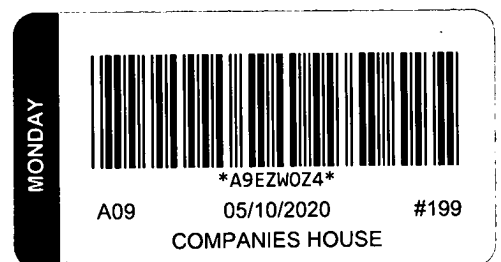


BRIT GROUP SERVICES LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL
STATEMENTS

31 DECEMBER 2019



Registered Number: 02245562

BRIT GROUP SERVICES LIMITED

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BRIT GROUP SERVICES LIMITED

Company Information

Directors

M Allan
L Denny
A Usher
M Gould (appointed on 16 April 2019; resigned on 13 March 2020)

Secretary

Brit Corporate Secretaries Limited

Registered Office

The Leadenhall Building
122 Leadenhall Street
London
EC3V 4AB

Independent Auditor

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditor
7 More London Riverside
London
SE1 2RT

BRIT GROUP SERVICES LIMITED

Strategic Report

The Directors present their Strategic Report on the Company for the year ended 31 December 2019.

Business review

During the year the Company continued to provide management services to the other companies in the Brit Limited Group. The ordinary activities of the Company were profitable, with an operating profit margin for the financial year of 4.0% (2018: 1.5%). However, due to a significant tax charge resulting from changes to tax rates, the Company recorded a loss after tax for the financial year of £7.0m (2018: £1.8m profit), which represents a negative return on equity of (20.0)% compared to a 4.3% return on equity recorded in 2018. This change in tax rate, which related to the measurement of the deferred tax asset on the Company's defined benefit pension plan asset, is not expected to recur and, as such, it is expected that the Company will return to profitability in 2020. For further information on this change, refer to notes 1(p), 9(b) and 10.

The Company is the principal employee within the Brit Limited Group. By considering the ratio of front office employees to back office employees, the group monitors the efficiency of its business model by comparing the number of office employees. The ratio for 2019 was 107.8% compared to 116.6% in 2018. This activity in the year as the Company sought to enhance and expand back office functions to support the continued growth of the Brit Limited Group.

In the opinion of the Directors, the state of affairs of the Company at the end of the year was satisfactory.

The Directors do not envisage any changes to the current business model in 2020.

United Kingdom's exit from the European Union (Brexit)

Following the UK's exit from the EU on 31 January 2020, significant uncertainties remain surrounding the UK's future relationship with the EU, with potentially unknown economic and political implications for the UK. Developments continue to be monitored closely.

Coronavirus (COVID-19) outbreak

The Board has been closely monitoring the Coronavirus (COVID-19) outbreak as it continues to evolve, with outbreaks being reported across the globe. Potential risks from the virus include not only insurance risk, but also investment and solvency risk following the capital market's response to the outbreak.

Brit is committed to and focused on the potential impact on its customers, capital providers and employees. We remain responsive to the needs of our customers and have contingency plans in place to ensure we can continue to provide the right level of customer service and to protect the health and well-being of our employees. We continue to monitor the situation and will adapt our plans as necessary to ensure we act in the best interests of all our stakeholders.

Revenue is generated by the Company on a cost-plus basis and relates to services provided to other Brit group companies. While the Company has net current liabilities, it remains in an overall net asset position. In addition, as the principal service company of the Brit group it is expected to be supported with additional funding if required so as to ensure the effective operations of the group. As such, there are no concerns around future cash flows or liquidity of the Company.

Principal risks and uncertainties

The Company is responsible for substantial amounts of expenditure. It is therefore exposed to credit risk should its customers in the Group fail to meet their obligations to pay fees. The Company manages this risk by receiving payment of management fee charges from Group companies in advance where possible.

Result

The loss for the financial year is £7.0m (2018: £1.8m profit).

Staff engagement

Our people are our greatest asset and managing our talent appropriately contributes significantly to our success.

BRIT GROUP SERVICES LIMITED

Strategic Report (continued)

Staff engagement (continued)

We want to engage with our employees and invest in their future so that they do not just progress, but thrive – both professionally, and emotionally. By developing and retaining a highly skilled, engaged and motivated workforce, we can generate value for them, the Company and our other stakeholders.

The Board principally engages with its workforce through its Directors and through the Brit Group Executive Committee, on which it has representation. Brit believes in two-way communication between directors, managers and all staff. It has a number of initiatives and processes designed to support and encourage this, including:

- An employee engagement survey, which takes place every two years across the Group. This is a key mechanism for assessing the views of our staff and leads to further engagement with them. The most recent engagement survey was held in late 2018. We had an excellent response rate of 91% and feedback was generally very positive.

The survey results were discussed at the executive level and then presented to all staff by the Group Chief Executive Officer.

Following this, an employee engagement group (EEG) was established, representing all areas of the business, to encourage free and open discussion and wider participation on employee engagement matters. Its primary objective is to further develop engagement strategy through the delivery of a number of initiatives, including targeted surveys and focus groups, and to make recommendations to the Executive Committee.

The survey results for each department were also made available and department heads were encouraged to enter into a two-way dialogue with their teams, with further initiatives encouraged at this level.

