Company Registration No. 04515272 (England and Wales)

FRESH INSURANCE SERVICES GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2019

FRESH INSURANCE SERVICES GROUP LIMITED

COMPANY INFORMATION

Directors	G Mckernan W McKernan N Frost J Corrigan-Stuart
Company number	04515272
Registered office	Ladybird Suite Burnt Meadow Road North Moons Moat Redditch Worcestershire B98 9PA
Independent auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT
Bankers	National Westminster Bank plc 1 The Cross Worcester Worcestershire WR1 3PR

FRESH INSURANCE SERVICES GROUP LIMITED

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FRESH INSURANCE SERVICES GROUP LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2019

The directors present their strategic report for the year ended 31 December 2019.

Principal activities

The principal activities of the company during the year continued to be that of a personal lines insurance intermediary.

Fair review of the business

The company closed its Bracknell sales office in April 2019 and moved all sales to the Redditch office, a move which will deliver cost savings of over £950,000 per annum from 2020 onwards.

On a comparable twelve month to December basis, revenues year on year have decreased 5.8%. Whilst the Telematics brands have continued to grow strongly, the withdrawal by some insurers from the distressed driver market and the Home market has impacted revenue growth possibilities in those areas. The company is continuing to invest in new product lines, and streamlining the infrastructure is expected to deliver significant operational cost savings, enabling the company to maintain price competitiveness.

The directors expect these initiatives to continue to deliver substantially increased profitability in future periods.

The company's results for the year ended 31 December 2019 report a profit before tax of £3,285,560 (2018 - £3,072,880 for 17 months). The company's key financial and other performance indicators during the period were as follows:

	Unit	12 months ended 31 December 2019	17 months ended 31 December 2018	
Staff costs / net commissions and fees	%	41.11	42.67	
Operating profit / turnover	%	17.96	11.18	

The operating profit for the 17 months to 31 December 2018 were after charging one-off remuneration costs of £1,839,001 relating to the sale of the business to Kingfisher UK Holdings Limited. If the operating profit is adjusted for this then the restated operating profit to turnover ratio is 17.90%. The staff costs ratio above excludes these one-off costs.

Financial position at the reporting date

The statement of financial position shows that the Company's net assets at the year-end have decreased from £2,827,602 as at 31 December 2018 to £1,821,399 as at 31 December 2019.

COVID-19 Pandemic

The markets in which the company operates, particularly with new young drivers, have been adversely impacted by COVID-19 with a consequential downwards impact on new business and hence brokerage as the number of new drivers registering and the number of driving tests taken have been restricted during lock down.

Principal risks and uncertainties

The company's principal risks are considered to be:

Market risk: The increased influence of the internet and price comparison websites (PCW) continues to change the UK business environment. Rises in PCW marketing costs and market pressures on pricing to win business remain a challenge that faces the business. The company has invested in both technology and analytical personnel to gain greater data insights to mitigate this risk.

Insurance specific developments in technology such as telematic systems and machine learning are also likely material drivers of market change. The company has put in place strategies and has recruited data experts to the senior management team to meet these challenges. In addition, the market is dominated by a few large insurance companies who can change operating practices and potentially buy in greater market share. The company manages market risk by maintaining a broad panel of insurers and monitoring revenue trends.

Operating risk: The Company's exposure to losses arise from inadequate or failed internal processes, from fraud and failure of data systems and from external events. It is a critical requirement that our systems not only serve today but stay in line with the huge technological shifts the industry is experiencing. This is managed by having in place comprehensive policies for business continuity planning and robust compliance procedures. Ongoing investment into IT infrastructure, including cybercrime prevention, the call centre operation and our online journey is designed to minimise the risk in these areas.

Regulatory risk: Changes to the regulatory environment or requirements may result in intervention and financial or reputational loss. The company mitigates these risks by ensuring that its governance and culture identify changes or issues at an early stage and allow the implementation of appropriate strategies to ensure compliance. During the period additional focus has been necessary to accommodate the requirements of GDPR and the Insurance Distribution Directive.

The UK's exit from the EU presents a risk to the company, however, this is mainly due to the possible effects on the UK economy and insurer exposure and changes in risk appetite (issues that will affect the whole sector) rather than a direct loss of capacity.

