

UKAIS Limited

Registered Number 02613429

Directors' Report and Financial Statements

31 December 2011



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# UKAIS Limited

## Directors' Report and Financial Statements

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# UKAIS Limited

## Directors and Advisers

### Directors

Jason D Banwell

Robert S Bright

*Appointed 17 March 2011*

Peter R H Friend

Julian R M Harvey

Nicholas J Lemans

*Appointed 16 February 2011*

Barry D Smith

Michael W Stanley

Andrew S Watson

Anthony Lewis

*Resigned 1 April 2011*

### Secretary

Rosemary A Smith

### Head Office and Registered Address

UKAIS Limited

Prospect House

Trentham Lakes North

Gordon Banks Drive

Stoke on Trent

ST4 4TW

**Registered Number 02613429 England**

### Independent Auditor

KPMG Audit Plc

1 The Embankment

Neville Street

Leeds

LS1 4DW

### Bankers

HSBC Bank Plc

165 High Street

Southampton

SO14 2NZ

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# UKAIS Limited

## Report of the Directors

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

### Principal activities and future developments

During the year the Company continued to act as an insurance broking company providing personal lines insurance in the UK. It also provided services to affinity partners of its parent, Ageas (UK) Limited.

### Business review

Full details of the Company's results are contained in the accounts on pages 7 to 26. The Directors intend to continue the development of insurance marketing and broking services and the provision of premium finance to its customers.

UKAIS Limited is a multi-channel personal lines intermediary focused on retailing predominantly direct to customers under its own brand and through relationships with affinities and brokers.

The overall objective of the business is to grow the policies under management to leverage capacity and technology innovations to create sustainable business with a distinct cost advantage so as to

- offer scale efficiencies to affinity, corporate and broker clients, and
- create a 'volume based virtuous circle' in which the scale economies from policy growth are realised

In order to achieve planned growth the Company will remain focused on its personal lines product range, increasing the width of the products it is able to retail and source in line with the demands and needs of affinity clients. In addition the Company will focus on opportunities to upsell and cross-sell to its clients.

The Company's distribution strategy will focus on two channels:

- Direct distribution will be by the Company's customer brands, AutoDirect and CoverDirect. The AutoDirect brand will continue to focus on car insurance by internet distribution and will offer other personal lines products on a cross-sell and upsell basis. CoverDirect will be used to create non-car insurance related panels of insurers that will be leveraged by the Company to launch direct internet and aggregator propositions, and
- Affinity distribution will be a significant growth area for the Company. This will encompass the Company providing a full end-to-end retail solution, including panel management, to affinities who require a panel of insurers to support their affinity proposition. In addition the Company will work with sister companies to offer a wider range of solutions to the affinity and broker market.

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

- Revenue income,
- Profit before taxation, and
- Expense ratio

# UKAIS Limited

## Report of the Directors (continued)

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

### Financial performance

#### Revenue in thousands of pounds

	2009	2010	2011
Income from insurance marketing and broking services	17,322	19,840	23,396
Percentage change from previous year	4.3%	14.5%	17.9%

Revenue growth is considered a key performance indicator in determining the overall growth and financial performance of the Company. Whilst important as a measure of performance, much care is taken to ensure that expenses incurred in the acquisition and administration of customers policies are at a level at which it is forecast that the Company will achieve a satisfactory margin.

#### Profit before taxation in thousands of pounds

	2009	2010	2011
Profit before taxation	2,021	2,013	2,565
Percentage change from previous year	0.8%	-0.4%	27.4%

Profit before taxation is considered a key performance measure. The Company aims to deliver sustainable growth in profits by well-directed marketing, expense control and provision of superior service levels to its policyholders. Although the actions it takes in a given period will not necessarily produce an immediate impact, and also recognising the potential effect of external factors on results, nevertheless, over the medium term profit before taxation is considered a key indicator of the Company's success.