- Executive Blogs – These blogs provide a useful medium through which the Executive Committee and other members of senior management can update employees on matters such as the group's performance, initiatives and other developments, charitable activities and market conditions. All employees are encouraged to respond with a question or comment to help facilitate understanding and debate.
- Town Halls – Each month, a member of the executive committee presents on their area of focus. All staff are invited to these presentations, which are followed by questions and discussion. These presentations are recorded and made available to those unable to attend.
- Spotlight series – These in-depth interviews are circulated to all staff and are a way to highlight new initiatives and projects. Recent topics have included the engagement survey and a series highlighting cross functional staff moves.
- Team Meetings – At Brit, team meetings are encouraged both at a macro and micro level.
- Intranet – The Brit intranet site provides a central point of information, news and announcements to support working lives at Brit and provide access to tools and systems essential to people performing their roles.
- Email announcements - To communicate significant or high-profile news to all employees or groups of employees.
- In November 2019, Brit held its third annual 'celebrate the difference week', which provided a focus on individuals making a personal difference both to themselves and others. It concentrated on a variety of topics from working inclusively, understanding the positives that arise from businesses who have diverse and inclusive employee populations, mental, physical and emotional well-being. The various sessions, mainly hosted by external specialists, were well attended and well received.

Engagement with our staff allows us to assess the extent to which they are motivated. Such motivation contributes to the success of our organisation. Engagement also identifies areas we need to focus on to continue to develop staff motivation. High engagement results have a positive impact on our team performance and employee retention, our service quality (both internally and externally), and our overall business performance, ultimately benefitting all stakeholders.

BRIT GROUP SERVICES LIMITED

Strategic Report (continued)

Stakeholder engagement

The Board recognises the importance of engaging with the Company's key stakeholders.

Why we engage	Form of engagement	Impact of engagement
<p>Members and the wider Brit Group</p> <p>Brit Group Services Limited is owned by Brit Insurance Holdings Limited, and ultimately by Fairfax Financial Holdings Limited. Our aim is to provide long term sustainable value for our shareholder and the wider Brit and Fairfax groups. Engagement ensures that our objectives are aligned and clearly understood.</p>	<p>Brit Group Services Limited shares a number of Directors with Brit Insurance Holdings Limited and Brit Limited, and the Brit Executive Committee has two representatives on Board. There is also regular contact between Brit executives and senior management and those of our ultimate shareholder.</p>	<p>This engagement helps ensure that Brit Group Services Limited's strategy is aligned to and supported by our shareholder and the wider Brit Group. Such engagement also presents us with opportunities and to collaborate with other members of the Fairfax Group.</p>
<p>Key suppliers</p> <p>Supply chain integrity is a critical part of our business, as we rely on a number of key suppliers of goods and services to help us meet the needs of our customers' and those of other stakeholders.</p> <p>On-going engagement with such suppliers helps us ensure that those needs are met and ensures that the standards set by those suppliers meet Brit's criteria.</p> <p>Such suppliers include providers of IT systems, claims management, professional services, facilities and travel providers.</p>	<p>We determine the risk of the potential engagement by investigating the potential spend value, criticality of the services to be provided and personal information to be shared between parties.</p> <p>We have strong partnerships with a number of critical suppliers. These partnerships are fostered by a range of activities including ongoing dialogue and meetings at both executive and function owner level. We also engage with key suppliers in areas such as technical and product roadmaps, integration planning and disaster recovery.</p> <p>There is also a rigorous on-boarding process for new suppliers.</p>	<p>Such supplier engagement enables us to:</p> <ul style="list-style-type: none"> • Provide a better service to and satisfy the needs of our customers and other stakeholders; • Enhance current operational processes, leading to better efficiencies and increased competitive advantage in the market place; • Comply with appropriate laws and regulations, by implementing suitable controls and measures; • Improve the company's technological resilience; and • Ensure the robustness and integrity of our suppliers, such as their compliance with the Modern Slavery Act 2015.
<p>Trustee and members of the Brit Group Services Limited Defined Benefit Pension Scheme</p> <p>The Company, on behalf of the Brit Limited Group, operates a funded defined benefit pension scheme. Engagement with the scheme's corporate trustee ensures the objectives of the trustee and the Company mutually understood, and the interest of the scheme's members protected.</p>	<p>The Company engages with the scheme through the corporate trustee of the scheme, Brit Pension Trustee Limited. The Company is represented on the trustee board by two Company nominated trustee directors.</p>	<p>The impact of this engagement was seen in 2019 during the successful discussions to agree a funding strategy and contribution schedule for the scheme.</p>

BRIT GROUP SERVICES LIMITED

Strategic Report (continued)

Section 172(1) Statement

Introduction

As Directors, our key responsibility is to promote the success of the Company. This principle is the cornerstone of our discussions and our decision making. Each Director is cognisant that in discharging this key responsibility, they must have regard to matters set out in s172(1)(a-f) of the Companies' Act. The Directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company.

Our strategy

The Board is responsible for a number of key strategic decisions and on-going performance monitoring. The Directors' assessment of long-term value creation considers the Company's resilience. They determine and monitor risk appetites and tolerances, and they ensure the Company has an effective risk management framework in place.

Board information

The Board receives information on a range of relevant topics, and receives information on other areas as requested by the Directors from time to time.

Our policies and practices

All relevant factors are appropriately addressed by the Board when considering matters reserved for it, as set out in its terms of reference. It ensures that all relevant considerations to assist it discharge its responsibilities are embedded in the key operations of the business, in order to help promote the long-term success of the Company.

The Board reviews its key stakeholder map on an annual basis. New key stakeholder relationships are identified through information received and considered by the Board on a regular basis, or through the Board's consideration and approval of substantial contracts and commitments.