Liquidity risk: The Company manages its cash and borrowing requirements centrally to maximise interest income and minimise interest expense, whilst ensuring the Company has sufficient liquid resources to meet the operating needs of its business. Client money is held with approved banks and cleared funds have to be available before payment is made.

Interest rate risk: The Company operations are subject to the risk of interest rate fluctuations only as it affects interest earning assets.

Credit risk: Investment of cash surpluses and borrowings are made through banks and companies which must fulfil credit rating criteria approved by the board. All customers who wish to trade on credit terms are subject to credit verification procedures. Debtor balances are monitored on an on-going basis and provision is made for doubtful debts where necessary.

On behalf of the board

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J F Corrigan-Stuart
Director

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22 December 2020

FRESH INSURANCE SERVICES GROUP LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2019

The directors present their annual report and audited financial statements for the Period ended 31 December 2019.

Principal activities
The principal activity of the company continued to be that of insurance agents and brokers.

Directors
The directors who held office during the Period and up to the date of signature of the financial statements were as follows:

J R N Collyear	(Resigned 8 January 2020)
G Mckernan	
W Mckernan	
N Frost	
M Wall	(Resigned 2 March 2020)
S Whalley	(Resigned 5 March 2020)
W M Clinton	(Appointed 21 May 2019 and resigned 8 January 2020)
J F Corrigan-Stuart	

Results and dividends
The results for the year are set out on page 9.

During the prior accounting period the company changed its reporting period from 31 July to 31 December to align with the reporting period of its parent company. These financial statements therefore include comparative amounts for a 17 month period. Accordingly comparative amounts presented in these financial statements, including related notes, are not entirely comparable.

The directors recommended the payment of an interim dividend of £45.16 per share totalling £3,800,000 (2018 - £27.90 per share totalling £3,077,780 during the period). The directors do not recommend payment of a final dividend.

Social and community activities
Fresh actively supports a range of local charities and staff participation in community based initiatives is encouraged through volunteering and fundraising.

Research and development
During the period, the company funded the development of a loss ratio model by the use of data warehousing to mitigate risk and maximise capacity.

The Company has also continued to fund the development of telematics based products and services as part of its overall strategy to extend its product offering.

Employment of disabled persons
The Company's policy is to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Disabled employees receive appropriate training to promote their career development within the Company. Employees who become disabled are retained in their existing posts where possible or retrained for suitable alternative posts.

Employee involvement
Quarterly meetings are held between senior management and individual employees to discuss matters of concern and employees are kept well-informed about the progress and position of the Company including the distribution monthly of a staff newsletter, Fresh on Target, that includes reporting on key performance metrics and reports from senior management across all the brands.

Post reporting date events
During the year the Company made no political donations (2018: £nil).

It is not possible to quantify the total impact of Covid-19 on the business at this current time but the on-going impact is being monitored closely by the Directors. The Company also undertook a further consultation process with all staff in relation to the proposals to both TUPe contracts and restructure the business into two operating units - one broking and one underwriting in 2021.
This will put the consolidated business on a sound footing to come out of the pandemic with an appropriate cost base and ready to continue to grow the business as markets recover.

Directors responsibilities
The directors are responsible for preparing the annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

select suitable accounting policies and then apply them consistently;
make judgements and accounting estimates that are reasonable and prudent;
state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
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.

Independent auditors
The auditors reappointed in the year were PricewaterhouseCoopers LLP.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and consideration of reappointment will be taken at a future Board Meeting.

Statement of disclosure to auditors
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

FRESH INSURANCE SERVICES GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

On behalf of the board

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J F Corrigan-Stuart
Director

Date: 22 December 2020

Independent auditors' report to the members of Fresh Insurance Services Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, Fresh Insurance Services Group Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit 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 Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; 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.

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities, 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.

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.

Deepti Vohra (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 December 2020

FRESH INSURANCE SERVICES GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 DECEMBER 2019

	Note	12 Month Period ended 31 December 2019 £	17 Month Period ended 31 December 2018 £
Turnover	3	18,193,864	27,371,325
Administrative expenses		(14,927,073)	(24,315,470)
Other operating income		-	4,055
Operating profit	4	3,266,791	3,059,910
Interest receivable and similar income	8	18,769	12,970
Profit before taxation		3,285,560	3,072,880
Tax on profit	9	(491,763)	399,997
Profit for the financial Period		2,793,797	3,472,877

The profit and loss account has been prepared on the basis that all operations are continuing operations.

