

The Company has applied the modified retrospective approach and has therefore not restated comparative amounts for the year prior to first time adoption. Reclassifications and adjustments arising from the adoption of IFRS 16 have been recognised in the opening statement of financial position on 1 January 2019. The new accounting policy is disclosed in note 1.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.9%.

(a) Practical expedients

The Company has used the following practical expedients permitted by the standard:

- relying on previous assessments of whether an arrangement contains a lease; and
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019.

Notes to the financial statements

2 Change in accounting policy (continued)

(b) Measurement of lease liabilities

	2019
	£'000
Operating lease commitments disclosed as at 31 December 2018	16,998
Discounted using the lessee's incremental borrowing rate at the date of initial application	14,113
Lease liability recognised as at 1 January 2019	14,113

(c) Measurement of right-of-use assets

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018, plus any dilapidation provisions required.

(d) Impact on the financial statements

The impact on the statement of financial position at 1 January 2019 was as follows:

	2019
	£'000
Increase in property, plant and equipment right-of-use assets	14,461
Reduction in prepayments	(112)
Increase in provisions	(237)
Increase in other financial liabilities	(14,113)
	-

3 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.

Notes to the financial statements

4 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.

(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.

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 receivables.

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 2019 and 31 December 2018 was determined as follows for trade receivables:

	Instalments	Overdue instalments	Cancellation	Trade	Specific provisions	Total
	£'000	£'000	£'000	£'000	£'000	£'000
As at 31 December 2018	320	874	350	-	821	2,365
Increase in loss allowance	658	31	-	323	-	1,012
Allowance utilised in the year	(333)	(438)	-	-	(821)	(1,592)
Allowance released in the year	-	-	(150)	(193)	-	(343)
As at 31 December 2019	645	467	200	130	-	1,442

For further details on the 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.

Notes to the financial statements

4 Risk management (continued)

(a) Credit risk (continued)

Amounts due from customers – period overdue:

	Note	2019 £'000	2019	2018 £'000	2018
Within terms		98,981	98.6%	92,631	99.7%
0 - 1 month		877	0.9%	41	0.0%
2 - 3 months		90	0.1%	74	0.1%
3 - 6 months		65	0.1%	55	0.1%
7 - 12 months		337	0.3%	52	0.1%
Total	14	100,350	100.0%	92,853	100.0%

(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

	Note	2019 £'000	2019	2018 £'000	2018
0 - 1 year		36,237	30.0%	108,284	100.0%
2 - 5 years		79,294	65.5%	-	-
5 years and above		5,440	4.5%	-	-
Total	16, 21, 17	120,971	100.0%	108,284	100.0%

Notes to the financial statements

4 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) Covid-19 risk

During December 2019 the Chinese city of Wuhan was affected by an outbreak of the virus Covid-19, publicly also referred to as the Coronavirus. By 31 December 2019 only a limited number of cases of the virus Covid-19 were reported to the World Health Organisation. Via infected travellers, the virus subsequently spread in early 2020 to a number of other countries, including the UK, and has in the meantime been officially declared a pandemic. Ageas is of the position that the escalation of the severity of the virus in early 2020 did not provide additional information about uncertainties that existed at the reporting date of 31 December 2019. Therefore, Ageas considers the virus Covid-19 as a non-adjusting event.

The longer term impact on our commercial activities and operations, both directly and also indirectly due to the overall reduced economic activity, cannot be reasonably estimated at this time but robust plans remain in place to ensure that customers continue to be served. Ageas invoked its business continuity plans in March as measures in the UK were announced by the Government, enabling key functions to work from home to ensure core activities were maintained. Liquidity and credit risk monitoring has been subject to increased scrutiny by management and there is greater oversight of third party suppliers. The Company continues to monitor and review the impact of Covid-19 on operations and the Crisis Management team meet regularly to coordinate the Company's response to the virus.