#### Expense ratio in percentages

	2009	2010	2011
Expense ratio	86.5%	88.3%	87.7%

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

# UKAIS Limited

## Report of the Directors (continued)

### Position at 31 December 2011

#### Shareholders' equity

The Company paid a dividend of £1.30m in 2011 (2010: £1.38m). During the year the shareholders' equity increased by £0.54m to £2.46m (2010: reduced by £0.03m to £1.92m).

#### Assets

Total assets increased by £2.75m during the year (2010: increased by £5.56m). This increase was caused primarily by trade and other receivables.

#### Liabilities

Total liabilities increased by £2.21m in 2011 (2010: increased by £5.59m). Reasons for this are the increase of a loan due to the Company's holding company that was used to finance the Company's in-house instalment scheme and amounts due to insurers.

#### Cash flow

Cash available to the Company decreased by £1.74m (2010: £1.83m inflow) due predominantly to an increase in receivables.

#### Risks and uncertainties

The Company's principal risks and uncertainties and the way in which these risks are managed are detailed in note 2 to the financial statements. There have not been any significant changes to the risks to which the Company is exposed, or in the procedures used to manage these risks in the year.

#### Results and dividends

The result of the year's operation is a profit after taxation of £1,836,000 (2010: profit £1,350,000). A dividend of £1,300,000 was paid in 2011 (2010: £1,375,000).

#### Directors

The Members of the Board are shown on page 2. Nicholas Lemans was appointed as director on 16 February 2011 and Robert Bright was appointed as an executive director on 17 March 2011. Anthony Lewis resigned on 1 April 2011. All other directors served throughout the year, and to the date of this report.

#### Directors' shareholdings

None of the directors or their families had any disclosable interest in either the shares of the Company, or any other group company, or of the ultimate holding company at 31 December 2011.

#### Auditors and the provision of information to the auditor

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

#### Creditor payment policy

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

# UKAIS Limited

## Report of the Directors (continued)

### Employees

The average number of persons employed in the United Kingdom by the Company during the year was 451 (2010 396). The full time equivalent number of employees adjusted for part time staff was 428 (2010 378). Their annual aggregate remuneration was £8,932,000 (2010 £7,428,000). An analysis is shown on page 25.

### Employee involvement

Staff are kept up to date about a wide range of Company developments through a programme of engagement activities, delivered through a variety of channels. This includes formal Director briefings for all staff and management on the Company's performance and strategy, as well as regular bulletins and employee newsletters. In addition, informal discussions take place with senior management. The views of staff are represented by an elected Staff Council, which holds regular meetings with management and also links to the parent company through the European Works Council.

### Disability and equality

Following the Equality Act 2010 coming into force on 1 October 2010 we have taken a number of actions in response. The Act consolidates the range of discrimination legislation that has been in place and, as a result, the Company's policy and procedures have been reviewed. In addition, briefings for staff and management have been carried out to update them on the new requirements, and an e-learning module has been completed by all staff which aims to further embed our approach to a diverse working environment.

### Charitable and Political donations

Charitable donations in the year were £360 (2010 £1,200). The Company did not make any political donations.

By order of the Board



Rosemary A Smith  
Secretary

27 April 2012

# UKAIS Limited

## Statement of comprehensive income

For the year ended 31 December 2011

<i>In thousands of pounds</i>	Notes	2011	2010
<b>Revenue</b>	3	23,396	19,840
Cost of sales	4	(3,431)	(2,816)
<b>Gross profit</b>		<u>19,965</u>	<u>17,024</u>
Administrative expenses	4	(17,095)	(14,618)
Loss on disposal	4	-	(82)
<b>Operating profit</b>		<u>2,870</u>	<u>2,324</u>
Interest income	5	61	57
Finance costs	6	(366)	(368)
<b>Profit before tax</b>		<u>2,565</u>	<u>2,013</u>
Income tax	7	(729)	(663)
<b>Total comprehensive income for the year</b>	13	<u>1,836</u>	<u>1,350</u>

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations. There is no material difference between the results disclosed in the statement of comprehensive income and the results given on a historical cost basis.

The accounting policies on pages 11 to 14 and the notes on pages 15 to 26 form an integral part of these financial statements.



