

Castle Cover Limited

Directors' report and financial statements

For the year ended 31 December 2012

Company Registration No 5698370 (England and Wales)

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CASTLE COVER LIMITED

COMPANY INFORMATION

Registered No
5698370

Directors

BD Smith
AS Watson

Resigned 31/03/2013

M Cliff
FK Dyson
N Lemans

Appointed 06/02/2013
Appointed 23/10/2012

PJ Corfield
JW Collins
PRH Friend (INED)
RS Bright (INED)
JRM Harvey
SA Howe

Appointed 02/02/2012

Resigned 31/12/2012
Resigned 23/07/2012

Secretary

RA Smith

Auditors

KPMG Audit Plc
15 Canada Square
Canary Wharf
London
E14 5GL

Bankers

HSBC Bank plc
2nd Floor
HSBC House
Mitchell Way
Southampton
Hampshire
SO18 2XU

Registered Office

Ageas House
Tollgate
Eastleigh
Hampshire
SO53 3YA

CASTLE COVER LIMITED

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CASTLE COVER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

The directors present their annual report together with the audited financial statements of Castle Cover Limited ('the company') for the year ended 31 December 2012

The company has prepared the financial statements on a non-going concern basis

The Board considers that, in view of the expected transfer of trade and assets of Castle Cover Limited to Ageas 50 Ltd in the second quarter of 2013, it is appropriate to draw up financial statements on an 'other than going concern' basis. This conclusion has been reached having considered the provisions of FRS 18 Accounting Policies which requires entities to use the going concern basis, unless the directors intend to cease trading. As it is the directors' strong expectation that the company will transfer its trade and assets to Ageas 50 Limited in the foreseeable future, with the current businesses activities being carried out by Ageas 50 Limited operating under the Castle Cover brand, the accounts have been completed on an other than going concern basis as required by FRS 18.

The directors have considered the accounting treatment of assets and liabilities in the balance sheet at 31 December 2012 and have concluded that no changes are required in light of adopting an 'other than going concern' basis for preparing the accounts. This reflects the view that the assets and liabilities are stated at fair values which should not change as a consequence of the business being transferred to Ageas 50 Limited.

In the unexpected situation that the transfer of business of Castle Cover to Ageas 50 Limited is not completed, the Board is satisfied that the entity has plans in place that would enable it to continue trading successfully for the foreseeable future and is a going concern. This view has been reached having reviewed the balance sheet and revenue projections, including cash flows and liquidity.

At the balance sheet date the company had net current assets of £1,402,658. Day to day working capital requirements are met through a loan facility with Royal Bank of Scotland which is a receivables finance facility agreement. This facility has a minimum term of 36 months from 30 January 2012, and has a facility limit of £8,000,000.

Principal activities and review of the business

The company is a personal lines insurance broker specialising in the over 50 age group. The company is based in the United Kingdom.

Business review

Full details of the company's results can be found on pages 8 to 18 of these financial statements. The company continues with its focus on being a leading over 50s specialist insurance personal lines broker.

Performance

In 2012 the company returned a profit of £1.03m as compared with a profit of £2.25m in the previous year. Excluding interest, operating profit in 2012 was £1.12m as compared with £1.47m in the previous year.

Principal risks and uncertainties

Risk Management

The Risk management framework of the company has significantly improved since acquisition and is consistent with the approach of Ageas UK. The company's primary business is the provision of insurance marketing and broking services. As such it is exposed to a number of risks arising from its dealings with customers and suppliers as well as from its own internal operations. The company has various procedures in place to manage these exposures. These include an overall Risk management framework, a statement on the company's Risk Appetite, and a set of clearly defined risk policies. The company also maintains a comprehensive risk register which identifies the individual risks faced in each area of the business and the controls in place to mitigate these. The company has a Risk Committee which meets regularly to review both 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.

There are a variety of financial risks that the company is exposed to by the nature of its operation - as follows:

Market risk

The business is subject to the typical risks associated with its sector, the principal one being customer price sensitivity. Increased price competition could erode margins and/or market share. On a regular basis the business reviews its price competitiveness versus the general market. In addition, the cyclical nature of the insurance market may impact the company's income in an extended period of falling rates.