Training

To assist the Directors discharge their responsibilities, they are provided with on-going training and development opportunities. They have received a number of in-depth briefings on specific relevant issues. For the wider workforce, there is a comprehensive staff development programme tailored to meet individual needs. Elements of this training are mandatory, with all staff required to successfully complete e-learning modules on key areas such as money laundering, bribery and corruption, data protection, fraud and cyber risk.

Our culture

Building and maintaining the Company's reputation and its high standards of business conduct are essential to the future success of the Company. This is embedded in our culture and in our new brand purpose, launched in October 2019. The wider group also maintains a 'Code of Conduct' setting out the standard we expect from all of our staff. This is regularly reviewed and updated, and compliance is attested to by each employee on an annual basis.

Our people

Our people are key to our success. How we engage with them and how we invest in them is set out above.

Our stakeholders

The Board recognises the importance of engaging with its broader stakeholder base. Key stakeholders are set out above, together with why and how we engage with them and the outcomes of that engagement.

BRIT GROUP SERVICES LIMITED

Strategic Report (continued)

Section 172(1) Statement (continued)

Key decisions made by the Directors during the year

- **Approval of Infosys BPM Limited contract**

The Directors approved the renewal of the Group's outsourcing contract with Infosys BPM Limited, which provides business processing and information technology services to the Brit Group. The Directors concluded that entering into the revised contract was in the Company's and its key stakeholders' best interests, met its overall objectives and was consistent with their key responsibility of promoting the success of the Company.

- **Defined benefit pension scheme valuation**

During the year, the Directors approved the funding strategy and contribution schedule for the defined benefit pension scheme which it operates, following discussions with the scheme's Trustee. This followed a funding valuation of the scheme was undertaken as at 31 July 2018, which identified a funding surplus of £9.5m. The Company reaffirmed its commitment to pay additional contributes to support the Scheme in accordance with the agreed schedule of contributions. However, given the financial position of the scheme, it was agreed that these contributions be paid into a holding account, over which the trustee has a charge, and not directly into the scheme. The Directors concluded that this agreement was in the best interests of the Company, while safeguarding the interests of the members of the scheme.

By Order of the Board



A E Usher
Director
24 September 2020

BRIT GROUP SERVICES LIMITED

Report of the Directors

Registered Number: 02245562

The Directors present their report and audited financial statements for the year ended 31 December 2019.

Principal activities

The Company provides management services to other companies in the Brit Limited Group.

Going concern

The Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Result and dividend

The loss for the financial year is £7.0m (2018: £1.8m profit).

No interim dividend was paid during the year (2018: nil).

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

The Directors do not envisage any changes to the current business model in 2020.

Directors

The names of the Directors of the Company who held office during the financial year and up to the date of signing the financial statements, are listed on page 2 of this report.

Employee matters

Brit is an equal opportunities employer. This means we will not unlawfully discriminate against any person on grounds of colour, religion or belief, race or ethnic origin, nationality or national origin, sex or sexual orientation, marital status, disability, age, pregnancy or maternity, or gender reassignment. We have established policies to ensure that there is no discrimination against applicants for a job or whilst in employment.

The Company is committed to ensuring equal opportunities in relation to job advertisements, recruitment and selection, assessment of work performance or conduct, disciplinary and grievance procedures, conditions of service, promotion and training, pay and benefits and termination of employment.

In the event of employees becoming disabled, every effort is made to ensure their employment with the Company continues and appropriate training arranged. So far as possible, the Company ensures that the training, career development and promotion of any disabled person is identical to that of a colleague who does not suffer from such a disability.

The Company maintains procedures by which all employees are systematically encouraged to express matters that may affect them and are provided with information on matters of concern.

The Employee Share Scheme, as well as other means provide an opportunity for staff involvement in the Company's performance.

Environmental responsibility

The Brit Group is committed to managing and reducing its environmental impact in a cost effective and responsible way. Further detail is available in Brit Limited's annual report and financial statements for the year ended 31 December 2019.

BRIT GROUP SERVICES LIMITED

Report of the Directors (continued)

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK Accounting Standards comprising FRS 102 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 responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure of information to the auditor

In accordance with the provisions of section 418 of the Companies Act 2006, each of the persons who are Directors of the Company at the date of approval of this report confirms that:

- So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- Each Director has taken all the steps that ought to have been taken in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

PricewaterhouseCoopers LLP will remain in office as the Company's auditor.

The review of the business and principal risks and uncertainties information is not shown in the Directors' report because it is shown in the strategic report instead under s414C(11).

By Order of the Board.



A E Usher
Director
24 September 2020

BRIT GROUP SERVICES LIMITED

Independent Auditors' Report to the Member of Brit Group Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Brit Group Services 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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Directors Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the income statement, the statement of comprehensive income, 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.

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.

BRIT GROUP SERVICES LIMITED

Independent Auditors' Report to the Member of Brit Group Services Limited (continued)

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 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 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 9, 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.

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.

BRIT GROUP SERVICES LIMITED

Independent Auditors' Report to the Member of Brit Group Services Limited (continued)

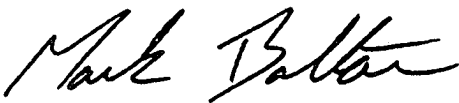
Other required reporting

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.



Mark Bolton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 September 2020

BRIT GROUP SERVICES LIMITED

Income Statement

For the Year Ended 31 December 2019

	Note	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Turnover	2	133,982	117,627
Administrative expenses		(129,882)	(113,825)
Other operating income/(expense)	3	534	(1,536)
Foreign exchange gains/(losses)		665	(484)
Operating profit	5	5,299	1,782
Interest receivable and similar income	6	62	44
Profit before taxation		5,361	1,826
Tax on profit	9(a)	(12,341)	(74)
(Loss)/profit for the financial year		(6,980)	1,752

The notes on pages 17 to 30 form part of these financial statements.