# UKAIS Limited

## Statement of changes in equity

For the year ended 31 December 2011

*In thousands of pounds*

	Share capital	Retained earnings	Total
<b>Balance as at 1 January 2010</b>	50	1,899	1,949
Net profit for the year	-	1,350	1,350
<b>Total recognised income for the year</b>	50	3,249	3,299
 Dividend paid during the year	-	(1,375)	(1,375)
<b>Balance as at 31 December 2010</b>	50	1,874	1,924
 Net profit for the year	-	1,836	1,836
<b>Total recognised income for the year</b>	50	3,710	3,760
 Dividend paid during the year	-	(1,300)	(1,300)
<b>Balance as at 31 December 2011</b>	50	2,410	2,460

The accounting policies on pages 11 to 14 and the notes on pages 15 to 26 form an integral part of these financial statements

# UKAIS Limited

## Statement of financial position

As at 31 December 2011

*In thousands of pounds*

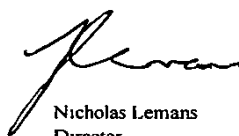
	Notes	2011	2010
<b>Assets</b>			
Property, plant and equipment	8	1,652	2,182
Intangible assets	9	240	249
Deferred tax assets	10	335	408
Non financial assets	11	271	305
Current tax asset	17	68	-
Financial assets			
- Trade and other receivables	11	29,797	24,728
- Cash and cash equivalents	12	660	2,404
<b>Total assets</b>		<u>33,023</u>	<u>30,276</u>
<b>Shareholders' equity</b>			
Share capital		50	50
Retained earnings		<u>2,410</u>	<u>1,874</u>
<b>Total shareholders' equity</b>	13	<u>2,460</u>	<u>1,924</u>
<b>Liabilities</b>			
Financial liabilities			
- Loans and borrowings	14	17,956	16,290
- Trade and other payables	15	8,217	6,678
Non financial liabilities	15	4,320	4,675
Other provisions	16	70	129
Tax liabilities	17	-	580
<b>Total liabilities</b>		<u>30,563</u>	<u>28,352</u>
<b>Total equity and liabilities</b>		<u>33,023</u>	<u>30,276</u>

The accounting policies on pages 11 to 14 and the notes on pages 15 to 26 form an integral part of these financial statements

The Company's financial statements were approved by the Board of Directors and signed on its behalf on 27 April 2012



Jason D Banwell  
Managing Director



Nicholas Lemans  
Director

Registered Number 02613429 England

# UKAIS Limited

## Statement of cash flows

For the year ended 31 December 2011

*In thousands of pounds*

	2011	2010
<b>Cash flows from operating activities</b>		
Profit before tax	2,565	2,013
<i>Adjustments for</i>		
Interest income received	(61)	(57)
Finance costs paid	366	368
Decrease in provision for doubtful debts	(12)	(38)
Depreciation of property, plant and equipment	599	441
Loss on disposal of equipment	-	82
Amortisation of intangible assets	159	175
	<u>3,616</u>	<u>2,984</u>
Increase in trade and other receivables	(5,082)	(2,029)
Increase in other payables and deferred income	1,184	3,390
Interest income received	61	57
Finance costs paid	(366)	(368)
Income taxes paid	(1,305)	(603)
<b>Net cash flows (used)/generated during operating activities</b>	<u>(1,892)</u>	<u>3,431</u>
<b>Cash flows from investing activities</b>		
Net acquisition of property, plant and equipment	(68)	(1,985)
Acquisition of intangible assets	(150)	(186)
<b>Net cash used in investing activities</b>	<u>(218)</u>	<u>(2,171)</u>
<b>Cash flows from financing activities</b>		
Movement in loan from intermediate holding company, including dividend paid	366	568
<b>Net cash from financing activities</b>	<u>366</u>	<u>568</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(1,744)</u>	<u>1,828</u>
Cash and cash equivalents at 1 January	2,404	576
<b>Cash and cash equivalents at 31 December</b>	<u>660</u>	<u>2,404</u>

The accounting policies on pages 11 to 14 and the notes on pages 15 to 26 form an integral part of these financial statements

# UKAIS Limited

## Significant accounting policies

UKAIS Limited (the Company) is a private company, limited by shares, domiciled and incorporated in England and Wales

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

### **(a) Statement of compliance**

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

### **(b) Basis of preparation**

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 combines 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 disclosure in the notes for these classifications are distinguished as follows:

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

The financial statements are presented in Thousands of Pounds Sterling which is the Company's functional currency. They are prepared on the historical cost basis.