Credit risk

The company is rigorous in chasing overdue debts from its customers. The exposure is significantly reduced by the high proportion of customers who pay annually in advance for their policies. The debt consists of large volumes of small amounts - there is no exposure to a small number of customers for a large proportion of the debt.

CASTLE COVER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

Operational risk

Operational risk arises from inadequate or failed internal processes, people and systems, or from external events. It is diverse in nature and permeates all business activities but remains a distinct form of risk. Operational risk includes, for example, information technology, people, strategy, business continuity, regulatory, legal and financial crime.

The company has carried out a detailed review of its operational processes and activities and, based on this, it has identified the areas of key risk to the business. These include the areas of Marketing, Operations, IT, Finance and HR. Separate risk policies have been formulated for each of these areas and, where appropriate, standard procedures have been carefully documented. As well as risk identification, the approach also incorporates risk measurement, risk monitoring and risk management. In evaluating the risks faced by the business, significant focus is placed on the controls in place and how well they are operating. Regular reviews of both the risks faced, and the controls, are carried out by the company's Risk Committee.

Liquidity risk

The company has regular and rigorous focus on cash management. Cash forecasting is covered within the annual budget, 12 month rolling forecasts, quarterly forecasts and on a weekly basis. Financing requirements are discussed with the parent company and plans put in place to cover any future demands to fund growth.

Regulatory risk

The company operates in a regulated market and could be adversely affected by changes to existing regulation, new regulation or failure to comply with regulation. This is mitigated by keeping up to date with regulatory changes and through regular monitoring of sales adviser calls together with reviews of key processes and controls.

Interest rate risk

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 and an increase in the finance cost on the payable to group undertakings should interest rates increase.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

Employee involvement

Employees 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 employees and communication by management on the company's performance and strategy, as well as regular bulletins and employee newsletters. In addition, informal discussions take place between senior management and the formal employee consultation bodies. In 2012 Ageas ran its fourth UK-wide engagement survey and launched an intranet to further promote a two-way dialogue between employees and the organisation and to connect people across different businesses.

Employment of disabled persons

In line with the Equality Act 2010 we have taken a number of actions in response. The Act consolidates the range of discrimination legislation that has previously been in place and, as a result, the company's policy and procedures have been reviewed. The requirements have been built into our management training and an e-learning module has been created to further embed our approach to a diverse working environment. Our approach to diversity is monitored regularly.

Key performance indicators

The company's key performance indicators are

	2012	2011
Growth in turnover	(6.7%)	(0.6%)
Operating profit (decrease) / increase	(£354,324)	£2,177,963
Profit before tax as a % of turnover	5.1%	10.3%

The main drivers behind the drop in profit before tax as a % of turnover is the reduction in turnover and interest income.

Results and dividends

Turnover for the year was £20,354,186 (2011: £21,812,888). The profit after tax was £1,032,430 (2011: £2,252,759).

CASTLE COVER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

Directors

The current directors are shown on page 2

Charitable donations

During the year, the company made charitable donations of £333 (2011 £1,355)

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.

Directors' responsibilities

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

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, and
- state if applicable standards have been followed, subject to any material departures explained in the financial statements.

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.

Provision of information to auditors

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.

On behalf of the Board



RA SMITH

Date 29 April 2013

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CASTLE COVER LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2012**

We have audited the financial statements of Castle Cover Limited for the year ended 31 December 2012 set out on pages 8 to 18

The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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 auditor's 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 the directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on the 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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter - non-going concern basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reason set out in that note.

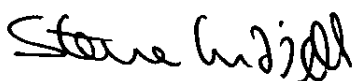
Opinion on the other matter prescribed by the Companies Act 2006

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.

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



Steve Liddell (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditors

Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
29 April 2013

CASTLE COVER LIMITED

Company Registration No 5698370 (England and Wales)

PROFIT AND LOSS ACCOUNT**FOR THE YEAR ENDED 31 DECEMBER 2012**

	Notes	2012 £	2011 £
Turnover		20,354,186	21,812,888
Cost of sales		<u>(14,444,071)</u>	<u>(14,886,591)</u>
Gross profit		5,910,115	6,926,297
Administrative expenses		<u>(4,793,230)</u>	<u>(5,455,088)</u>
Operating profit	2, 18	1,116,885	1,471,209
Interest receivable and similar income	3	5,176	885,692
Interest payable and similar charges	4	<u>(88,076)</u>	<u>(104,142)</u>
Profit on ordinary activities before taxation		1,033,985	2,252,759
Tax on profit / (loss) on ordinary activities	7	<u>(1,555)</u>	-
Profit for the year		<u>1,032,430</u>	<u>2,252,759</u>