FRESH INSURANCE SERVICES GROUP LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

		2019		2018	
	Note	£	£	£	£
Non-current assets					
Intangible assets	11		147,120		239,369
Tangible assets	12		208,675		265,708
Investments	13		-		1,002
			355,795		506,079
Current assets					
Debtors	15	9,335,496		8,587,079	
Cash and cash equivalents		3,026,204		5,365,416	
		12,361,700		13,952,495	
Creditors: amounts falling due within one year	16	(5,544,127)		(6,234,635)	
Net current assets			6,817,573		7,717,860
Deferred tax asset			171,260		663,023
Total assets less current liabilities			7,344,628		8,886,962
Creditors: amounts falling due after more than one year	17		(1,138,000)		(1,138,000)
Provisions for liabilities	18		(4,385,229)		(4,921,360)
Net assets			1,821,399		2,827,602
Capital and reserves					
Called up share capital	22		84,142		84,142
Share premium account			827,220		827,220
Profit and loss account			910,037		1,916,240
Total equity			1,821,399		2,827,602

The financial statements were approved by the board of directors and authorised for issue on 22 December 2020 and are signed on its behalf by:

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J F Corrigan-Stuart
Director

Company Registration No. 04515272

FRESH INSURANCE SERVICES GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2019

	Note	Share capital £	Share premium account £	Share options reserve £	Profit and loss reserves £	Total £
Balance at 1 August 2017		71,750	40,000	236,872	1,284,271	1,632,893
Period ended 31 December 2018:						
Profit and total comprehensive income for the period		-	-	-	3,472,877	3,472,877
New shares issued	22	12,392	787,220	-	-	799,612
Dividends	10	-	-	-	(3,077,780)	(3,077,780)
Share-based payment transactions	21	-	-	-	236,872	236,872
Transfers		-	-	(236,872)	-	(236,872)
Balance at 31 December 2018		84,142	827,220	-	1,916,240	2,827,602
Period ended 31 December 2019:						
Profit and total comprehensive income for the period		-	-	-	2,793,797	2,793,797
Dividends	10	-	-	-	(3,800,000)	(3,800,000)
Balance at 31 December 2019		84,142	827,220	-	910,037	1,821,399

1 Accounting policies

Company information

Fresh Insurance Services Group Limited is a private company limited by shares incorporated in England and Wales. The registered office is Ladybird Suite Burnt Meadow Road, North Moons Moat, Redditch, Worcestershire, B98 9PA.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The financial statements present information about the company as an individual undertaking and not about its group. While the company and its subsidiary undertakings comprise a medium-sized group, the company has taken advantage of the exemption provided by section 405 of the Companies Act 2006 not to prepare group financial statements as its wholly owned subsidiaries were dormant throughout the period and prior periods.

Cash flow statement

As a wholly owned subsidiary of Kingfisher UK Holdings Limited, and a qualifying entity, the company has taken advantage of the exemption offered by FRS 102 not to present a cash flow statement. The company's cash flow is included in the consolidated financial statements of NSM Insurance Group, LLC, Kingfisher UK Holdings Limited's immediate parent company.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The parent company NSM has guaranteed to provide support to Fresh Insurance Services Group Limited for the foreseeable future.

1.3 Reporting period

The prior periods' financial statements were prepared over a 17 month period, the current period is prepared over 12 months.

1.4 Turnover

Turnover comprises commission receivable, fees for the arrangement of insurances, and other ancillary income derived from the business of insurance broking.

Turnover from affinity relationships comprises commission receivable from a broker, acting on behalf of an Insurance Company, who has no access to the non-standard Home insurance products the Company provides.

The Company recognises revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the companies activities.

1 Accounting policies **(Continued)**

1.5 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.6 Intangible assets

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	3 years straight line

1.7 Tangible assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Office equipment	33% straight line
Furniture and fittings	25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.8 Investment assets

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.9 Impairment of Intangible and Tangible assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1 Accounting policies **(Continued)**

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

1 Accounting policies **(Continued)**

1.11 Financial instruments (continued)

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1 Accounting policies **(Continued)**

1.13 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Share-based payments

Equity-settled share-based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to "share option reserve".