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, the results of which form the basis of making the judgements about 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.

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

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

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

### **(c) Recognition and measurement of revenue**

Premium instalment income from instalment income contracts provided to customers who purchase insurance policies from the Company is recognised using the effective interest rate method. This calculates the amortised cost of the loan and allocates the interest income over the relevant period.

Interest income comprises income from bank deposits.

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# UKAIS Limited

## Significant accounting policies (continued)

### (d) Revenue

Revenue represents income receivable from the provision of insurance broking services and associated premium financing in the accounting period

### (e) Expenses

#### (i) Operating lease payments

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

#### (ii) Finance costs

Finance costs comprise interest payable on borrowings

### (f) Employee benefits

#### Defined contribution plan

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund, Norwich Union Group Personal Pension Scheme. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as incurred.

### (g) Income tax

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

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

Deferred tax is provided in full, using the statement of financial position 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 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 accounting date.

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

Deferred tax assets and liabilities are not discounted.

### (h) Segment reporting

In accordance with IFRS 8, Operating segments, the Company is not required to present segmental information.

# UKAIS Limited

## Significant accounting policies (continued)

### (i) Property, plant and equipment

#### (i) Owned assets

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

#### (ii) Depreciation

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

The estimated useful lives are as follows:

Leasehold buildings improvements	5 years
Furniture, fittings and equipment	5 years
Computer equipment	3 - 5 years

### (j) Intangible assets

#### (i) Owned assets

Intangible assets, which consist of computer software, are stated at cost (or deemed cost) less accumulated amortisation (see below) and impairment losses (see accounting policy o). Where intangible assets have different useful lives, they are accounted for as separate items.

#### (ii) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of each intangible asset. Estimated useful lives are 2 - 4 years.

### (k) Financial assets

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

Loans and receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

### (l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

### (m) Financial liabilities

Financial liabilities comprise a loan from the Company's parent in the UK, Ageas (UK) Limited. The loan is repayable on demand and interest is calculated by reference to bank base rate and a margin.

# UKAIS Limited

## Significant accounting policies (continued)

### **(n) Trade and other payables**

Trade and other payables comprise premiums and tax due to insurers and trade creditors in respect of goods and services

### **(o) Impairment**

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

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

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

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

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

### **(p) Provisions**

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

### **(q) Dividends**

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

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# UKAIS Limited

## Notes to the financial statements

### 1 Accounting estimates and judgements

The most critical judgements and estimates made by the Company are those relating to depreciable assets and recoverability of amounts due from policyholders. The Company provides for depreciation of property, plant and equipment on a straight line basis over their estimated useful lives. The policy is reviewed regularly to ensure that the policy is appropriate for each class of asset. For further details on property, plant and equipment and intangible assets see Notes 8 and 9. The company provides for bad debts based on its experience of default. Changes in this experience are reviewed regularly and reflected in the bad debt provision.

### 2 Risk management

#### Objectives and policies for mitigating business risk

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

Looking at the main areas of risk faced by the Company, they fall into two main categories – Operational Risks and Financial Risks.

#### (i) Operational Risks

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 identification, assessment and evaluation, management, monitoring and reporting of risks rest with business managers of the different areas. Risks are identified, assessed and scored, the risk committee on a regular basis reviews the risks and for those falling outside the Company's risk appetite monitors the remedial action to ensure compliance with the Company's risk appetite.