(e) 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. The FCA requires the Company to hold capital of the higher of £5,000 or 2.5% of annual income. The shareholders' equity is far in excess of this requirement.

Notes to the financial statements

4 Risk management (continued)

(e) Capital management (continued)

(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.

(f) 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.

	2019	2018
	£'000	£'000
Decrease in profit before tax	(899)	(1,268)
Decrease in net assets	(728)	(1,027)

Expenses increase by 10.0%

If administration expenses were to increase by 10.0% there would be an impact on profit from the additional costs. The impact of this can be seen in the table below.

	2019	2018
	£'000	£'000
Decrease in profit before tax	(3,796)	(1,563)
Decrease in net assets	(3,074)	(1,266)

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.

Notes to the financial statements

5 Revenue

	2019 £'000	2018 £'000
Commissions and fees	60,551	64,644
Instalment income	18,183	14,436
Other	6,599	11,326
Total	85,333	90,406

6 Operating expenses

Operating expenses comprise cost of sales and administrative expenses.

	2019 £'000	2018 £'000
Advertising	14,152	14,519
Depreciation:		
- Right-of-use buildings	1,463	-
- Leasehold buildings	120	190
- Office equipment	862	760
Amortisation:		
- Computer software	1,676	1,906
Impairment	2,088	-
Hire of plant and machinery	-	-
Hire of other assets	206	1,918
Provisions released during the year	-	(6,200)
Personnel expenses:		
- Amounts in relation to seconded employees:		
Wages and salaries	10,158	9,848
Compulsory social security contributions	845	711
Contributions to pension plans	638	655
- Residual personnel recharges from a fellow group subsidiary:		
Wages and salaries	17,474	27,964
Compulsory social security contributions	1,853	2,920
Contributions to pension plans	1,040	1,612
Other costs	24,731	14,666
Total operating expense	77,306	71,469

Operating expenses are analysed as:

	2019 £'000	2018 £'000
Cost of sales	39,347	55,843
Administrative costs	37,959	15,626
	77,306	71,469

The personnel expenses are recharged by Ageas Insurance Limited and disclosed as related party transactions with fellow subsidiaries in note 24. Those relating to seconded staff have been separated, and are disclosed in note 23. These individuals' contracts of service are held by Ageas Insurance Limited.

Notes to the financial statements

6 Operating expenses (continued)

Auditors' remuneration

	2019 £'000	2018 £'000
Fees payable to the Company's auditors for the audit of the Company's financial statements	85	64

The auditors' remuneration was borne by a fellow group undertaking, Ageas Insurance Limited.

7 Finance income

	2019 £'000	2018 £'000
Bank and other interest receivable	25	110

8 Finance costs

	2019 £'000	2018 £'000
Interest expense relating to lease liabilities	371	-
Interest expense from fellow group subsidiary	1,557	1,975
Total	1,928	1,975

9 Income tax

(a) Amounts recognised in profit or loss

	Note	2019 £'000	2018 £'000
Current tax expense			
UK corporation tax on profits for the year		(379)	(2,662)
Prior year over/(under) provision in respect of current tax		240	(55)
		(139)	(2,717)
Deferred tax expense			
Origination and reversal of temporary differences		(1,100)	(2,274)
Effect of variable tax rates		(423)	143
Prior year (under)/over provision in respect of deferred tax		(320)	188
	13	(1,843)	(1,943)
Total income tax expense		(1,982)	(4,660)

From 1 April 2017 the main rate of UK corporation tax rate has been 19%. The Finance Act 2016 was substantively enacted on 6 September 2016 and further reduces the corporation tax rate to 17% (effective 1 April 2020). The deferred tax asset recognised as at 31 December 2019 has been calculated based on these rates. The maintenance of the tax rate at 19% was substantively enacted into law on 17 March 2020. As this rate had not been substantively enacted at the balance sheet date it has not been included in the calculations.