BRIT GROUP SERVICES LIMITED

Statement of Comprehensive Income

For the Year Ended 31 December 2019

		Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
(Loss)/profit for the financial year	Note	(6,980)	1,752
Actuarial (losses)/gains on defined benefit pension scheme	10	(3,702)	2,853
Tax relating to actuarial (losses)/gains on defined benefit pension scheme	9(b)	5,037	(485)
Total comprehensive income recognised in the year		(5,645)	4,120

The notes on pages 17 to 30 form part of these financial statements.

BRIT GROUP SERVICES LIMITED

Statement of Financial Position

As at 31 December 2019

	Note	31 December 2019 £'000	31 December 2018 £'000
Fixed Assets			
Intangible assets	11	16,138	16,492
Tangible assets	12	12,150	12,838
Employee benefits	10	39,163	41,668
		67,451	70,998
Current Assets			
Debtors	14	42,364	31,724
Prepayments and accrued income		17,807	13,720
Cash at bank and in hand		4,265	6,760
		64,436	52,204
Current Liabilities			
Creditors: Amounts falling due within one year	15	(84,164)	(77,164)
Deferred tax	16	(9,629)	(3,267)
		(93,793)	(80,431)
Net current liabilities		(29,357)	(28,227)
Total assets less current liabilities		38,094	42,771
Creditors: Amounts falling due after more than one year	17	(511)	(475)
Other provisions	18	(2,669)	(1,738)
Net assets		34,913	40,558
Capital and reserves			
Called up share capital	19	700	700
Retained earnings		34,213	39,858
Total shareholder's funds		34,913	40,558

The financial statements on pages 13 to 30 were approved by the Board of Directors on 24 September 2020 and signed on their behalf by:



A Usher
Director

The notes on pages 17 to 30 form part of these financial statements.

BRIT GROUP SERVICES LIMITED

Statement of Changes in Equity

For the year ended 31 December 2019

	Note	Called up share capital £'000	Retained earnings £'000	Total shareholder's funds £'000
At 1 January 2019		700	39,858	40,558
Loss for the financial year		-	(6,980)	(6,980)
Other comprehensive income recognised in the year		-	1,335	1,335
Share-based payments	20	-	-	-
At 31 December 2019		700	34,213	34,913

	Notes	Called up share capital £'000	Retained earnings £'000	Total shareholder's funds £'000
At 1 January 2018		700	35,580	36,280
Profit for the financial year		-	1,752	1,752
Other comprehensive income recognised in the year		-	2,368	2,368
Share-based payments	20	-	158	158
At 31 December 2018		700	39,858	40,558

The notes on pages 17 to 30 form part of these financial statements.

BRIT GROUP SERVICES LIMITED

Notes to the Financial Statements

For the year ended 31 December 2019

1. Accounting policies and critical accounting estimates and judgements

(a) Basis of preparation

The financial statements have been prepared in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and the Companies Act 2006. The financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets measured at fair value. The financial statements are presented in Sterling (GBP) and all values are rounded to the nearest £'000 except where otherwise indicated.

The Company is a private company, limited by shares and is incorporated in England. The address of its registered office is The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AB.

The financial statements for the year ended 31 December 2019 were approved for issue by the Board of Directors on 24 September 2020.

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

(b) Consolidated financial statements

The financial statements present information relating to Brit Group Services Limited, not to the group of which it is the parent company. Brit Group Services Limited is exempt from preparing consolidated financial statements of the group, under Section 400 of the Companies Act 2006. Brit Limited, which is registered in the UK and is an intermediate holding company, has prepared Group financial statements which are publicly available.

(c) Investments

Investments in subsidiary undertakings are stated at cost less impairment.

(d) Turnover

Turnover consists of management fees which are recognised in the accounting period in which the services are rendered.

(e) Share-based payments

The fair value of equity instruments granted under share-based payment plans are recognised as an expense and spread over the vesting period of the instrument. The total amount to be expensed is determined by reference to the fair value of the awards made at the grant date.

At the date of each statement of financial position, the Company revises its estimate of the number of equity instruments that are expected to become exercisable and it recognises the impact of the revision of original estimates, if any, in the income statement. Where the awards have been granted by a parent company and are therefore treated as equity settled a corresponding adjustment is made to equity over the remaining vesting period.

Where the awards have been granted by the Company and are therefore treated as cash-settled, a liability is provided for settlement of the awards. The corresponding adjustment arising on a revision of the original estimate is made to that liability. In addition, the fair value of the award and ultimate expense are adjusted on a change in the market share price of the underlying shares or at the valuation date.

(f) Current taxation and deferred taxation

(i) Current Taxation

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

(ii) Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or receive more tax.

BRIT GROUP SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

1. Accounting policies and critical accounting estimates and judgements (continued)

(f) Current taxation and deferred taxation (continued)

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(g) Expenses

All expenses are accounted for on an accruals basis.

(h) Foreign Currencies

Transactions in foreign currencies other than Sterling, United States dollars, Canadian dollars and Euros are translated at the rate of exchange ruling at the date the transaction is processed. Unless otherwise stated, transactions in United States dollars, Canadian dollars and Euros are translated at the average rates of exchange for the period. Assets and liabilities in currencies other than Sterling are translated at the rate of exchange ruling at 31 December of each year. Exchange differences arising on translation are dealt with in the income statement.

