

# **Endsleigh Insurance Services Limited**

## **Financial statements for the year ended 31 December 2013**

Registered number: 856706



**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Strategic report**

**Business Review**

Endsleigh Insurance Services Limited offers tailored and often bespoke market leading insurance products and services, to students and graduates. Since creation by the National Union of Students in 1965, we have successfully catered for the insurance needs of the student market place, working as a broker to source the appropriate products and price point for our customers. The business model of Endsleigh has changed many times, in response to changes in regulation and customer behaviours.

Our ability to provide competitive products is underpinned by the insight we have gained from insuring generations of young educated people; we are able to segment in a very sophisticated fashion. Data enrichment and access gives us a commercial advantage over our competitors. Innovative product design and propositions are now being developed to create long term relationships with students once they graduate in order to build life-long relationships. We are now adding more value, to both our customers and our insurer partners, through better segmentation and product propositions.

Endsleigh is continually striving to put the customer at the heart of how we operate. A customer centric approach is critical to our distribution strategy given we operate in such a focussed though substantial niche. Our marketplace was a very early adopter of the internet and so our investment in digital servicing has been greatly increased over the past few years. Digital distribution is a key enabler in order to deliver excellent customer service whilst driving down costs for the business. We support online activity with customer contact centres where customers prefer that type of service.

Performance has been under pressure as margins are eroded by competition. In certain products price comparison websites have focused customers primarily onto price, as a key decision point; this is particularly true for motor insurance. Our response to this is to continue to add value through customer segmentation in order to improve margins whilst simultaneously driving better returns for our insurer partners and delivering better pricing for our customers.

The turnover for the year was £49.7m (2012 - £50.6m) resulting in a profit for the financial year of £6.6m (2012 - £9.3m). The directors expect the general level of activity to continue for the foreseeable future.

The directors have not approved a dividend payment for the year (2012 - no dividend paid).

The directors recommended that the profit in the year be added to retained profits brought forward and that the balance of £14.7m be carried forward (2012 - £9.7m).

The company is a wholly owned subsidiary of Endsleigh Limited and operates exclusively in the UK. See note 25 for more detail.

**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Strategic report (continued)**

**Financial Key Performance Indicators**

Endsleigh Insurance Services Limited employs key performance indicators in the management of the company. These assist in understanding the performance of the business and are given below.

	2013	2012
Sales decline	(1.7%)	(4.0%)
EBITDA (1)	£12,265,269	£15,040,000
EBITDA (1) (before exceptional item)	£13,099,233	£15,040,000
ROCE (2)	21.6%	31.8%

Sales decline

The economic and trading environment remains difficult, particularly in the Motor market, with increasing pressure on commission income and also the impact of increasing regulatory pressures.

EBITDA

This has decreased over the previous year mainly due to the decrease in operating profit over 2012 driven in part by increased expenditure due to inflation, an increase in insurance and FCA fees and a reduction in turnover due to the difficult economic and trading environment.

ROCE

This ratio is used as a means of measuring the return generated for shareholders with the assets used by the company, and the percentage has decreased over the previous year due to the decline in operating profit driven in part by the tough trading environment and increased expenditure due to inflation.

Definition

- 1) Earnings before interest payable, tax, depreciation and amortisation
- 2) Earnings before interest payable and tax as a percentage of total assets less current liabilities

**Non Financial Key Performance Indicators**

The directors believe that the use of non financial KPI's is not necessary for an understanding of the results and operations of the business.

**Principal risks and uncertainties**

Competitive pressure in the UK is a continuing risk for the company, which could result in it losing sales to its key competitors. The company maintains a competitive panel of insurers and constantly reviews margins to ensure competitive pricing. The company further manages this risk by providing added value services to its customers, having fast response times not only in supplying products but in handling all customer queries, and by maintaining strong relationships with customers. Additionally, the company operates in a niche market which it seeks to protect through a number of relatively long term contractual arrangements with long term business partners.

**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Strategic report (continued)**

Liquidity risk is perceived to be very low due to the cash generative nature of the business and relatively high free-cash balances held. Surplus cash is invested with a range of counterparties with a limit on the amount placed with any one counterparty thus restricting the exposure in the event of counterparty failure. Interest rate risk is perceived to be very low as the company has very little debt.

The company's credit risk is limited to certain business areas. In these areas there are strict credit control procedures in place together with effective cancellation procedures which minimise the credit risk to the business. In relation to instalment business, the company responds very quickly to defaults and has effective cancellation arrangements, thereby minimising this risk.

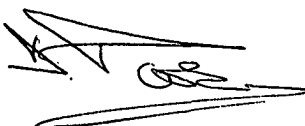
The company focuses strongly on risk management, including compliance and regulatory risk, and has a culture within which risk management is firmly embedded. As a result this ensures that key risks are identified in a timely manner, suitable mitigation options are proposed and adopted and that this is reported at an appropriate level in the business.

The exposures to the pension scheme are managed through a prudent investment strategy together with a robust planning system to ensure adequate reserves are maintained to cover the schemes potential volatility.