# UKAIS Limited

## Notes to the financial statements (continued)

### 2 Risk management (continued)

#### (ii) Financial risks

##### Credit Risks

The Company is exposed to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents and, other receivables (including related party balances), the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments

##### Financial assets - Ageing analysis

The table below shows the maturity profile of trade and other receivables as at 31 December 2011 and 2010

		2011	2011	2010	2010
<i>In thousands of pounds</i>	Note		%		%
Within terms	11	29,259	98.2	24,199	97.9
<b>Period overdue</b>					
0 - 1 month	11	513	1.7	513	2.0
2 months	11	21	0.1	14	0.1
3 - 6 months	11	4	-	2	-
		538	1.8	529	2.1
<b>Total</b>	11	<b>29,797</b>	<b>100.0</b>	<b>24,728</b>	<b>100.0</b>

##### Liquidity risk

The Company is exposed to liquidity risks arising from daily calls on its cash resources, there is therefore a risk that cash will not be available to settle liabilities when due. The Company manages this risk by monitoring its cash balances and liabilities and maintaining a credit facility with its parent company Ageas (UK) Limited.

The following table shows the gross financial liabilities as at 31 December 2011 and 2010 analysed by maturity. Total financial liability is split by maturity in proportion to the contractual cash flows expected to arise during these periods.

##### Financial liabilities - Maturity profile

		2011	2011	2010	2010
<i>In thousands of pounds</i>	Note		%		%
0-1 month	14, 15	26,173	100.0	22,968	100.0
<b>Total</b>	14, 15	<b>26,173</b>	<b>100.0</b>	<b>22,968</b>	<b>100.0</b>

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# UKAIS Limited

## Notes to the financial statements (continued)

### 2 Risk management (continued)

#### Objectives and policies for mitigating business risk (continued)

##### (iii) Capital management

##### Aims of capital management policy

The Company has established standards for the efficient management of capital, to meet the needs of the business and return on capital requirements of shareholders. This includes the capital required to support the risk appetite identified in the Company's Risk Policies together with a margin for safety, in full compliance with the requirements of the FSA.

##### Definitions of capital management (and supporting terms)

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

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

##### Approach to capital management

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

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

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

- Capital required to support the planned growth in the business,
- The required rate of return on capital employed,
- The required dividend, and
- FSA capital requirements

# UKAIS Limited

## Notes to the financial statements (continued)

### 2 Risk management (continued)

#### Objectives and policies for mitigating business risk (continued)

##### Sensitivity to key business drivers

<i>In thousands of pounds</i>	Interest rates increase 1%	Expenses increase 10%	Average premium decrease 10%
<b>Impacted - 2011</b>			
Profit before tax	2,447	583	555
Net assets	2,373	1,003	983
<b>Impacted - 2010</b>			
Profit before tax	1,891	316	344
Net assets	2,102	969	989

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

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

##### Interest rates increase by 1%

The company will be exposed to the impact of interest rate changes on its financial assets and liabilities. There would be an increase in income on short-term cash balances plus an increase in cost on the inter-company loan.

##### Expenses increase by 10%

If all expense areas increased by 10%, in addition to the reduction in profit there would also be a reduction in cash availability at year end.

##### Average premium decrease by 10%

Reduction on the average premium of 10% would have a proportional impact on commission income earned from policy sales, this in turn would lead to a reduction in profit.

# UKAIS Limited

## Notes to the financial statements (continued)

### 3 Revenue

All revenue and profit before income taxes is derived from the provision of insurance broking services and associated premium financing operations which is undertaken within the United Kingdom

### 4 Cost of sales and administrative expenses

<i>In thousands of pounds</i>	2011	2010
Advertising	3,431	2,816
Loss on disposal of equipment	-	82
Depreciation and amortisation		
- Leasehold buildings	335	248
- Furniture, fixtures and equipment	3	4
- Computer equipment and software	421	364
Hire of plant and machinery	47	54
Hire of other assets	19	31
Personnel expenses		
- Wages and salaries	8,932	7,428
- Compulsory social security contributions	712	621
- Contributions to defined contribution plans	323	297
Goods and services	1,973	1,850
Software costs	1,437	1,374
Other costs	2,893	2,347
<b>Total cost of sales and administrative expenses</b>	<b>20,526</b>	<b>17,516</b>