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

CASTLE COVER LIMITED**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****FOR THE YEAR ENDED 31 DECEMBER 2012**

	2012	2011
Gains for the financial year	<u>1,032,430</u>	<u>2,252,759</u>
Total gains relating to the year	<u>1,032,430</u>	<u>2,252,759</u>
Total gains recognised since the last annual report	<u>1,032,430</u>	<u>2,252,759</u>

The notes to the accounts on pages 11 to 18 form an integral part of these financial statements

CASTLE COVER LIMITED

Company Registration No 5698370 (England and Wales)


BALANCE SHEET**AS AT 31 DECEMBER 2012**

	Notes	£	2012 £	£	2011 £
Current assets					
Tangible fixed assets	8	1,172,104		849,654	
Debtors	9	9,846,672		11,854,823	
Cash at bank and in hand	10	<u>6,904,973</u>		<u>2,821,287</u>	
Creditors amounts falling due within one year	11 & 12	<u>17,923,749</u> <u>(16,521,091)</u>		<u>15,525,765</u> <u>(15,155,536)</u>	
Net current Assets			<u>1,402,658</u>		<u>370,230</u>
Capital and reserves					
Called up share capital	15		2		2
Share premium account	16		22,330,952		22,330,952
Profit and loss account	16		<u>(20,928,296)</u>		<u>(21,960,724)</u>
Shareholders' funds - equity interests	17		<u>1,402,658</u>		<u>370,230</u>

These financial statements have been prepared in accordance with the Companies Act 2006

The notes to the accounts on pages 11 to 18 form an integral part of these financial statements

The financial statements were approved by the Board on 29 April 2013


AS Watson
N. Lemans

CASTLE COVER LIMITED

Company Registration No 5698370 (England and Wales)

CASH FLOW STATEMENT**FOR THE YEAR ENDED 31 DECEMBER 2012**

	Notes	2012 £	2011 £
Net cash inflow / (outflow) from operating activities	18	<u>3,448,112</u>	<u>(4,582,033)</u>
Returns on investments and servicing of finance			
Interest received		5,175	885,692
Interest paid		(87,346)	(101,527)
Interest element of finance lease rental payments and other financial charges		<u>(730)</u>	<u>(2,615)</u>
		<u>(82,901)</u>	<u>781,550</u>
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	8	<u>(549,328)</u>	<u>(359,709)</u>
Net cash inflow / (outflow) before financing		<u>2,815,883</u>	<u>(4,160,192)</u>
Financing			
(Repayment) / Increase of overdraft		-	(1,568,716)
Increase / (Repayment) in loans	19 (a)	1,274,505	(18,771,463)
Increase in Share Capital		-	22,325,325
Repayments of capital element of finance leases and hire purchase contracts	19 (a)	<u>(6,702)</u>	<u>(23,704)</u>
		<u>1,267,803</u>	<u>1,961,441</u>
Increase / (Decrease) in cash	19 (a)	<u>4,083,686</u>	<u>(2,198,753)</u>

CASTLE COVER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1 Accounting policies

(a) Basis of accounting and going concern

The accounts have been prepared under the historical cost convention, modified by the revaluation of certain assets as required by United Kingdom Generally Accepted Accounting Practice (UK GAAP)

The accounts have been prepared on a basis other than going concern. This reflects the expected transfer of trade and assets of Castle Cover Limited to Ageas 50 Limited in the second quarter of 2013. The accounting policies disclosed below are unchanged from previous years on the basis that the underlying business is being transferred and its valuation is not impacted.

(b) Compliance with accounting standards

The financial statements are prepared in accordance with the applicable accounting standards, which have been applied consistently (except as otherwise stated).

(c) Comparatives

Comparative figures are restated where there is new classification which is more reflective of the nature of the transaction.