The company operates in a niche market and seeks to leverage its expertise to maintain profitability and long term growth.

Shurdington Road  
Cheltenham Spa  
Gloucestershire  
GL51 4UE

By order of the Board



Mr. D. J. C. Parsons  
**Company Secretary**

1<sup>st</sup> May 2014

**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Directors' report**

Endsleigh Insurance Services Limited Registered number 856706.

The directors present their annual report on the affairs of the company, together with the audited financial statements and auditors' report, for the year ended 31 December 2013.

**Principal activities**

The company's principal activities continue to be the provision of insurance services while acting as an insurance intermediary. There have not been any significant changes in the company's principal activities in the year under review. However, Endsleigh Insurance Services Ltd is extending its reach as an outsourced provider by taking on additional claims handling services in 2014. Furthermore, additional income is now being introduced for the provision of IT services, EDI transactions and motor claims handling services to the Insurer.

The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

The company continues to invest in product development. This has resulted in a number of updates to existing products and distribution channel software. The directors regard investment in product development as necessary for continuing success in the medium to long term future.

As shown in the company's profit and loss account on page 9, the company's turnover has decreased by 1.74% over the prior year.

The balance sheet on page 11 of the financial statements shows that the company's financial position at the year end in terms of net assets, including pension liability, has increased from £12.5m to £17.5m. Details of amounts owed to group undertakings are shown in note 14 on page 22. Details of amount owed by group undertakings are shown in note 11 on page 21.

**Environment**

Endsleigh Insurance Services Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements its policies to reduce any damage that might be caused by the group's activities.

**Employees**

Details of the number of employees and related costs can be found in note 6 to the financial statements on page 15.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the group. This is achieved through formal and informal meetings individually, collectively and through elected staff representatives.

**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Directors' report (continued)**

Employees are consulted regularly on a wide range of matters affecting their current and future interests.

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Mr. J. Brinley	
Mr. L. Burns	Resigned 16 April 2013
Mr. J. Butler	
Mr. G. Dodds	
Mr. J. Dyke	Resigned 28 March 2013
Ms.D.Grufferty	Resigned 25 June 2013
Mrs. K. Martin	
Mr. I. Passmore	
Mr. A. Smith	

**Fixed Assets**

Information relating to the changes in tangible fixed assets is given in note 8 to the financial statements.

**Directors' indemnities**

Qualifying third party indemnity provisions (as defined in Section 234 of the Companies Act 2006) were in force for the benefit of the directors during the year and up the date of signing the financial statements.

**Going concern**

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on Page 1. The principal risks and uncertainties facing the business, including exposure to credit and interest rate risk; liquidity risk and risk management generally, are covered in the Business Review on Pages 1 to 3.

The company is a member of a group, which has considerable financial resources together with long-term contracts with a number of affinity customers and suppliers across different geographical areas and within its core markets. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Directors' report (continued)**

**Statement of 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 prepared 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 judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

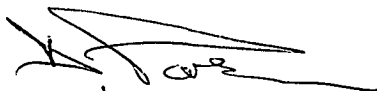
The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Statement of disclosure of information to Auditors**

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

Shurdington Road  
Cheltenham Spa  
Gloucestershire  
GL51 4UE

By order of the Board,



Mr D.J.C Parsons  
**Company Secretary**

1<sup>st</sup> May 2014

**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ENDSLEIGH INSURANCE SERVICES LIMITED**

We have audited the financial statements of Endsleigh Insurance Services Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

**Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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 Ethical Standards for Auditors.

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.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**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 2013 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.

**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.

**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:



**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ENDSLEIGH  
INSURANCE SERVICES LIMITED (CONTINUED)**

- 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.



Paul Clarke (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
13 May 2014

**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Profit and loss account**

For the year ended 31 December 2013

	Note	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
<b>Turnover</b>	1	49,424	50,627
Administrative expenses		(43,289)	(41,739)
Other operating income		1,106	634
Income from shares in group undertakings		2,726	2,532
<b>Operating profit</b>		<u>9,967</u>	<u>12,054</u>
Exceptional item: fixed asset disposals	2	(834)	-
<b>Profit on ordinary activities before interest</b>		<u>9,133</u>	<u>12,054</u>
Interest receivable and similar income	3	230	456
Interest payable and similar charges	4	(37)	(47)
Other interest payable	23	<u>(849)</u>	<u>(857)</u>
<b>Profit on ordinary activities before taxation</b>	5	8,477	11,606
Tax on profit on ordinary activities	7	<u>(1,926)</u>	<u>(2,292)</u>
<b>Profit for the financial year</b>	19	<u>6,551</u>	<u>9,314</u>

All results relate to continuing activities.

The accompanying notes pages 11 to 29 are an integral part of these statements.

There are no differences between the profit on ordinary activities before taxation and the profit for the financial year as shown above, and the historical cost equivalent.