(i) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment. A review for impairment is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. Depreciation is calculated so as to write-off the cost over their estimated useful economic lives on a straight-line basis as follows:

- Office refurbishment costs, office machinery, furniture and equipment 5 - 15 years
- Computers, servers, data storage devices, networks and other IT infrastructure 3 - 5 years

(j) Intangible fixed assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use. Internal development costs that are directly associated with the production of identifiable and unique software products controlled by the Company are also capitalised where the cost can be measured reliably, the Company intends to and has adequate resources to complete development and the computer software will generate future economic benefits. All computer software costs are finite life assets and amortised on a straight-line basis over their expected useful lives, not exceeding a period of five years.

(k) Leased assets

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to enter into an operating lease are similarly spread on a straight-line basis over the lease term.

Where a building held under an operating lease is no longer employed by the Company, a provision is set up equal to the net amount of future rent payments to the expiry of the lease less any future rent receipts expected to be received from subleasing the building.

(l) Post-retirement employee benefits

The Company operates a defined contribution group personal pension plan and makes payments into a number of personal money purchase pension plans. Contributions in respect of these schemes are charged to the income statement in the period to which they relate.

The Company also operates a defined benefit pension scheme. The asset recognised in the statement of financial position in respect of the defined benefit scheme is the fair value of the scheme assets less the present value of the defined benefit obligation which is determined by discounting the estimated future cash outflows. The discount rate is based on market yields at the reporting date of high-quality corporate bonds that have terms to maturity which approximate to those of the related pensions liability.

BRIT GROUP SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

1. Accounting policies and critical accounting estimates and judgements (continued)

(l) Post-retirement employee benefits (continued)

An asset is recognised only to the extent that it is considered available in the form of future refunds from the plan, taking into consideration any minimum funding requirements that apply to the plan. Actuarial gains and losses are recognised immediately through other comprehensive income. The Company determines the net interest expense/income on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/asset.

Past service costs arising in the period are recognised immediately as an expense at the earlier of the date when the plan amendment or curtailment occurs and the date when the Company recognises related restructuring costs or termination benefits.

(m) Provisions

Provisions are liabilities with uncertainties in the amount or timing of payments. Provisions are recognised if there is a present obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made at the date of the statement of financial position. Provisions are discounted for the time value of money where the effect of this is material.

(n) Interest payable and receivable

Interest payable and receivable are recognised using the effective interest rate method.

(o) Creditors

Creditors are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest rate method. Creditors are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(p) Critical accounting estimates and judgement

The amounts recognised in the financial statements in respect of the defined benefit pension plan are determined using actuarial valuations, which involves making assumptions that may differ from actual developments in the future. These include the determination of the discount rate, inflation, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The carrying amount of the pension asset at the date of the statement of financial position was £39.2m (2018: £41.7m). For further information, refer to Note 10.

In addition, the measurement of the deferred tax asset recognised in respect of the pension asset is based on an assumption about how the surplus on the pension scheme will be realised. For further information, refer to Notes 9(b) and 10.

2. Turnover

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Management fees	133,982	117,627

3. Other operating income/(expense)

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Other income	260	726
Change in market value of Fairfax shares	274	(2,262)
	534	(1,536)

BRIT GROUP SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

4. Auditor's remuneration

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Fees payable to the Company's auditor and its associates for the audit of the financial statements	29	28

The Company is exempt from disclosing fees paid to the Company's auditor and its associates for services other than the statutory audit of the Company as non-audit fees have been disclosed in the consolidated financial statements of Brit Limited, the parent company. The parent company is required to comply with this statutory disclosure requirement.

5. Operating profit

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
This is arrived at after charging:-		
Depreciation of tangible fixed assets	2,215	2,985
Amortisation of intangible assets	4,152	4,240
Impairment of intangible assets	-	31
Leasehold property rents	3,805	3,801
Auditor's remuneration	29	28
Foreign exchange (gains)/losses	(665)	484

6. Interest receivable and similar income

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Interest receivable	62	44

7. Staff costs

a) The average number, on a monthly basis, of persons employed in the activities of the Company and syndicates managed by another Brit Group company during the year, including Directors, was as follows:

	Year ended 31 December 2019 No.	Year ended 31 December 2018 No.
Front office staff		
Underwriters	120	124
Claims staff	57	57
Other underwriting and direct support staff	87	72
Total front office staff	264	253
Back office staff		
Management	83	68
Administration	162	149
Total back office staff	245	217
Total staff	509	470

BRIT GROUP SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

7. Staff costs (continued)

(b) Their aggregate employment costs were:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Wages and salaries	61,605	54,058
Social security costs	8,377	7,136
Other pension costs	3,125	2,970
	73,106	64,164

8. Directors' remuneration

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Aggregate remuneration	1,656	2,577
Aggregate contributions to money purchase pension schemes	10	10
Total	1,666	2,587

The Directors' remuneration disclosed above includes the following amounts paid to the highest paid director:

Aggregate remuneration	698	1,059
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	Year ended 31 December 2019 Number	Year ended 31 December 2018 Number
Number of Directors with benefits accruing under money purchase pension schemes	1	1
Number of Directors in respect of whose qualifying services, shares were received or receivable under long term incentive schemes	4	4

Shares were received or receivable by the highest paid Director in respect of qualifying services under a long-term incentive scheme during both 2018 and 2019.