(d) Turnover

Turnover represents the company's brokerage commission earned on insurance premiums written. Commission is recognised in full on the sales/renewal date of the insurance policy, irrespective of the timing of monies being received from the customer for this policy. This is the most appropriate date for when risk transfer has occurred. Instalment income from policies on monthly direct debit is recognised over the period of the policy. No policies written last beyond 12 months. A provision has been made at an appropriate level to reflect future cancellations / policy lapses for policies in force at the year end. In addition a provision has been made for potential bad debts based on ageing of debt at the year end. All of turnover is from UK based operations.

(e) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer hardware and software	between 2 & 5 years
Fixtures, fittings and office equipment	up to 5 years straight line
Leasehold improvements	remaining years of the lease on a straight line basis

(f) Lease commitments

Assets obtained under finance leases are capitalised as tangible fixed assets and depreciated over the lease term. Obligations under such agreements are included in creditors net of the finance charge allocated to future years. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each year.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

(g) Pensions

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company in an independently administered scheme. The annual contributions payable are charged to the profit and loss account.

CASTLE COVER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

1 Accounting policies (continued)

(h) Insurance broking assets and liabilities

The company acts as an agent in broking the insurable risks of its clients and is not liable as a principal for premiums due to insurance companies or for claims payable to clients. Notwithstanding the company's legal relationship with clients and insurance companies and since in practice premiums are usually accounted for by insurance intermediaries, it has followed generally accepted accounting practice by showing cash, debtors and creditors relating to insurance business as assets and liabilities of the company itself. Insurance debtors and creditors are reported in accordance with the requirements of Financial Reporting Standard No. 5 'Reporting the Substance of Transactions' (FRS5). The standard precludes assets and liabilities being offset unless net settlement is legally enforceable and as a result the insurance broking debtors and creditors have been shown as the gross amounts due in respect of each contract, instead of the net amount due to or from clients and underwriters.

2 Operating profit/loss	2012 £	2011 £
Operating profit is stated after charging		
Depreciation of owned assets	519,248	513,689
Depreciation of assets held under finance lease agreements	-	7,682
Operating lease charges - land and buildings	24,748	27,522
Auditors remuneration - audit fee	<u>28,000</u>	<u>28,000</u>
3 Interest receivable	2012 £	2011 £
Bank interest	5,175	2,746
Other interest	-	882,946
	<u>5,175</u>	<u>885,692</u>

CASTLE COVER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

4 Interest payable	2012	2011
	£	£
Included in interest payable are the following amounts		
Other loan interest	87,346	101,527
Finance charges	64	632
Shareholder's loan interest	666	1,983
	<u>88,076</u>	<u>104,142</u>

5 Directors' emoluments	2012	2011
	£	£
Emoluments	-	140,958
Contributions to defined contribution pension scheme	-	11,931
	<u>-</u>	<u>152,889</u>

The number of directors for whom retirement benefits are accruing under money purchase schemes amounted to nil (2011: 3)

The emoluments of the directors above include the following amounts paid to the highest paid director

Emoluments	-	27,164
Contributions to defined contribution pension scheme	-	2,506

No shares were awarded for prior year performance (2011: nil)

Within 2012 Castle Cover transferred all its directors and associated director emoluments to its sister company Ageas 50 Limited (formerly RIAS Plc). This was in preparation of the transfer of Castle Cover to Ageas 50. The directors of Castle Cover are remunerated by other group companies Ageas 50 and Ageas UK limited and their emoluments are disclosed in those companies' financial statements

6 Staff costs	2012	2011
	£	£
Wages and salaries	7,223,178	8,411,404
Social security costs	615,325	694,935
Other pension costs	138,892	192,229
	<u>7,977,395</u>	<u>9,298,568</u>

Average number of employees during the year

	2012	2011
	Number	Number
Operations	339	322
Support functions	16	36
	<u>355</u>	<u>358</u>

7 Taxation	2012	2011
	£	£
Tax on profit/(loss) on ordinary activities	(1,555)	-

The company has tax losses to carry forward of £17,758,855 (2011: £19,285,877) that are available for offset against future taxable profits

The tax charge for the year is in relation to non trading relationships and therefore cannot be offset against losses brought forward

The Finance Act 2012 enacted corporation tax rates of 24% from 1 April 2012 and 23% from 1 April 2013. On 11 December 2012 it was announced that the rate from 1 April 2014 will be 21% and on 20 March 2013 it was announced that the rate from 1 April 2015 will be 20%. These rate changes are not enacted