**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Statement of total recognised gains and losses**

For the year ended 31 December 2013

	Note	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Profit for the financial year		6,551	9,314
Actuarial loss relating to the pension scheme	23	(1,936)	(13,041)
UK tax credit attributable to actuarial loss	17	<u>387</u>	<u>2,999</u>
<b>Total recognised gains/(losses) relating to the year</b>		5,002	(728)
<b>Total recognised gains/(losses) since last annual report</b>		5,002	(728)

All results relate to continuing operations.

The accompanying notes are an integral part of this statement of total recognised gains and losses.



**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Balance sheet**

As at 31 December 2013

	Note	31 December 2013 £'000	31 December 2012 £'000
<b>Fixed assets</b>			
Tangible assets	8	9,821	10,919
Investments	9	2,036	2,036
Intangible assets	10	-	1
		<u>11,857</u>	<u>12,956</u>
<b>Current assets</b>			
Debtors	11	23,600	24,024
Investments	12	20,000	-
Cash at bank and in hand	13	26,826	35,900
		<u>70,426</u>	<u>59,924</u>
<b>Creditors: Amounts falling due within one year</b>	14	<u>(39,029)</u>	<u>(33,480)</u>
<b>Net current assets</b>		<u>31,397</u>	<u>26,444</u>
<b>Total assets less current liabilities</b>		43,254	39,400
<b>Creditors: Amounts falling due after more than one year</b>	15	(306)	(602)
<b>Provisions for liabilities</b>	16	(1,871)	(2,438)
<b>Net assets excluding pension deficit</b>		<u>41,077</u>	<u>36,360</u>
<b>Pension deficit</b>	23	<u>(23,600)</u>	<u>(23,885)</u>
<b>Net assets including pension deficit</b>		<u>17,477</u>	<u>12,475</u>
<b>Capital and reserves</b>			
Called up share capital	18	2,800	2,800
Profit and loss account	20	14,677	9,675
<b>Total shareholders' funds</b>	19	<u>17,477</u>	<u>12,475</u>

The financial statements were approved by the board on 1<sup>st</sup> May 2014.

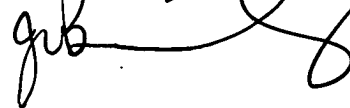
Signed on behalf of the Board

Mr I. Passmore



Managing Director

Mr J. Brinley



Director

1<sup>st</sup> May 2014

The notes on pages 11 to 29 form part of the financial statements.

**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Notes to financial statements**

**1 Accounting policies**

The principal accounting policies, which have been applied consistently throughout the current year, are as follows:

*a) Basis of accounting*

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The company is a wholly owned subsidiary of Endsleigh Limited and is included in the consolidated financial statements of Endsleigh Limited which are publicly available. The company has taken advantage of exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

*b) Tangible fixed assets*

Tangible fixed assets are shown at historical cost less accumulated depreciation.

Depreciation is provided at rates calculated to write-off the cost less estimated residual value of fixed assets by the straight-line method over their estimated useful lives as follows:

Leasehold property	over the period of the lease
Freehold buildings	over 50 years
Office equipment	over 5 years
Furniture, fixtures and fittings	up to 7 years
Computer equipment and software	up to 5 years
Leased motor vehicles	over the period of the lease

Depreciation is charged from the month after the month of acquisition, with the exception of premises where no depreciation is charged in the year of acquisition.

*c) Fixed asset investments*

In the company's financial statements, investments in subsidiaries are stated at cost less provision for impairment.

*d) Intangible assets*

In the company's financial statements, intangible assets are stated at cost less accumulated amortisation. Impairment reviews are undertaken on a regular basis and assets are written down where necessary.

*e) Pension costs*

For defined benefit schemes the amounts charged to operating profit are the current service cost and gains and losses on settlements and curtailments. They are included as part of staff costs. The interest cost and the expected return on assets are shown as a net amount of their finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the attained age method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liability. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Notes to financial statements (continued)**

**1 Accounting policies (continued)**

*e) Pension costs (continued)*

The resulting defined benefit asset or liability, net of related deferred tax, is presented separately after other net assets on the face of the balance sheet (see Note 23).

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

*f) Taxation*

Corporation tax payable is provided on taxable profits at the current rate.

*g) Turnover*

Turnover arises from continuing operations and comprises commissions and other income arising principally from the sale of insurance policies in the United Kingdom, recognised at the inception of the policy, and third party administration services. Where there is an expectation of future servicing, an element of income relating to the policy is deferred to cover the associated contractual obligation. A reduction in turnover is made in respect of provisions for amounts likely to be repayable on cancellation of policies in future periods.

Other operating income represents recharges for development in relation to third party administration arrangements recognised as the work is undertaken.

*h) Finance and operating leases*

The company enters into operating and finance leases as described in note 21.

Assets held under finance leases are initially reported at the fair value of the assets, with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term or its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance. Rentals are apportioned between finance charges and reduction of the liability, and allocated to administrative expenses. Rentals under operating leases are charged on a straight-line basis over the lease term.

Material payments are disclosed in aggregate under equipment hire costs in note 5. Further information on future commitments is given in note 21.