<i>In thousands of pounds</i>	2011	2010
<b>Cost of sales and administrative expenses are analysed as</b>		
Cost of sales	3,431	2,816
Administrative expenses	17,095	14,618
Loss on disposal	-	82
	<b>20,526</b>	<b>17,516</b>

Goods and services includes auditors' remuneration of £30,000 (2010: £40,800) for audit fees

### 5 Interest income

<i>In thousands of pounds</i>	2011	2010
Bank and other interest receivable	61	57

# UKAIS Limited

## Notes to the financial statements (continued)

### 6 Finance costs

<i>In thousands of pounds</i>	2011	2010
Payable to group undertakings	<u>(366)</u>	<u>(368)</u>

### 7 Income tax

#### Recognised in the income statement

<i>In thousands of pounds</i>	2011	2010
<b>Current tax expense</b>		
Current year charge at 26.5% (2010: 28%)	(698)	(761)
Prior year adjustment	<u>42</u>	<u>(135)</u>
Total current tax charge	<u>(656)</u>	<u>(896)</u>
<b>Deferred tax credit</b>		
Current year charge at 25.25% (2010: 27.25%)	(4)	110
Prior year adjustment	(42)	114
Impact of change in tax rate	<u>(27)</u>	<u>9</u>
Total deferred tax charge	<u>(73)</u>	<u>233</u>
<b>Total tax charge for the period</b>	<u>(729)</u>	<u>(663)</u>

#### Reconciliation of effective tax rate

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

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

The tax assessed on the year is higher (2010: higher) than the standard rate of corporation tax in the United Kingdom of 26.5% (2010: 28%). The differences are explained below.

<i>In thousands of pounds</i>	2011	2010
Profit before tax	<u>2,565</u>	<u>2,013</u>
Income tax using the domestic corporation tax rate (26.5%)	(680)	(564)
Permanent differences	(22)	(87)
Prior year adjustment in respect of current tax	42	(135)
Prior year adjustment in respect of deferred tax	(42)	114
Impact of change in tax rate	<u>(27)</u>	<u>9</u>
<b>Total tax charge for the period</b>	<u>(729)</u>	<u>(663)</u>

# UKAIS Limited

## Notes to the financial statements (continued)

### 8 Property, plant and equipment

*In thousands of pounds*

	Leasehold buildings	Furniture, fixtures and equipment	Computer equipment	Total
<b>Cost</b>				
Balance at 1 January 2010	519	863	1,612	2,994
Acquisitions	1,249	7	728	1,984
Disposals	(93)	(98)	-	(191)
Balance at 31 December 2010	1,675	772	2,340	4,787
Acquisitions	18	11	40	69
Balance at 31 December 2011	1,693	783	2,380	4,856
<b>Depreciation and impairment losses</b>				
Balance at 1 January 2010	139	799	1,336	2,274
Depreciation charge for the year	248	4	189	441
Disposals	(73)	(37)	-	(110)
Balance at 31 December 2010	314	766	1,525	2,605
Depreciation charge for the year	335	3	261	599
Disposals	-	-	-	-
Balance at 31 December 2011	649	769	1,786	3,204
<b>Carrying amounts</b>				
At 1 January 2010	380	64	276	720
At 31 December 2010	1,361	6	815	2,182
At 31 December 2011	1,044	14	594	1,652

### 9 Intangible assets

*In thousands of pounds*

	Computer software
<b>Cost</b>	
Balance at 1 January 2010	1,394
Acquisitions	186
Balance at 31 December 2010	1,580
Acquisitions	150
Balance at 31 December 2011	1,730
<b>Depreciation and impairment losses</b>	
Balance at 1 January 2010	1,156
Amortisation charge for the year	175
Balance at 31 December 2010	1,331
Amortisation charge for the year	159
Balance at 31 December 2011	1,490
<b>Carrying amounts</b>	
At 1 January 2010	238
At 31 December 2010	249
At 31 December 2011	240