Cumulative adjustments where significant prior to vesting are recognised in the current period. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimate. No adjustment is made to any expense recognised in prior periods if share options have vested are not exercised. Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

1.17 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The critical judgements and key sources of estimation uncertainty arising in the process of applying the Company's accounting policies, and that have the most significant effect on the amounts recognised in the financial statements, are discussed below.

Assessing indicators of impairment
In assessing whether there have been any indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability.

Recoverability of receivables
The company establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the directors consider factors such as the aging of receivables, past experience of recoverability, and the credit profile of individual or groups of customers.

3 Turnover and other revenue

	2019	2018
	£	£
Turnover analysed by class of business		
Revenue from insurance broking	18,105,807	27,268,783
Revenue from affinity relationships	88,057	102,541
	18,193,864	27,371,324

	2019	2018
	£	£
Other significant revenue		
Interest income	18,769	12,970
Grants received	-	4,055

4 Operating profit

Operating profit for the period is stated after charging/(crediting):	2019 £	2018 £
Research and development costs	108,000	338,113
Government grants	-	(4,055)
Fees payable to the company's auditors for the audits of the company's financial statements	-	51,032
Depreciation & amortisation expense	283,241	443,654
Loss on disposal of tangible fixed assets	18,543	-
Operating lease charges	110,246	163,400

5 Employees

The average monthly number of persons (including directors) employed by the company during the Period was:

	2019 Number	2018 Number
Administration and support	59	44
Sales	176	210
	235	254

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	6,570,889	10,395,249
Social security costs	619,789	1,029,700
Pension costs, defined contribution scheme	134,476	193,141
Other employee expense	-	62,267
	7,325,154	11,680,357
Redundancy payments made or committed	81,641	38,780

6 Directors' remuneration

	2019 £	2018 £
Remuneration	505,873	1,287,846
Company pension contributions to defined contribution schemes	22,883	110,240
	528,756	1,398,086

6 Directors' remuneration **(Continued)**

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2018 - 4).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019	2018
	£	£
Remuneration	202,949	348,533
Company pension contributions to defined contribution schemes	18,692	-
Redundancy	-	30,000

7 Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises expenses from the related costs for which the grants are intended to compensate, which in the case of grants related to assets requires setting up the grant as deferred income or deducting it from the carrying amount of the asset.

The amount of grants recognised in the financial statements was £nil (2018 - £4,055).

8 Interest receivable and similar income

	2019	2018
	£	£
Interest income		
Interest on bank deposits	18,769	12,970

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	18,769	12,970

9 Tax on profit

	2019	2018
	£	£
Current tax		
UK corporation tax	-	309,353
Deferred tax		
Total deferred tax	491,763	(709,350)
Total tax charge/(credit)	491,763	(399,997)

The actual charge/(credit) for the Period can be reconciled to the expected charge for the Period based on the profit before taxation and the standard rate of tax as follows:

	2019	2018
	£	£
Profit before taxation	3,285,560	3,072,880
Corporation tax at standard rate of 19.00% (2018: 19.00%)	624,256	583,847
Tax effect of expenses that are not deductible in determining taxable profit	64,061	-
Non-taxable income	-	(491,922)
Group relief	(110,042)	-
Permanent capital allowances in excess of depreciation	(53,888)	-
Deferred tax adjustments in respect of prior years	(45,262)	-
Movement in tax losses	-	(524,387)
Other tax effects for reconciliation	-	32,465
Short term timing differences - trading	18,779	-
Fixed asset timing differences	(6,141)	-
Taxation charge/(credit) for the period	491,763	(399,997)

10 Dividends

	2019	2018
	£	£
Interim paid	3,800,000	3,077,780

11 Intangible assets

	Computer software
	£
Cost	
At 1 January 2019	750,680
Additions - separately acquired	92,976
Disposals	(317,005)
At 31 December 2019	526,651
Accumulated amortisation	
At 1 January 2019	511,311
Amortisation charged for the Period	185,225
Disposals	(317,005)
At 31 December 2019	379,531
Carrying amount	
At 31 December 2019	147,120
At 31 December 2018	239,369