*i) Deferred tax*

In accordance with Financial Reporting Standard No.19, deferred taxation is provided in full on timing differences which represent an asset or liability at the balance sheet date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

*j) Cash flow statement*

Under the provisions of Financial Reporting Standard No.1 (Revised), the company has not prepared a cash flow statement because its parent undertaking, Endsleigh Limited, which is incorporated in the United Kingdom, has prepared consolidated financial statements which

**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Notes to financial statements (continued)**

**1 Accounting policies (continued)**

*j) Cash flow statement (continued)*

include the financial statements of the company for the year and which contain a cash flow statement.

*k) Development Costs*

Under the provisions of Financial Reporting Standard No. 10, the company capitalised certain costs during the year relating to internally developed software. The development costs are amortised on a straight line basis over the anticipated useful life of the asset.

**2 Exceptional item**

Ongoing assessment of our fixed assets dictated that some previously capitalised items were disposed of due to being superseded by further developments or through the asset no longer being utilised.

	Year ended 31 December 2013 £'000
Internal development capitalisation	462
Computers, equipment, furniture, fixtures and fittings	372
	<u>834</u>

**3 Interest receivable and similar income**

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Interest receivable on short term deposits	230	456
	<u>230</u>	<u>456</u>

**4 Interest payable and similar charges**

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Interest payable on finance leases	(37)	(47)
	<u>(37)</u>	<u>(47)</u>

**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Notes to financial statements (continued)**

**5 Profit on ordinary activities before taxation**

Profit on ordinary activities before taxation is stated after charging/(crediting):

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
a) Loss on disposal of tangible fixed assets	834	229
b) Depreciation of owned assets	2,653	2,297
c) Depreciation of assets held under finance leases	229	217
d) Depreciation of Land and Buildings	17	16
e) Finance charges payable under finance leases	37	47
f) Hire of office equipment under operating leases	25	24
g) Other operating leases	1,124	1,208
h) Auditors remuneration- Fees payable to the company's auditor for the audit of the company's financial statements	70	64

**6 Staff costs**

Particulars of employee costs (including executive directors) are as shown below:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Employee costs during the year amounted to:		
Wages and salaries	17,234	16,865
Redundancy costs	494	446
Social security costs	1,539	1,543
Other pension costs	2,063	2,145
	<u>21,330</u>	<u>20,999</u>

The average monthly number of persons employed by the company during the year was as follows:

	Year ended 31 December 2013	Year ended 31 December 2012
<b>Monthly-paid staff</b>		
Sales	278	313
Administration	460	471
	<u>738</u>	<u>784</u>
<b>Weekly-paid staff</b>	<u>53</u>	<u>26</u>



**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Notes to financial statements (continued)**

**6 Staff costs (continued)**

**Directors' remuneration:**

Directors' remuneration was as follows:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Aggregate emoluments	<u>771</u>	<u>706</u>

The directors' remuneration shown above (excluding pensions and pension contributions) included:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Highest paid director	<u>306</u>	<u>304</u>

Three directors were beneficiaries of defined benefit pension schemes (2012 – Three). The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 December 2013 was £113,182 (2012 - £113,182) and the transfer value at 31 December 2013 was £2,309,534 (2012 - £2,441,868).

Contributions paid by the directors into the defined benefit scheme in the year 1 January 2013 to 31 December 2013 totalled £Nil (2012 - £Nil). The contributions paid into the defined benefit scheme by highest paid director were £Nil (2012 - £Nil).

No retirement benefits were paid to directors or past directors during the year (2012 - £Nil).

**Share Based Payments**

The ZIG group operates long-term incentive plans for selected executives. These plans comprise the allocation of a target number of share grants and/or share options grants with the vesting of these share and option grants being subject to the achievement of specific financial performance goals. The ZIG group can also make restricted share grants to selected employees, which provide share awards if the individual remains employed with the ZIG group on selected dates in the future.

*Executive long-term performance share plans*

Each year, selected executives are granted performance shares which vest on an annual basis over the subsequent three year period. The actual level of vesting, which can be between 0% and 175% of the original number of shares and/or options granted, depends on the performance of the ZIG group during the previous three calendar years. The current performance metrics are the ZIG group's return on equity (ROE) and the position of its total annual relative shareholder return measured against an international peer group of insurance companies. One-half of the shares that actually vest are sales-restricted for a further period of three years. The actual number of performance shares granted at the beginning of the performance period is determined such that the economic value is a defined percentage of annual salary in the year of allocation. There was a total of 1 participant in this plan as at 31 December 2013 (2012: 1).

**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Notes to financial statements (continued)**

**6 Staff costs (continued)**

**Share Based Payments (continued)**

The average share price for ZIG shares in 2013 was CHF 250.00 (2012: CHF 222.00). The CHF to GBP foreign exchange rate on the grant in 2013 was 1.4301 (2012: 1.4479).

The options granted during the year are the target allocations made under the performance option plan. Whether these grants become vested or not will depend on whether the performance achievements are achieved. If the performance metrics change from the initial assumptions, the expense is adjusted.

Up to and including 2010, options granted during the year were treated in the same way. From 2011 option grants have been discontinued. Option grants made in the year up to and including 2010 continue to earn out in accordance with the terms and conditions of those grants.