# UKAIS Limited

## Notes to the financial statements (continued)

### 10 Deferred tax asset

*In thousands of pounds*

	2011	2010
<b>a) Movement in year</b>		
At 1 January	408	175
(Charge)/Credit for the year (Note 7)	(73)	233
At 31 December	<u>335</u>	<u>408</u>
<b>b) Represented by</b>		
Depreciation in excess of capital allowances	307	405
Other temporary differences	28	3
	<u>335</u>	<u>408</u>

### 11 Trade and other receivables

*In thousands of pounds*

	2011	2010
<b>Financial assets</b>		
Due from policyholders	29,191	23,914
Trade receivables	606	814
	<u>29,797</u>	<u>24,728</u>
<b>Non financial assets</b>		
Other receivables and prepayments	271	305
	<u>271</u>	<u>305</u>
<b>Total trade and other receivables</b>	<u>30,068</u>	<u>25,033</u>

### 12 Cash and cash equivalents

*In thousands of pounds*

	2011	2010
Bank and cash balances	660	2,404
<b>Cash and cash equivalents in the statement of cash flows</b>	<u>660</u>	<u>2,404</u>

The effective interest rate at 31 December 2011 on short term bank deposits was 1.85% (2010 1.65%), with an average maturity of one day

# UKAIS Limited

## Notes to the financial statements (continued)

### 13 Capital and reserves

#### Reconciliation of movement in capital and reserves Attributable to equity holders

*In thousands of pounds*

	Share capital	Retained earnings	Total
Balance at 1 January 2011	50	1,874	1,924
Profit for the year	-	1,836	1,836
Dividends to shareholders	-	(1,300)	(1,300)
Balance at 31 December 2011	50	2,410	2,460

*In thousands of pounds*

	Share capital	Retained earnings	Total
Balance at 1 January 2010	50	1,899	1,949
Profit for the year	-	1,350	1,350
Dividends to shareholders	-	(1,375)	(1,375)
Balance at 31 December 2010	50	1,874	1,924

A dividend of £1,300,000 (2010 £1,375,000) was paid during the year by way of an intercompany transfer between the company and its immediate parent

#### Share capital

	Ordinary shares	
<i>In thousands of pounds</i>	2011	2010
On issue at 1 January	50	50
On issue at 31 December – fully paid	50	50

At 31 December 2011, the authorised share capital is 50,001 ordinary shares (2010 50,001). The ordinary shares have a par value of £1.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

### 14 Loans and borrowings

This note provides information about the contractual terms of the Company's loans and borrowings.

<i>In thousands of pounds</i>	2011	2010
Due to group undertakings	17,956	16,290

The loan is due to Ageas (UK) Limited. The loan is repayable on demand. Interest is charged at 2% over UK bank base rate. The interest rate at 31 December 2011 was 2.50% (2010 2.50%).



# UKAIS Limited

## Notes to the financial statements (continued)

### 15 Trade and other payables

Amounts falling due within one year

*In thousands of pounds*

#### Financial liabilities

Due to group undertakings

2011

2010

2,008

3,211

Direct insurance contract payables

6,209

3,467

8,217

6,678

#### Non financial liabilities

Other payables and accrued expenses

3,428

2,825

VAT and other taxes payable

892

1,850

4,320

4,675

#### Total trade and other payables

12,537

11,353

### 16 Other provisions

*In thousands of pounds*

2011

2010

Balance at 1 January

129

167

(Credit) for the year

(59)

(38)

Balance at 31 December

70

129

The provisions above relate to the cancellation provision (£70,000)

### 17 Current tax assets

The current tax asset of £68,000 (2010 liability of £580,000) represents the amount of income taxes recoverable in respect of the current year less adjustment in respect of prior years

### 18 Operating leases

#### Leases as lessee

Non-cancellable operating lease rentals are payable as follows

*In thousands of pounds*

2011

2010

Land &  
Buildings

Other

Land &  
Buildings

Other

Less than one year

-

49

-

-

Between one and five years

1,971

96

1,971

34

More than 5 years

3,008

-

3,402

16

Total

4,979

145

5,373

50

The Company leases office premises under an operating lease, which runs to 1 December 2024. The lease does not include contingent rentals.