CASTLE COVER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

8 Tangible fixed assets	Computer hardware and software	Fixtures, fittings and office equipment	Leasehold improvements	Total
	£	£	£	£
Cost				
At 1 January 2012	3,420,259	339,073	48,245	3,807,577
Additions	86,066	755,632	-	841,698
Disposals	-	(244,125)	(48,245)	(292,370)
At 31 December 2012	<u>3,506,325</u>	<u>850,580</u>	<u>-</u>	<u>4,356,905</u>
Depreciation				
At 1 January 2012	2,685,182	244,125	28,616	2,957,923
Charge for the year	373,319	126,300	19,629	519,248
Disposals	-	(244,125)	(48,245)	(292,370)
At 31 December 2012	<u>3,058,501</u>	<u>126,300</u>	<u>-</u>	<u>3,184,801</u>
Net book value				
At 31 December 2012	<u>447,824</u>	<u>724,280</u>	<u>-</u>	<u>1,172,104</u>
At 31 December 2011	<u>735,077</u>	<u>94,948</u>	<u>19,629</u>	<u>849,654</u>

9 Debtors	2012	2011
	£	£
Insurance debtors	9,550,321	11,160,806
Other debtors	45,649	99,994
Prepayments and accrued income	<u>250,702</u>	<u>594,025</u>
	<u>9,846,672</u>	<u>11,854,823</u>

10 Cash at bank and in hand

Included in cash and cash equivalents held by the company are monies, held in separate bank accounts, totalling £4,445,682 (2011 £2,386,018) that are not available for use by the company. These amounts and the matching liabilities are included in the statement of financial position.

CASTLE COVER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

11 Creditors amounts falling due within one year	2012 £	2011 £
RBS loan	3,268,798	-
Insurance creditors	5,213,420	8,806,709
Insurance creditors due to group companies	4,240,049	1,907,339
Trade creditors	250,134	111,635
Obligations under finance leases	-	6,701
Corporation tax	1,555	-
Other tax and social security payable	6,666	2,085
Due to group companies	1,259,856	-
Other creditors	23,224	110,744
Accruals and deferred income	2,257,389	949,472
	<u>16,521,091</u>	<u>11,894,685</u>

The RBS loan is a receivables finance facility agreement that has a minimum term of 36 months from 30 January 2012, and has a facility limit of £8,000,000

12 Creditors amounts falling due after more than one year	2012 £	2011 £
Due to group companies	-	3,260,850
	<u>-</u>	<u>3,260,850</u>

Due to group companies represents the interest outstanding to pay from the unsecured loan from the parent company repayable on demand in cash. The effective rate of interest as at 31 December 2012 was 2.0%.

Obligations under finance leases are secured on the assets concerned.

13 Operating lease commitments

At 31 December 2012 the company had annual commitments under non-cancellable operating leases expiring as follows:

	Land & Buildings 2012 £	Land & Buildings 2011 £
Within one year	-	247,488
Within two to five years	-	488,764
Total	<u>-</u>	<u>736,252</u>

14 Deferred Tax

The deferred tax asset has not been recognised due to the length of timescale over which the losses are to be recovered although the company has a 5 year plan with an improving profitable position.

CASTLE COVER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

15 Share capital	2012	2011
	£	£
<u>Authorised</u> 10,000,000 ordinary shares of £0.0001	1,000	1,000
<u>Allotted, issued and fully paid, 20,341 ordinary shares of £0.0001 (2011: 20,341)</u>	2	2

16 Statement of movements on reserves	Share premium account	Profit and loss account	Total
	£	£	£
At 1 January 2012			
As previously reported	22,330,952	(21,960,724)	370,228
Retained profit for the year	-	1,032,430	1,032,430
Premium on issue of ordinary shares	-	-	-
At 31 December 2012	<u>22,330,952</u>	<u>(20,928,294)</u>	<u>1,402,658</u>

17 Reconciliation of movements in shareholders' funds	2012	2011
	£	£
Profit for the financial year	1,032,430	2,252,759
Issue of ordinary share capital	-	22,325,325
Net addition to shareholders' funds	<u>1,032,430</u>	<u>24,578,084</u>
Opening shareholders' funds	<u>370,230</u>	<u>(24,207,854)</u>
Closing shareholders' funds	<u>1,402,659</u>	<u>370,230</u>