The cost charged in the year was £87,193 (2012 – £85,897)

The table below details the total target share options granted under the Executive long-term incentive plan

	Number of target shares under option		Weighted average exercise price (in CHF)	
	2013	2012	2013	2012
Outstanding at 1 January	840	695	301	291
Target share options granted	361	420	260	240
Target share options exercised	<u>(416)</u>	<u>(275)</u>	<u>235</u>	<u>204</u>
Total outstanding at 31 December	<u>785</u>	<u>840</u>	<u>303</u>	<u>301</u>
Exercisable at 31 December	<u>-</u>	<u>-</u>	<u>303</u>	<u>305</u>

**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Notes to financial statements (continued)**

**7 Tax on profit on ordinary activities**

The taxation charge is based on the profit for the year and comprises:

	Note	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Profit before tax		8,477	11,606
<b><u>Analysis of tax charge on current activities</u></b>			
Actual tax charge:			
Corporation tax on profits of the Year		(717)	(1,297)
Prior year adjustments		104	821
Total current tax		(613)	(476)
Deferred tax	17	(1,313)	(1,816)
Tax on profit on ordinary activities		(1,926)	(2,292)

The tax for the year is lower (2012 – lower) than the standard rate of corporation tax in the United Kingdom (23.25%). The differences are explained below:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
<b><u>Factors affecting tax charge for the current Year</u></b>		
Profit on ordinary activities before taxation	8,477	11,606
Expected charge (23.25% of profit before tax (2012 – 24.5%))	(1,971)	(2,843)
Effects of:		
Transfer pricing adjustment	(125)	(127)
Non taxable dividend income	634	621
Depreciation in excess of capital allowances	(58)	(140)
Pension contribution relief in excess of net pension cost charge	803	1,192
Prior year adjustments	104	821
<b>Tax charge for the year</b>	(613)	(476)

**Factors affecting current and future tax charges**

The UK corporation tax was reduced from 24.0% to 23.0% with effect from 1 April 2013, resulting in an effective UK corporation tax rate of 23.25% for the year. In July 2013 a further reduction in the corporation tax rate to 21.0% was substantively enacted, and will be effective from 1 April 2014. The main rate of corporation tax will further reduce to 20% from 1 April 2015.

The deferred tax rate has been measured at 20% due to timing differences expected to reverse after 1 April 2015.

**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Notes to financial statements (continued)**

**8 Tangible fixed assets**

	Leasehold property and freehold buildings £'000	Office equipment, furniture, fixtures and fittings, computer equipment and software £'000	Leased Motor vehicles £'000	Total £'000
<b>Cost</b>				
At 1 January 2013	1,375	20,488	1,316	23,179
Additions	-	2,728	159	2,887
Disposals	-	(3,479)	(430)	(3,909)
At 31 December 2013	<u>1,375</u>	<u>19,737</u>	<u>1,045</u>	<u>22,157</u>
<b>Accumulated Depreciation</b>				
At 1 January 2013	197	11,696	367	12,260
Charge for the year	17	2,653	229	2,899
Disposals	-	(2,626)	(197)	(2,823)
At 31 December 2013	<u>214</u>	<u>11,723</u>	<u>399</u>	<u>12,336</u>
<b>Net book value</b>				
At 31 December 2012	<u>1,178</u>	<u>8,792</u>	<u>949</u>	<u>10,919</u>
<b>Net book value</b>				
At 31 December 2013	<u>1,161</u>	<u>8,014</u>	<u>646</u>	<u>9,821</u>
Leased assets included in above:				
<b>Net book value</b>				
At 31 December 2012	<u>-</u>	<u>-</u>	<u>949</u>	<u>949</u>
<b>Net book value</b>				
At 31 December 2013	<u>-</u>	<u>-</u>	<u>646</u>	<u>646</u>

**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Notes to financial statements (continued)**

**9 Fixed asset investments**

a) The net book value of fixed asset investments in the company balance sheet comprises investments in subsidiary companies and an investment in Burnley Football Club (£5,025 (2012 - £5,025)).

b) The company owns share capital of the following companies:

	% Owned 31 December 2013	Ordinary shares of £1 each 31 December 2013 £	31 December 2012 £
Endsleigh Shopfitting Limited	100	2	2
Endsleigh Leasing Limited	100	2	2
Endsleigh Promotions Limited	100	2	2
Endsleigh Trustee Services Limited	100	2	2
Endsleigh Developments Limited	100	2	2
Endsleigh General Trading Limited	100	2	2
Endsleigh Communications Limited	100	2	2
17-40 Direct Limited	100	2	2
Endsleigh Financial Services Limited	100	10,000	10,000
Women On Wheels Limited	100	2	2
TCS Loss Adjusters Limited	100	10,000	10,000
Endsleigh Insurances (Brokers) Limited	100	5,000	5,000
Endsleigh Life and Pensions Limited	100	10,000	10,000
Endsleigh Pension Trustee Limited	100	1	1
Woodstock Insurance Brokers Limited	100	1,996,174	1,996,174