During the year ended 31 December 2011, £428,000 was recognised as an expense in the income statement in respect of operating leases (2010: £417,000).

# UKAIS Limited

## Notes to the financial statements (continued)

### 19 Capital commitments

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

<i>In thousands of pounds</i>	2011	2010
Authorised but not contracted for	-	110
	<u>-</u>	<u>110</u>

### 20 Pension scheme

<i>In thousands of pounds</i>	2011	2010
Contributions to defined contribution plans	<u>323</u>	<u>297</u>

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

### 21 Staff numbers and costs

The total number of persons employed by the Company (including executive directors) at the year-end, analysed by category, was as follows

	2011	2010
Insurance broking	366	292
Executive directors	2	4
Other	<u>111</u>	<u>100</u>
	<u>479</u>	<u>396</u>

The full time equivalent number of employees was as follows

	2011	2010
Insurance broking	354	282
Executive directors	2	-
Other	<u>102</u>	<u>96</u>
	<u>458</u>	<u>378</u>

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

<i>In thousands of pounds</i>	2011	2010
Wages and salaries	8,932	7,428
Social security costs	712	621
Other pension costs	<u>323</u>	<u>297</u>
	<u>9,967</u>	<u>8,346</u>

# UKAIS Limited

## Notes to the financial statements (continued)

### 22 Related party transactions

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

#### Transactions with Directors

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

The Directors' compensations are as follows

<i>In thousands of pounds</i>	2011	2010
Emoluments paid by the company	<u>445</u>	<u>572</u>
Emoluments include contributions made to pension schemes amounting to	<u>58</u>	<u>71</u>
In respect of the highest paid Director	<u>212</u>	<u>184</u>

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

<i>In thousands of pounds</i>	2011 Income statement	2011 Statement of financial position	2010 Income statement	2010 Statement of financial position
Immediate parent and ultimate holding company transactions and assets held in the statement of financial position	(2,293)	(17,956)	(2,181)	(16,288)
Fellow subsidiary company transactions and assets held in the statement of financial position	2,622	(1,671)	1,082	(4,821)
	<u>329</u>	<u>(19,627)</u>	<u>(1,099)</u>	<u>(21,109)</u>

The Company's immediate parent undertaking is Able Brokers Limited to which the Company paid a dividend of £1,300,000 in the year (2010 £1,375,000)

The Company has a loan from its ultimate UK holding company Ageas (UK) Limited. Interest is paid on the loan which is included in the statement of comprehensive income

The Company receives commission from a fellow subsidiary company with whom it places its clients insurance business. An amount is due to the fellow subsidiary at the statement of financial position date in respect of unsettled balances

### 23 Parent company

The Company's results are consolidated into the accounts of Ageas Insurance International N V a company incorporated in the Netherlands

The Company's ultimate holding company is Ageas Utrecht NV which is incorporated in the Netherlands and is jointly owned by Ageas N V incorporated in the Netherlands and Ageas SA/NV, incorporated in Belgium

Copies of the above accounts can be obtained from the Company Secretary, Prospect House, Trentham Lakes North, Gordon Banks Drive, Stoke on Trent, ST4 4TW

### 24 Events after the statement of financial position date

There were no material adjusting or non-adjusting events after the statement of financial position date

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## UKAIS Limited

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRS as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for the period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRS as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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# UKAIS Limited

## Independent Auditors' Report to the Members of UKAIS Limited

We have audited the financial statements of UKAIS Limited for the year ended 31 December 2011 set out on page 7 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements

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

### **Opinion on other matter prescribed by the Companies Act 2006**

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

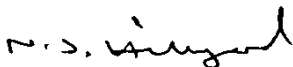
## UKAIS Limited

### Independent Auditor's Report to the Members of UKAIS Limited (Continued)

#### **Matters on which we are required to report by exception**

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

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



N J Hillyard (Senior Statutory Auditor)

**for and on behalf of KPMG Audit Plc, Statutory Auditor**

Chartered Accountants  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW  
27 April 2012