Notes to the financial statements

9 Income tax (continued)

(b) Reconciliation of effective tax rate

The tax assessed on the year is higher (2018: higher) than the standard rate of corporation tax in the United Kingdom of 19.00% (2018: 19.00%). The differences are explained below:

	2019 £'000	2018 £'000
Profit before tax	6,124	17,072
Standard rate of corporation tax in year	19.00%	19.00%
Expected tax charge based on the standard rate of corporation tax in the UK	(1,164)	(3,244)
Income not taxable for tax purposes	-	7
Expenses not deductible for tax purposes	(315)	(1,699)
Effect of variable tax rates	(423)	143
	(1,902)	(4,793)
Prior year over/(under) provision in respect of current tax	240	(55)
Prior year (under)/over provision in respect of deferred tax	(320)	188
	(1,982)	(4,660)

10 Investments

	2019 £'000	2018 £'000
Quote Searcher Limited	10	10

Investment	Country of registration	Type of holding	% owned	Nature of business
Ageas Law LLP	England	Partnership	50.0	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 31 December 2018 the Company had a holding in Ageas Legal LLP of £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 (2018: £1). Ageas Law LLP is a limited liability partnership registered in England and Wales and whose registered address is Helmont House, Churchill Way, Cardiff, South Glamorgan, CF10 2HE.

Notes to the financial statements

11 Property, plant and equipment

	Right-of-use	Own Use			
	Land and buildings £'000	Investment property £'000	Land and buildings £'000	Office equipment £'000	Total £'000
Cost					
Balance as at 1 January 2018	-	-	4,690	14,815	19,505
Acquisitions	-	900	-	1,875	2,775
Balance as at 31 December 2018	-	900	4,690	16,690	22,280
Impact of initial application of IFRS 16	14,461	-	-	-	14,461
Restated balance at 1 January 2019	14,461	900	4,690	16,690	36,741
Acquisitions	194	-	-	341	535
Disposals	(2,877)	(900)	(9)	(113)	(3,899)
Balance as at 31 December 2019	11,778	-	4,681	16,918	33,377
Accumulated depreciation and impairment losses					
Balance as at 1 January 2018	-	-	4,146	12,938	17,084
Depreciation charge for the year	-	-	190	760	950
Balance as at 31 December	-	-	4,336	13,698	18,034
Depreciation charge for the year	1,463	-	120	862	2,445
Disposals	(2,359)	-	(9)	(89)	(2,457)
Impairment	2,054	-	-	34	2,088
Balance as at 31 December 2019	1,158	-	4,447	14,505	20,110
Carrying amounts					
Balance as at 31 December 2018	-	900	354	2,992	4,246
Balance as at 31 December 2019	10,620	-	234	2,413	13,267

From 1 January 2019, the Company was required to adopt IFRS 16 which introduced a single, on balance sheet lease accounting model for lessees. On adoption of IFRS 16, right-of-use assets for land and buildings of £14.3m were recognised.

The right-of-use assets recognised by the Company following the implementation of IFRS 16 are in respect of leased office premises. As at 1 January 2019 the Company leased Deansleigh House in Bournemouth and Prospect House in Stoke.

Further details on the implementation of IFRS 16 can be found in note 2.

The Company impaired its property, plant and equipment by £2.1m following the announcement on 23 January 2019 of plans to close its operations at Prospect House, Stoke, by June 2020.

On 5 July 2019, the Company reassigned the lease of Prospect House, Stoke, to a third party.

On 27 June 2019, the Company sold its leasehold land and buildings.