All of the above companies are incorporated in Great Britain. The principal activities of the companies are:

Endsleigh Shopfitting Limited	- dormant
Endsleigh Leasing Limited	- dormant
Endsleigh Promotions Limited	- dormant
Endsleigh Trustee Services Limited	- dormant
Endsleigh Developments Limited	- dormant
Endsleigh General Trading Limited	- dormant
Endsleigh Communications Limited	- dormant
Endsleigh Law Limited	- dormant
17-40 Direct Limited	- dormant
Endsleigh Financial Services Limited	- provision of financial services
Women On Wheels Limited	- dormant
Woodstock Insurance Brokers Limited	- provision of insurance broking services
TCS Loss Adjusters Limited	- provision of loss adjusting services
Endsleigh Insurances (Brokers) Limited	- provision of insurance broking services
Endsleigh Life and Pensions Limited	- dormant
Endsleigh Pension Trustee Limited	- dormant

**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Notes to financial statements (continued)**

**9 Fixed asset investments (continued)**

c) The movement in the company fixed asset investments in the year was as follows:

	2013 £'000	2012 £'000
<b>Cost or valuation</b>		
At 1 January and 31 December	<u>2,036</u>	<u>2,036</u>

The method of valuation is stated in note 1.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

**10 Intangible fixed assets**

	2013 £'000	2012 £'000
<b>Cost or valuation</b>		
At 1 January	1	4
Amortisation	<u>(1)</u>	<u>(3)</u>
At 31 December	<u>-</u>	<u>1</u>

This intangible asset relates to a website domain name acquired by the company in a prior year.

**11 Debtors**

	Notes	31 December 2013 £'000	31 December 2012 £'000
Amounts falling due within one year:			
Premiums and commissions receivable		11,709	13,985
Amounts owed by group undertakings		9,134	8,036
Other debtors		227	226
Prepayments		2,263	1,817
Deferred tax asset	17	<u>267</u>	<u>(40)</u>
		<u>23,600</u>	<u>24,024</u>

**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Notes to financial statements (continued)**

**12 Current asset investments**

	31 December 2013 £'000	31 December 2012 £'000
Short-term deposits	<u>20,000</u>	<u>-</u>

Short-term deposits are with European banks.

£7.5m designated as Insurer Trust money (2012 - £Nil).

**13 Cash at bank and in hand**

Included in the balance of £26,825,843 (2012 - £35,900,382) is £16,350,788 designated as Insurer Trust money (2012 - £19,819,045).

**14 Creditors: Amounts falling due within one year**

The following amounts are included in creditors falling due within one year:

	31 December 2013 £'000	31 December 2012 £'000
Bank loans and overdrafts	3,643	4,204
Trade creditors	8,682	7,861
Amounts owed to group undertakings	16,931	10,898
External obligations under finance leases	335	333
Other creditors	577	758
Other taxation and social security	686	587
Corporation tax	432	112
Accruals and deferred income	<u>7,742</u>	<u>8,727</u>
	<u><u>39,029</u></u>	<u><u>33,480</u></u>

**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Notes to financial statements (continued)**

**15 Creditors: Amounts falling due after more than one year**

The following amounts are included in creditors falling due after more than one year:

	31 December 2013 £'000	31 December 2012 £'000
External obligations under finance leases	<u>306</u>	<u>602</u>
	<u>306</u>	<u>602</u>

**16 Provisions for liabilities**

**a) Provision for onerous contracts in relation to vacant premises**

	31 December 2013 £'000	31 December 2012 £'000
Provision for vacant premises at start of year	890	1,724
Charged to the profit and loss account	15	(24)
Utilised during the year	<u>(263)</u>	<u>(810)</u>
Provision for vacant premises at end of year	<u>642</u>	<u>890</u>

This provision is required to account for a number of onerous contracts, in relation to premises that are no longer used within the business. The provision is decreased as the individual payments, due in line with the contracts, are settled.

**b) Provision for cancellations**

	31 December 2013 £'000	31 December 2012 £'000
Provision for cancellations at start of year	1,548	1,234
Charged to the profit and loss account	11,340	10,528
Utilised during the year	<u>(11,659)</u>	<u>(10,214)</u>
Provision for cancellations at end of year	<u>1,229</u>	<u>1,548</u>

This provision is for amounts likely to be repayable on cancellation of policies in future periods.



**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Notes to financial statements (continued)**

**17 Deferred tax**

	31 December 2013 £'000	31 December 2012 £'000
Accelerated capital allowances	267	(40)
Total deferred tax asset/(liability)	<u>267</u>	<u>(40)</u>
1 January	(40)	602
Deferred tax credit/(charge) in profit and loss account	<u>307</u>	<u>(642)</u>
31 December	<u>267</u>	<u>(40)</u>
<u>Deferred tax asset relating to pension scheme</u>		
1 January	7,132	5,307
Deferred tax credited to the profit and loss on pension contributions and charges	209	285
Deferred tax credit to the statement of total recognised gains and losses on actuarial loss	387	2,999
Change in tax rate	(928)	(423)
Deferred tax charged to profit and loss on additional contributions	(900)	(1,036)
31 December	<u>5,900</u>	<u>7,132</u>

The deferred tax asset of £5,900,000 (2012 - £7,132,000) has been deducted in arriving at the net pension deficit on the balance sheet.