12 Tangible assets

	Office equipment	Furniture and fittings	Total
	£	£	£
Cost			
At 1 January 2019	869,894	306,144	1,176,038
Additions	46,577	12,247	58,824
Disposals	(529,497)	(220,014)	(749,511)
At 31 December 2019	386,974	98,377	485,351
Accumulated depreciation			
At 1 January 2019	671,077	239,253	910,330
Depreciation charged in the Period	81,088	16,928	98,016
Eliminated in respect of disposals	(528,584)	(203,086)	(731,670)
At 31 December 2019	223,581	53,095	276,676
Carrying amount			
At 31 December 2019	163,393	45,282	208,675
At 31 December 2018	198,817	66,891	265,708

13 Investments

	Note	2019 £	2018 £
Investments in subsidiaries	14	-	1,002
Listed investments carrying amount		-	1,002

The directors reviewed the carrying value of the dormant subsidiaries and determined that the investment in these subsidiaries should be written down to £nil.

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 January 2019 & 31 December 2019	1,002
Impairment	
At 1 January 2019	-
Impairment losses	1,002
At 31 December 2019	1,002
Carrying amount	
At 31 December 2019	-
At 31 December 2018	1,002

14 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Address	Class of shares held	% Held Direct	% Held Indirect
Autosaint Limited	United Kingdom	Ordinary	100.00	-
Ladybird Insurance Brokers Limited	United Kingdom	Ordinary	100.00	-

Registered office addresses (all UK unless otherwise indicated):

1 Ladybird Suite, Burnt Meadow Road, North Moons Moat Industrial Estate, Redditch, Worcestershire B98 9PA

14 Subsidiaries **(Continued)**

The principal activity of Ladybird Insurance Brokers Limited is insurance broking, though dormant during the period and prior periods.

The principal activity of Autosaint Limited is insurance broking, though dormant throughout the period and prior periods. Its financial period end is 31 May.

The profit for the financial period of Ladybird Insurance Brokers Limited was £nil and the aggregate amount of capital and reserves at the end of the period was £2.

15 Debtors

	2019	2018
Amounts falling due within one year:	**£**	**£**
Trade debtors	3,293,401	3,389,453
Corporation tax recoverable	200,000	-
Amounts owed by group undertakings	1,170,048	-
Other debtors	4,403,507	4,934,799
Prepayments and accrued income	268,540	262,827
	9,335,496	8,587,079

	2019	2018
Amounts falling due after more than one year:	**£**	**£**
Deferred tax asset (note 19)	171,260	663,023
Total debtors	9,506,756	9,250,102

16 Creditors: amounts falling due within one year

	2019	2018
	£	**£**
Trade creditors	3,649,323	5,373,498
Amounts owed to group undertakings	254,560	-
Income tax liability	-	35,009
Other taxation and social security	213,852	192,067
Other creditors	546,497	245,219
Accruals and deferred income	879,895	388,842
	5,544,127	6,234,635

17 Creditors: amounts falling due after more than one year

	2019	2018
	£	£
Long term incentive plan	1,138,000	1,138,000

The long term incentive is payable to certain members of staff.

18 Provisions for liabilities

	2019	2018
	£	£
PCL liability	4,359,629	4,902,336
Dilapidations Provision	25,600	19,024
	4,385,229	4,921,360

Movements on provisions:

	PCL liability	Dilapidations Provision	Total
	£	£	£
At 1 January 2019	4,902,336	19,024	4,921,360
Additional provisions in the year	-	6,576	6,576
Utilisation of provision	(542,707)	-	(542,707)
At 31 December 2019	4,359,629	25,600	4,385,229

The PCL liability arises in relation to insurance policies sold to clients who purchase the policy through financing arrangements through Premium Credit Limited ("PCL"). In the event that clients default on their repayments to Premium Credit the company is obligated to repay Premium Credit any monies paid to the Company in relation to outstanding instalments and the liability represents future amounts to be refunded based on previous history of default. The Company would be entitled to recover such amounts from the client and therefore a corresponding asset matching the liability has been raised and included within other debtors. In so far as any amounts are deemed unlikely to be recovered they are included in the bad debt provision. As at the period end any potential repayment to PCL would take place within 12 months.