CASTLE COVER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

18 Notes to the cash flow statement (continued)

(a) Reconciliation of operating loss to net cash outflow from operating activities

	2012	2011
	£	£
Operating profit	1,116,885	1,471,209
Depreciation or disposal of tangible fixed assets	226,878	513,689
Decrease / (increase) in insurance debtors	1,610,484	(2,283,727)
Decrease / (increase) in other debtors	54,345	(85,206)
Decrease / (increase) in prepayments and accrued income	343,323	(96,657)
(Decrease) in insurance creditors	(1,260,580)	(651,532)
Increase / (decrease) in other creditors	48,860	(605,245)
Increase / (decrease) in accruals and deferred income	1,307,917	(2,844,565)
Net cash outflow from operating activities	<u>3,448,112</u>	<u>(4,582,033)</u>

(b) Analysis of net debt

	At 1 January 2012	Cash flow	At 31 December 2012
	£	£	£
Cash at bank and in hand	<u>2,821,287</u>		<u>6,904,973</u>
Cash	2,821,287	4,083,686	6,904,973
Loans	(3,260,850)	(7,948)	(3,268,798)
Finance leases	(6,702)	6,702	-
	<u>(446,265)</u>	<u>4,082,440</u>	<u>3,636,175</u>

19 Notes to the cash flow statement

(a) Reconciliation of net cash flow to movement in net debt

	2012	2011
	£	£
Increase / (decrease) in cash	2,814,636	(630,036)
Ageas UK Loan	(3,260,850)	3,260,850
RBS Loan	3,268,798	-
Increase in Ageas 50 intercompany balance	1,266,557	-
Repayment of other loans	-	15,510,615
Repayment of capital element of finance leases and hire purchase contracts	(6,702)	23,704
Movement in net debt	<u>4,082,440</u>	<u>18,165,133</u>
Net debt at 1 January	<u>(446,265)</u>	<u>(18,611,398)</u>
Net debt at 31 December	<u>3,636,175</u>	<u>(446,265)</u>

CASTLE COVER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

20 Pension commitments

The company operates a defined contribution personal pension plan. The assets of the plans are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the plans and the amount contributed during the year was £138,892 (2011: £192,229). At the balance sheet date, an amount of £nil (2011: £nil) was owing to the pension fund.

21 Capital commitments

There are no capital commitments contracted for but not provided for in the financial statement.

2012	2011
£	£

-	-
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22 Related party transactions

During the year Castle Cover paid off the remaining shareholder loan to Ageas UK, the balance at 31 December 2012 was nil (2011: £3,260,850).

During 2012 the company received commissions from group companies. As at 31 December 2012 the total intercompany commissions paid to the company was £3,849,242 (2011: £1,907,339) this has been included with turnover and is broken down as follows: Ageas Insurance Limited £3,717,258 (2011: £1,907,339), Ageas Protect £44,494 (2011: nil) and Groupama £87,490.

As at 31 December 2012 the company held liabilities on the balance sheet regarding insurance creditors from group companies of £4,240,049 (2011: £3,802,920). This is broken down by group companies as follows, £3,808,032 (2011: £3,802,920) with regards to monies owed to Ageas Insurance Limited and £432,017 (2011: nil) with regards to monies owed to Groupama Limited for policies sold.

As at 31 December 2012 the company held a liability on the balance sheet of £1,259,856 relating to group companies. £1,092,969 (2011: nil) is relating to an intercompany balance due to Ageas 50 Ltd. £2,256 related to interest still to be paid on the paid off intercompany loan to Ageas UK (2011: nil) and £164,632 related to liabilities with AIL.

23 Ultimate controlling party

The Company's results are consolidated into the accounts of Ageas SA/NV, the ultimate holding company, which is incorporated in Belgium.

Copies of the above accounts can be obtained from the Company Secretary, Castle Cover Limited, Ageas House, Tollgate, Eastleigh, Hampshire SO53 3YA.

24 Post balance sheet subsequent events

The Directors of Ageas (UK) Limited (Ageas 50 Ltd's parent) have decided to merge its existing Castle Cover operations in with Ageas 50 Limited (formerly RIAS). Ageas 50 and Castle Cover will continue to operate their own brands but will trade as Ageas 50 Limited. The current proposed date for this merger is 1 May 2013, which will be after the accounts are signed off.