**18 Called up share capital**

	31 December 2013 £'000	31 December 2012 £'000
<b>Authorised, allotted, called-up and fully-paid</b>		
2,800,000 (2012: 2,800,000) Ordinary shares of £1 each	<u>2,800</u>	<u>2,800</u>

**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Notes to financial statements (continued)**

**19 Reconciliation of movement in equity shareholders' funds**

	31 December 2013 £'000	31 December 2012 £'000
Profit for the year	6,551	9,314
Retained profit for the year	<u>6,551</u>	<u>9,314</u>
Movements in pension scheme liability:		
Actual return less expected return on pension scheme assets	331	3,080
Changes in assumptions underlying the present value of pension scheme liabilities	(2,267)	(16,121)
Movement in United Kingdom deferred tax attributable to actuarial loss	387	2,999
Total recognised gains/(losses) for the financial year	<u>5,002</u>	<u>(728)</u>
Net movement in shareholders' funds for the year	5,002	(728)
Shareholders' funds brought forward	12,475	13,203
Shareholders' funds carried forward	<u>17,477</u>	<u>12,475</u>

**20 Reserves**

	Profit and Loss Account £'000
1 January 2013	9,675
Retained profit for the financial year	6,551
Actuarial loss on pension scheme	(1,936)
Movement in deferred tax attributable to actuarial loss	387
31 December 2013	<u>14,677</u>

**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Notes to financial statements (continued)**

**21 Guarantees and other financial commitments**

*a) Other leases*

The company has entered into non-cancellable leasing arrangements in respect of office equipment under agreements extending over a period of up to five years. The total annual rental under such agreements at 31 December 2013 is approximately £52,000 (2012 - £50,000).

	31 December 2013 £'000	31 December 2012 £'000
Operating leases which expire:		
Within one year	30	30
Between 2 and 5 years	<u>22</u>	<u>20</u>
	<u>52</u>	<u>50</u>

*Land and Buildings Leases*

In addition, the company leases certain properties on short-term leases expiring at various times up to 2021. The rents payable under some of these leases are subject to re-negotiation at various intervals specified in the leases. The total annual rental under such agreements at 31 December 2013 is approximately £4,174,000 (2012 - £5,816,000).

	31 December 2013 £'000	31 December 2012 £'000
Operating leases which expire:		
Within one year	1,456	1,640
Between 2 to 5 years	<u>2,718</u>	<u>4,176</u>
	<u>4,174</u>	<u>5,816</u>

*b) Commitments under finance leases*

The company has entered into non-cancellable leasing arrangements in respect of motor vehicles and equipment under agreements extending over a period of up to five years.

	<u>Office equipment and vehicles</u>	
	31 December 2013 £'000	31 December 2012 £'000
Finance leases which expire:		
Within one year	335	333
Between 2 and 5 years	<u>306</u>	<u>602</u>
	<u>641</u>	<u>935</u>

*c) Pensions*

See note 23.

**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Notes to financial statements (continued)**

**21 Guarantees and other financial commitments (continued)**

*d) Contingent liabilities*

In the normal course of business the company has indemnified NatWest, its bankers, for any payments made by NatWest on the company's behalf for incorrectly processed 'direct debit' business.

**22 Major non-cash transactions**

During the year the company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £159,084 (2012 - £514,000).

**23 Pension arrangements**

The group operates a defined benefit pension scheme with assets held in a separately administered fund. The scheme provides retirement benefits on the basis of members' final salary. On 1 January 2001 the defined benefit pension scheme was closed to new entrants. On 1 April 2001, the company established a defined contribution scheme to provide benefits to new employees.

The principal assumptions used for the actuarial valuation were as follows:

	2013 %	2012 %
Rate of increase in salaries	3.70	3.30
Rate of increase in pensions payment	3.70	3.30
Discount rate	4.60	4.50
Inflation assumption	3.70	3.30

The mortality assumptions used were as follows:

	2013 Years	2012 Years
Longevity at age 65 for current pensioners:		
- Men	22.3	22.3
- Women	24.2	24.2
Longevity at age 45 for future pensioners		
- Men	22.8	22.8
- Women	25.0	25.0

**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Notes to financial statements (continued)**

**23 Pension arrangements (continued)**

The fair value of the assets in the scheme and the present value of the liabilities in the scheme at the balance sheet date were:

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Equities	41,020	34,091	28,034	37,645	43,074
Bonds	73,741	70,378	65,086	45,252	20,174
Secured annuities	4,284	5,498	4,398	3,791	3,494
Total fair value of assets	<u>119,045</u>	<u>109,967</u>	<u>97,518</u>	<u>86,688</u>	<u>66,742</u>
Present value of scheme liabilities	<u>(148,545)</u>	<u>(140,984)</u>	<u>(118,744)</u>	<u>(98,734)</u>	<u>(86,627)</u>
Net pension liability	<u>(29,500)</u>	<u>(31,017)</u>	<u>(21,226)</u>	<u>(12,046)</u>	<u>(19,885)</u>
Deferred tax asset	5,900	7,132	5,307	3,373	5,568
Net pension deficit	<u>(23,600)</u>	<u>(23,885)</u>	<u>(15,919)</u>	<u>(8,673)</u>	<u>(14,317)</u>

Basis used to determine the expected rate of return on assets.