BRIT GROUP SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

9. Taxation

(a) Tax on profit

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Current tax:		
UK corporation tax at 19.0% (2018: 19.0%)	(740)	705
Adjustments in respect of prior years	(202)	573
Total current tax (charge)/credit	(942)	1,278
Deferred tax:		
Origination and reversal of timing differences	(358)	(1,233)
Effect of future tax rate changes	(11,419)	130
Adjustments in respect of prior years	378	(249)
Total deferred tax	(11,399)	(1,352)
Tax charge on profit	(12,341)	(74)

(b) Tax credited/(charged) to other comprehensive income

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Deferred tax credit/(charge) on actuarial gains or losses on defined benefit pension scheme	5,037	(485)

(c) Tax reconciliation

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Profit before taxation	5,361	1,826
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(1,019)	(347)
Effects of:		
Permanent differences	(79)	(181)
Adjustments in respect of prior years	176	324
Change in tax rate	(11,419)	130
Total tax charged to the income statement (Note 9 (a))	(12,341)	(74)

In 2018, the deferred tax on the net pension asset was measured using the tax rates expected to apply over the life of the scheme. During 2019, the Company's reconsidered how that asset might be realised in future periods and, as a result, a change in applicable tax rate was applied, resulting in a charge of £11,433k.

(d) Effect of post balance sheet rate changes

UK legislation was substantively enacted on 9 September 2016 to reduce the main rate of UK corporation tax from 19% to 17% from 1 April 2020. The reduction in rate from 19% to 17% has been used in the calculation of the UK's deferred tax assets and liabilities as at 31 December 2019.

UK legislation was enacted on 17 March 2020 to maintain the main rate of UK corporation tax at 19%. The impact would be to reduce the deferred tax asset from £9.6m to £9.2m.

BRIT GROUP SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

10. Employee benefits

The Company has the following pension schemes in operation:

(i) Brit Group Services Limited – funded defined benefit pension scheme

The Company, on behalf of the Brit Limited Group, operates a funded defined benefit pension scheme providing pensions benefits to its members. The scheme closed to new entrants on 4 October 2001 and closed to future accrual of benefits on 31 December 2011. All active members of the defined benefit scheme joined the defined contribution plan for future service. Following closure to future accrual, benefits now increase broadly in line with inflation. The weighted average duration to payment of the scheme's expected cash flows is 16 years (2018: 15 years).

The scheme is approved by HMRC for tax purposes. The scheme is operated from a trust, which has assets which are held separately from the Group. The trust is managed by an independent Trustee. The Trustee is responsible for payment of the benefits and management of the scheme's assets. The scheme is subject to UK regulations overseen by the Pensions Regulator, which require the Group and Trustee to agree a funding strategy and contribution schedule for the scheme every three years. The most recent triennial review of the scheme was undertaken as at 31 July 2018 and identified a funding surplus of £9.5m.

Following the 2018 valuation, the Group agreed to continue to pay contributions of £2.0m a year until 31 July 2024. These contributions are now paid into a designated Brit Group Services Limited bank account over which the scheme has a charge. These contributions are payable by Brit Group Services Limited and backed-up by cross-company guarantees from Brit Insurance Holdings Limited.

If there is a shortfall against the funding target, then the Company and Trustee will agree on deficit contributions to meet this deficit over a period. There is a risk to the Company that adverse experience could lead to a requirement for the Company to make additional contributions in excess of those above to recover any deficit that arises.

The amount included in the statement of financial position arising from the Company's obligations in respect of the scheme is as follows:

Net amount recognised in the statement of financial position for the scheme:

	31 December 2019 £'000	31 December 2018 £'000
Present value of defined benefit obligation	(145,943)	(137,066)
Fair value of scheme assets	185,106	178,734
Net pension asset	39,163	41,668

The measurement of the net pension asset is impacted by a number of factors, including the actuarial assumptions used and the contributions paid to the scheme by the Group.

Changes in net assets recognised in the statement of financial position:

	31 December 2019 £'000	31 December 2018 £'000
Opening balance sheet asset	41,668	35,880
Credit to the income statement	1,197	935
Amounts recognised outside income statement	(3,702)	2,853
Contributions paid	-	2,000
Closing balance sheet asset	39,163	41,668

BRIT GROUP SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

10. Employee benefits (continued)

A net pension asset is recognised on the statement of financial position as there is an unconditional right of the company to be refunded the surplus in the scheme. The company expects this asset to be available as a refund as sponsoring employer. Deferred tax related to the net pension asset is therefore measured at 35% being the tax rate applied in respect of any surplus payments made from a UK pension scheme under UK legislation, and is presented within the deferred tax line of the statement of financial position. Previously, the deferred tax on the net pension asset was measured using the tax rates expected to apply over the life of the scheme. This change in tax rate occurred in 2019, resulting in a charge of £11,433k as noted in note 9 above.

Net credit recognised in the income statement:

	31 December 2019 £'000	31 December 2018 £'000
Net interest on net defined benefit asset	1,197	935
Net credit	1,197	935

This credit has been recognised in the operating expenses line of the income statement. Contributions to the Group's defined contribution pension arrangements are in addition to those set out in this note and are charged directly to the income statement.

The allocation of the scheme's assets was as follows:

	31 December 2019 £'000	31 December 2018 £'000
Equities	9,475	27,806
Index-linked UK government bonds	116,281	92,679
Other debt securities	50,483	50,419
Cash and net current assets	5,616	4,772
Gold and gold mining equities	1,579	1,918
Other scheme assets	1,672	1,140
Fair value of scheme assets	185,106	178,734

All scheme assets have quoted prices in active markets. The scheme does not invest directly in property occupied by the Group or in financial securities issued by the Group.