As part of the Company's property leasing arrangements there is an obligation to repair damages which incur during the life of the lease, such as wear and tear. The cost is charged to the profit and loss as the obligation arises. The provision is expected to be utilised between 2020 and 2022 as the lease terminates.

27 Post balance sheet date events

It is not possible to quantify the total impact of Covid-19 on the business at this current time but the ongoing impact is being monitored closely by the Directors. The Company has also undertaken a further consultation process with all staff in relation to the proposals to both TUPe contracts and restructure the business into two operating units - one broking and one underwriting.

21 Share-based payment transactions

	Number of share options		Weighted average exercise price	
	2019	2018	2019	2018
	Number	Number	£	£
Outstanding at 1 January 2019	-	13,500	-	67.00
Exercised	-	(12,392)	-	67.00
Expired	-	(1,108)	-	-
Outstanding at 31 December 2019	-	-	-	-
Exercisable at 31 December 2019	-	-	-	-

22 Called up share capital

	2019	2018
	£	£
Ordinary share capital		
Allotted, called up and fully paid shares		
25,750 "A" Ordinary of £1 each	25,750	25,750
12,392 "B" Ordinary of £1 each	12,392	12,392
3,000 "C" Ordinary of £1 each	3,000	3,000
15,000 "D" Ordinary of £1 each	15,000	15,000
1,500 "E" Ordinary of £1 each	1,500	1,500
3,750 "F" Ordinary of £1 each	3,750	3,750
500 "G" Ordinary of £1 each	500	500
500 "H" Ordinary of £1 each	500	500
10,000 "I" Ordinary of £1 each	10,000	10,000
11,750 "J" Ordinary of £1 each	11,750	11,750
	84,142	84,142

The ordinary "A" to "H" classes of shares have a right to receive a dividend at the discretion of the directors, have equal voting rights, and equal rights to a distribution in the event of winding up of the company. The ordinary "I" class shares have a right to receive a dividend at the discretion of the director, have full voting rights, and rights to a distribution based on certain conditions in the event of a winding up of the company.

From the listed shares above, only ordinary J class shares remain unpaid.

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets 2019	Assets 2018
Balances:	**£**	**£**
Accelerated capital allowances	171,260	(33,698)
Other temporary differences	-	216,220
Losses carried forward	-	524,387
Group relief surrendered	-	(43,886)
	171,260	663,023

	2019
Movements in the Period:	**£**
Asset at 1 January 2019	(663,023)
Charge to profit or loss	491,763
Asset at 31 December 2019	(171,260)

The deferred tax asset set out above is expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits of the same period.

20 Retirement benefit schemes

	2019	2018
Defined contribution schemes	**£**	**£**
Charge to profit or loss in respect of defined contribution schemes	134,476	303,381

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £134,476 (2018 - £193,141).

Contributions totalling £23,417 (2018 - nil) were payable to the scheme at the end of the period and are included in creditors.

23 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019	2018
	£	£
Within one year	82,963	105,541
Later than one year and not later than five years	134,466	245,173
	217,429	350,714

The amount of non-cancellable operating lease payments recognised as an expense during the period was £110,192 (2018 - £149,518).

24 Pension commitments

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account of money purchase schemes as they become payable in accordance with the rules of the scheme. Commitments provided for in the accounts amounted to £23,417 (2018 - £nil). Commitments not provided for in the accounts amounted to £nil (2018 - £nil).

25 Related party transactions

First Underwriting Limited ("FUL") is a 86.7% associate interest of NSM MGA Holdings Limited which is 100% owned by Kingfisher UK Holdings Limited (KFL), the Company's parent undertaking.

The Company undertook the following transactions with related parties

Related Party	Description of transactions during the year	Value of transactions during the year	Amount owed from / (to) at 31 December
FUL	General expenses paid on behalf of FUL	195,533	195,533

26 Ultimate controlling party

Control of the company is held by Kingfisher UK Holdings Limited, a company registered and operating in the United Kingdom, who hold 100% of the issued Ordinary shares of £1.00 each.

The ultimate parent is White Mountain Insurance Group, Ltd, a company registered on both the New York Stock Exchange and the Bermuda Stock Exchange.