The expected return on assets is a weighted average of the assumed long-term returns for the various asset classes. Equity returns are developed based on the selection of an appropriate risk premium above the risk free rate which is measured in accordance with the yield on government bonds. Bond returns are selected by reference to the yields on government and corporate debt as appropriate to the Scheme's holdings of these instruments. The expected return on the annuities is assumed to be in line with the discount rate used to value the liabilities.

The long term expected rate of return on the Scheme's assets as at the review date is 5.2% per annum (2012 – 4.9% per annum).

The contribution rate for 2013 was 15.6% of pensionable earnings until 1 April 2013 and 21.1% thereafter with an additional £4.5m paid to reduce the deficit.

The agreed contribution rate for the next year is 21.1%. An additional £4.5m will be paid to erode the deficit. The deficit funding amount was decided on by the Pension Trustees and is planned to fully erode the deficit by the 1 April 2021.

**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Notes to financial statements (continued)**

**23 Pension arrangements (continued)**

Reconciliation of assets and defined benefit obligation. The change in assets over the year was:

	2013 £'000	2012 £'000
Fair value of assets at the beginning of the year	109,967	97,518
Expected return on assets	5,497	5,083
Employer contributions	5,437	5,331
Contributions by scheme participants	8	11
Benefits paid	(2,195)	(1,056)
Actuarial gain on assets	331	3,080
Fair value of assets at the end of the year	<u>119,045</u>	<u>109,967</u>

The change in defined benefit obligation over the year was:

	2013 £'000	2012 £'000
Defined benefit obligation at the beginning of the year	140,984	118,744
Current service cost	1,135	1,224
Contributions by scheme participants	8	11
Interest cost	6,346	5,940
Benefits paid	(2,195)	(1,056)
Actuarial loss	2,267	16,121
Defined benefit obligation at the end of the year	<u>148,545</u>	<u>140,984</u>

Analysis of the amount charged to operating profit.

	2013 £'000	2012 £'000
Current service cost	<u>1,135</u>	<u>1,224</u>
	<u>1,135</u>	<u>1,224</u>

Analysis of the amount debited to other interest payable (net finance costs).

	2013 £'000	2012 £'000
Expected return on pension scheme assets	(5,497)	(5,083)
Interest on pension scheme liabilities	<u>6,346</u>	<u>5,940</u>
	<u>849</u>	<u>857</u>

Analysis of the actuarial loss recognised in the statement of total recognised gains and losses.

	2013 £'000	2012 £'000
Actual return less expected return on pension scheme assets	331	3,080
Experience gains/(losses) arising on the scheme liabilities	95	(3,142)
Changes in assumptions underlying the present value of the scheme liabilities	<u>(2,362)</u>	<u>(12,979)</u>
	<u>(1,936)</u>	<u>(13,041)</u>

**Endsleigh Insurance Services Limited**  
**For year ended 31 December 2013**

**Notes to financial statements (continued)**

**23 Pension arrangements (continued)**

History of experience gains and losses

	2013	2012	2011	2010	2009
<b>Experience gains and losses on scheme liabilities:</b>					

Amount (£'000)	95	(3,142)	533	1,153	(419)
Percentage of the present value of scheme liabilities	0.1%	(2.2%)	0.4%	1.2%	(0.5%)

**Total actuarial (loss)/gain recognised in the statement of total recognised gains and losses:**

Amount (£'000)	(1,936)	(13,041)	(14,098)	(3,214)	1,164
Percentage of the present value of scheme liabilities	(1.3%)	(9.2%)	(11.9%)	(3.3%)	1.3%

The group also operates a defined contribution scheme for which the pension cost charge for the year amounted to £606,000 (2012 - £455,094)

**24 Related party transactions**

The company is taking advantage of the exemption under Financial Reporting Standard 8, as a wholly owned subsidiary, from disclosing transactions with other group companies.

**25 Ultimate holding company**

The immediate parent undertaking is Endsleigh Limited.

The ultimate parent undertaking and controlling party is Zurich Insurance Group Limited, a company incorporated in Switzerland.

The smallest group in which the results of the company are consolidated as at 31 December 2013 is that headed by Endsleigh Limited, incorporated in the United Kingdom. Copies of the group financial statements of Endsleigh Limited are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

The largest group in which the results of the company are consolidated as at 31 December 2013 is that headed by Zurich Insurance Group Limited incorporated in Switzerland. Copies of the consolidated financial statements of Zurich Insurance Group Limited can be obtained from the Secretary, Zurich Insurance Group Limited, Mythenquai 2, 8002 Zurich, Switzerland.