Investment strategy:

The Trustee determines the scheme's investment strategy after taking appropriate advice from their investment consultants. The management of the assets is delegated to Ruffer LLP and Insight Investment Management (Global) Limited. The Trustee's investment objectives are to ensure that the scheme has adequate resources to meet the members' entitlements under the Trust Deed and Rules as they fall due, and thereafter to minimise long-term costs of the scheme by maximising the return on the assets. Investment risk is managed by diversifying the assets across asset classes whose return patterns are not highly correlated, and by periodically rebalancing asset classes. The assets include a portfolio of UK index-linked government bonds which aim to match a significant part of the scheme's inflation-linked benefits and therefore help to reduce the Group's exposure to investment and inflation risks.

BRIT GROUP SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

10. Employee benefits (continued)

Movements in the present value of the defined benefit obligation were as follows:

	31 December 2019 £'000	31 December 2018 £'000
Opening defined benefit obligation	137,066	156,068
Interest cost	3,783	3,833
Actuarial losses/(gains)	15,451	(13,178)
Benefits paid	(10,357)	(9,657)
Closing defined benefit obligation	145,943	137,066

Movements in the fair value of the scheme assets were as follows:

	31 December 2019 £'000	31 December 2018 £'000
Opening fair value of the scheme assets	178,734	191,948
Interest income	4,980	4,768
Actual return excluding interest income	11,749	(10,325)
Contributions by the employer	-	2,000
Benefits paid	(10,357)	(9,657)
Closing fair value of scheme assets	185,106	178,734

The gain on plan assets over the year was £16.7m (2018: £5.6m loss).

The actuarial assumptions at the year-end were:

	31 December 2019 % per annum	31 December 2018 % per annum
Retail Prices inflation	3.1	3.3
Consumer Prices inflation	2.3	2.3
Discount rate	2.1	2.9
Pension increases in payment	3.0	3.1
Life expectancy of a pensioner aged 60 at the balance sheet date:		
Male	27.8 years	27.7 years
Female	29.9 years	29.8 years
Life expectancy of a member retiring at age 60 in 20 years' time:		
Male	29.3 years	29.2 years
Female	31.4 years	31.4 years

The assumptions used to determine end-of-year benefit obligations are also used to calculate the following year's cost.

(ii) Brit Group Services Limited - Defined Contribution Group Personal Pension Plan

From 5 October 2001, Brit Group Services Limited has operated a defined contribution group personal pension plan. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by Brit Group Services Limited to the fund and amounted to £4,322k (2018: £3,905k). These costs have been included within other pension costs in the income statement. At 31 December 2019 no contributions were payable to the fund (2018: nil).

BRIT GROUP SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

11. Intangible assets

	Software £'000
Cost at:	
1 January 2019	28,468
Additions	3,798
31 December 2019	32,266
Accumulated amortisation at:	
1 January 2019	11,976
Charge for year	4,152
31 December 2019	16,128
Net book values at:	
31 December 2019	16,138
31 December 2018	16,492

The software amortisation charge for the year of £4,152k (2018: £4,240k) is included in the 'administrative expenses' line in the income statement.

All software additions in 2018 and 2019 were internally developed.

There is no individual intangible asset that is material to the entity's financial statements (2018: nil).

12. Tangible fixed assets

	Office Refurbishment £'000	Computers, Office Machinery, Furniture and Equipment £'000	Total £'000
Cost at:			
1 January 2019	14,812	7,535	22,347
Additions	924	603	1,527
Disposals	-	-	-
31 December 2019	15,736	8,138	23,874
Accumulated depreciation at:			
1 January 2019	3,876	5,633	9,509
Charge for year	1,179	1,036	2,215
Disposals	-	-	-
31 December 2019	5,055	6,669	11,724
Net book values at:			
31 December 2019	10,681	1,469	12,150
31 December 2018	10,396	1,902	12,838

The depreciation charge for the year of £2,215k (2018: £2,985k) is included in the 'administrative expenses' line in the income statement.

BRIT GROUP SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

13. Investments in group undertakings

The Company holds investments in three dormant Group services companies.

Details of the Company's subsidiaries are as follows:

Name of company	Nature of business
Brit Corporate Secretaries Limited	Group services company (Dormant)
Brit Corporate Services Limited	Group services company (Dormant)
Brit Pension Trustee Limited	Group services company (Dormant)

Brit Group Services Limited owns 100% of the ordinary share capital of its subsidiary companies listed above, all of which were incorporated in England. The registered address and principal place of business of all the subsidiaries is The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AB.

Each of these subsidiaries is carried in the statement of financial position at £1. The Directors are of the opinion that the value of the Company's investments is not less than the amount stated in the statement of financial position.

14. Debtors

	31 December 2019 £'000	31 December 2018 £'000
Due within one year:		
Amounts owed by Group undertakings	4,081	9,325
Corporation tax receivable	-	205
Other assets	38,283	22,194
	42,364	31,724

Other assets relate to shares purchased to settle share-based payment awards.