Notes to the financial statements

12 Intangible assets

	Computer software £'000
Cost	
Balance as at 1 January 2018	16,788
Acquisitions	94
Balance as at 31 December 2018	16,882
Acquisitions	471
Balance as at 31 December 2019	17,353
Accumulated amortisation and impairment losses	
Balance as at 1 January 2018	11,450
Amortisation charge for the year	1,906
Balance as at 31 December 2018	13,356
Amortisation charge for the year	1,676
Balance as at 31 December 2019	15,032
Carrying amounts	
Balance as at 31 December 2018	3,526
Balance as at 31 December 2019	2,321

13 Deferred tax asset

(a) Recognised deferred tax

Deferred tax assets and liabilities are attributable to the following:

	2019 £'000	2018 £'000
Fixed assets	4,572	4,784
Losses	698	1,795
Other temporary differences	88	622
Deferred tax asset	5,358	7,201

The balance is all non-current (2018: all non-current).

There is no unrecognised deferred tax (2018: £nil).

Notes to the financial statements

13 Deferred tax asset (continued)

(b) Movement in temporary differences during the year

	1 Jan 2019 £'000	Recognised in profit £'000	31 Dec 2019 £'000
Fixed assets	4,784	(212)	4,572
Losses	1,795	(1,097)	698
Other temporary differences	622	(534)	88
Tax assets	7,201	(1,843)	5,358

	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	9,144	(1,943)	7,201

14 Trade and other receivables

	2019 £'000	2018 £'000
Due from customers	100,350	92,853
Other receivables and prepayments	3,452	3,856
Other accrued income	272	258
Due from group undertakings	6,973	6,779
Total trade and other receivables	111,047	103,746

Trade and other receivables are stated at their cost less any impairment losses. All amounts are deemed current (2018: current).

15 Cash and cash equivalents

	2019 £'000	2018 £'000
Cash at bank	16,743	14,405

Cash and cash equivalents comprise cash balances and call deposits.

The effective interest rate at 31 December 2019 on short term bank deposits was 0.61% (2018: 0.85%), with an average maturity of one day.

Notes to the financial statements

16 Loans and borrowings

	2019	2018
	£'000	£'000
Due to fellow group subsidiary	75,000	48,573

On 7 September 2019 the Company amended and restated its loan with Ageas Insurance Limited to extend the maturity date to 7 September 2021. The loan 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 Other financial liabilities

From 1 January 2019 the Company adopted IFRS 16 Leases which introduced a single, on-balance sheet lease accounting model for lessees. An overview of the impact of this new standard can be found in note 2.

Future lease payments are due as follows:

	Minimum lease payments	Interest	Present value
	£'000	£'000	£'000
Current liabilities			
No later than one year	1,340	(303)	1,037
Non-current liabilities			
Between one and five years	5,190	(896)	4,294
Later than five years	5,794	(354)	5,440
	12,324	(1,553)	10,771

During the year, £0.3m was recognised as interest expense in the statement of profit or loss and other comprehensive income in respect of leases.

Notes to the financial statements

18 Current tax liability

	2019 £'000	2018 £'000
Current tax liability	64	564

The current tax liability in the current and prior year 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.

19 Provisions

	2019 £'000	2018 £'000
Balance at 1 January	1,420	16,747
Transferred from accrued expenses	300	-
Provisions made during the year	2,146	425
Provisions utilised during the year	(439)	(9,552)
Provisions released during the year	(2,724)	(6,200)
Balance at 31 December	703	1,420

During 2019, £0.3m was reclassified from accrued expenses to other provisions in respect of potential customer redress.

Also included in the amounts above are provisions for onerous contract costs (£0.4m, 2018: £1.0m), and a liability held in 2018 in respect of expected dilapidation costs (£0.4m).

The balance is split £0.2m current and £0.5m non-current (2018: £1.4m non-current).

There is some uncertainty around the timing of outflows in relation to the potential customer redress as it is dependent on future events. The onerous contract provisions are expected to be fully utilised by 2021.

Notes to the financial statements

20 Pension scheme

	2019 £'000	2018 £'000
Payments to defined contribution plan	1,678	2,267

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

The disclosed pension costs represent the costs recharged to the Company in relation to seconded employees' pension contributions and administrative staff recharges from a fellow group subsidiary.