15. Creditors

	31 December 2019 £'000	31 December 2018 £'000
Amounts falling due within one year:		
Other taxation and social security	1,894	1,939
Other creditors	8,115	4,251
Amounts owed to Group undertakings	40,286	41,414
Accruals and deferred income	33,869	29,560
	84,164	77,164

BRIT GROUP SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

16. Deferred tax

	31 December 2019 £'000	31 December 2018 £'000
Liability		
Other timing differences – capital allowances	(2,273)	(2,869)
Other timing differences – pension scheme surplus	13,707	7,083
Other timing differences – other	(1,805)	(947)
	9,629	3,267
Deferred tax liability at the start of the year	3,267	1,430
Deferred tax charge in income statement for year (Note 9 (a))	11,399	1,352
Tax relating to components of other comprehensive income	(5,037)	485
Liability at end of year	9,629	3,267

Following changes enacted in Finance Act 2016 to UK tax rates in respect of future years the deferred tax assets and liabilities have been calculated at 17% (2018: 17%), being the tax rate which was expected to apply from April 2020 as at the balance sheet, with the exception of the deferred tax asset in respect of the pension scheme surplus which is calculated at 35% (2019: 17%).

17. Long service award accrual

	31 December 2019 £'000	31 December 2018 £'000
Amounts falling due within one year	142	121
Amounts falling due after one year	511	475
Long service award accrual	653	596

18. Other Provisions

	Dilapidations £'000
Provision at 1 January 2019	1,738
Utilised in the year	(30)
Unwinding of discount	961
Provision at 31 December 2019	2,669

Dilapidations:

The dilapidation provision relates to contractual obligations of the Company on surrender of leased properties to reinstate the properties to the same state and condition as before occupancy.

BRIT GROUP SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

19. Called up share capital

	31 December 2019 £'000	31 December 2018 £'000
Allotted and called up and fully paid: 2,800,000 ordinary shares 25p each	700	700

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

20. Share-based payments

Until 5 June 2015, the ultimate parent of the Company during that period, Brit Limited, operated an equity settled Performance Share Plan and an equity settled All-Employee Share Plan. Following control of Brit Limited passing on that date to Fairfax Financial Holdings Group Limited, a subsidiary of Fairfax Financial Holdings Limited, the awards under these Brit schemes either vested or were replaced with awards under a Fairfax Financial Holdings Limited Long Term Incentive Plan (treated as equity-settled). Subsequent to 5 June 2015, a further Long Term Incentive Plan (treated as cash-settled) and an Employee Share Ownership Plan (ESOP) (treated as equity-settled) denominated in Fairfax Financial Holdings Limited shares were made available to the employees of the Company. All of these schemes are deemed to fall within the scope of Section 26 'Share-based Payment' of FRS 102.

The Fairfax LTIP schemes have no performance conditions and a vesting period of 3 to 10 years. The Fairfax ESOP has no performance conditions and no vesting period.

In order to settle share-based payment awards, in 2019 the Company purchased US\$25.0m (2018: US\$11.2m) of preference shares in FFHL Share Option 1 Corp and that company has purchased shares in Fairfax. This has been recorded within Other assets (see note 14) so as to offset the share-based payment recorded as a liability within Other creditors (see note 15) that accrues over the vesting period of the awards.

The compensation cost relating to employees of the Company and recognised in the income statement under FRS 102, section 26 'Share-Based Payment' was £4,072k (2018: £660k), of which £nil (2018: £158k) was recognised in equity.

For more information, refer to the Brit Limited consolidated financial statements, which can be obtained by writing to The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AB.

21. Operating lease commitments

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods was as follows:

	31 December 2019 £'000	31 December 2018 £'000
Land and Buildings:		
Not later than one year	4,568	4,568
Later than one year and not later than five years	18,272	18,272
Later than five years	24,744	29,312
	47,584	52,152

BRIT GROUP SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

22. Disclosure exemptions

The Company has taken advantage of the disclosure exemptions provided by paragraph 1.12 of FRS 102. Accordingly, these financial statements do not include the following:

- Statement of cash flows;
- A reconciliation of shares outstanding at the beginning and end of the period;
- Specific information relating to financial instruments that is included within equivalent disclosures for the Group;
- Specific information relating to share-based payments that is included within equivalent disclosures for the Group; and
- Disclosure of key management personnel compensation.

The Company has been consolidated into the Group financial statements of Brit Limited. The Brit Limited consolidated financial statements and accompanying notes provide further detail in respect of these areas, copies of whose financial statements can be obtained from The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AB.

23. Related party transactions

The Company has taken advantage of the exemption afforded by FRS 102, paragraph 33.1A, in not disclosing transactions with other wholly owned subsidiaries of the Brit Limited Group.

24. Controlling parties

The Company is a wholly owned subsidiary of Brit Insurance Holdings Limited a company registered in the United Kingdom. As at 31 December 2019, the ultimate parent company was Fairfax Financial Holdings Limited a company registered in Canada. Copies of Fairfax consolidated financial statements can be obtained by writing to 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada, M5J 2N7, or from the website at www.fairfax.ca.

The Company is included in the consolidated financial statements of the intermediate parent, Brit Limited. See Note 22 above.

25. Events after the reporting date

UK legislation was enacted on 17 March 2020 to maintain the main rate of UK corporation tax at 19%. The impact would be to reduce the deferred tax asset from £9.6m to £9.2m.

Since the outbreak of COVID-19 in the first quarter of 2020, global financial markets have experienced, and may continue to experience, significant volatility and there are significant consequences for the global economy from travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The extent and duration of the impact of COVID-19 on the global economy and the sectors in which the Company operates is uncertain at this time, but it has the potential to adversely affect our business.

The outbreak of COVID-19 in 2020 is a non-adjusting post-balance sheet event. As of 24 September 2020, management was not aware of any significant adverse effects on the financial statements for the year ended 31 December 2019 as a result of COVID-19. Further detail on the impact of COVID-19 on the Company can be found in the Strategic Report.