21 Trade and other payables

	2019 £'000	2018 £'000
Due to insurers	12,337	8,652
Trade payables	1,229	1,192
Amounts due to group undertakings	11,155	37,866
Other payables and accrued expenses	4,298	7,617
Deferred income	6,155	4,368
VAT and other taxes payable	26	16
Total trade and other payables	35,200	59,711

The Company acts as an agent in broking the insurable risks of its customers and is not liable as a principal for premiums due to insurance companies or for claims payable to customers. Notwithstanding the Company's legal relationship with customers 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.

22 Capital and reserves

(a) Share capital

	Ordinary shares 2019 £'000	Ordinary shares 2018 £'000
In issue at 1 January and 31 December	24,050	24,050

At 31 December 2019, the authorised and issued share capital is 24,050,000 ordinary shares (2018: 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 (2018: £nil).

Notes to the financial statements

23 Staff numbers and costs

During the year, a review of the allocation of employees between group companies was undertaken to better reflect those seconded to any fellow group companies. As a result, the following disclosure is not on a like-for-like basis between each year.

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 6 includes details of the amounts recharged by Ageas Insurance Limited to the Company in respect of services provided by employees.

The amounts disclosed below are included within note 6, 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 seconded employees at the year end, analysed by category, was as follows:

	2019 No.	2018 No.
Corporate, administration and support	201	269
Marketing and sales	573	159
	774	428

The full time equivalent number of employees was as follows:

	2019 No.	2018 No.
Corporate, administration and support	172	220
Marketing and sales	542	141
	714	361

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

	2019 No.	2018 No.
Total number of employees	845	485
Full time equivalent number of employees	775	410

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

	2019 £'000	2018 £'000
Wages and salaries	10,158	9,848
Social security costs	845	711
Other pension costs	638	655
	11,641	11,214

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 consists of:

	2019 £'000	2018 £'000
Short-term employee benefits	698	1,107
Post-employment benefits	1	1
Share-based payments	103	86
	802	1,194

The remuneration of key management personnel consists of:

	2019 £'000	2018 £'000
Short-term employee benefits	761	445
Post-employment benefits	17	22
Share-based payments	24	54
Termination benefits	71	57
	873	578

In respect of the highest paid director:

	2019 £'000	2018 £'000
Short-term employee benefits	267	551
Post-employment benefits	-	1
Share-based payments	94	65
	361	617

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 (2018: £nil).

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

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.

	2019 Comp. income £'000	2019 Financial Position £'000	2018 Comp. income £'000	2018 Financial Position £'000
	Income/ (expense)	Asset/ (liability)	Income/ (expense)	Asset/ (liability)
Immediate parent and intermediate holding company	-	(16)	52	(69)
Fellow subsidiary company transactions and balances	9,085	(79,167)	32,205	(79,591)
	9,085	(79,183)	32,257	(79,660)

The Company's loan with its immediate parent undertaking, Ageas (UK) Limited, was settled in full on 4 April 2018. The income in the prior 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 events

Covid-19

The outbreak of the virus Covid-19, publicly referred to as the Coronavirus, is considered to be a non-adjusting event after the reporting date. Whilst the situation is uncertain at present we have considered the potential impacts and scenarios and have concluded that the impact of the virus Covid-19 does not have a material impact on the Company's ability to meet its solvency capital requirements or to meet its liabilities as they fall due.

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 financial statements 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.

Statement of Directors' Responsibilities in respect of 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.

Independent auditors' 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 2019 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 2019; 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 Auditors' 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
We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:
- 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.

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.

Independent auditors' 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 auditors' 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 Directors' Report, 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 Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 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 Directors' Report.

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 in respect of the Financial Statements set out on page 34, 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.

Independent auditors' report to the members of Ageas Retail Limited (continued)

Auditors' 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 auditors' 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 auditors' 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

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

4 August 2020