Ageas (UK) Limited

Annual Report
For the year ended 31 December 2020

Company Registration Number: 1093301

Ageas (UK) Limited
Company registration number: 1093301

Contents of Annual Report

Ageas (UK) Limited

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Directors and Advisers

Directors

Anthony Middle	(Chief Executive from 2 June 2020)
Andrew Watson	(resigned 17 June 2020)
Jonathan Price	
Gregor Ball	
Antonio Cano	
Hans De Cuyper	(appointed 4 May 2021)
Jozef De Mey	(resigned 22 October 2020)
Bart De Smet	(appointed 4 May 2021)
Jeremy Haynes	
Malcolm McCaig	
Lionel Perl	(resigned 19 May 2021)
Tara Waite	
Mark Winlow	

Secretary

Claire Marsh

Head Office and Registered Address

Ageas House
Hampshire Corporate Park
Templars Way
Eastleigh
Hampshire
SO53 3YA

Registered Number

1093301
Registered in England and Wales

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Savannah House
3 Ocean Way
Southampton
SO14 3TJ

Bankers

HSBC
62-76 Park Street
London
SE1 9DZ

Ageas (UK) Limited
Company registration number: 1093301

Strategic Report

Business review

Principal activities

Ageas (UK) Limited ('the Company') acts as a holding company for its subsidiaries, whose principal activities are the underwriting and broking of general insurance business.

Full details of the Company's results are contained in the financial statements on pages 10 to 34.

Business model

The Company is incorporated and registered in England and Wales and is a wholly owned subsidiary of Ageas Insurance International NV, which was incorporated in the Netherlands and migrated on 1 January 2019.

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

The main operating entities of the Company during the year were:

1. Ageas Insurance Limited, an insurance underwriter providing non-life products across both personal and commercial lines, which are distributed through Ageas Retail Limited, external brokers and partnerships.
2. Ageas Retail Limited, a broker of home, motor and travel insurance which operates a number of brands, including Ageas Direct and RIAS.
3. Tesco Underwriting Limited, which is a joint venture partnership between the Company and Tesco Personal Finance plc, providing motor and household insurance products sold under the Tesco Bank brand.
4. Ageas Services (UK) Limited, a service company managing claims services including First Notification of Loss for customers of the Company's operating subsidiaries. This also enables Ageas policyholders to access the legal services to which they are entitled in the event of a claim through Ageas Law LLP, a partnership with NewLaw solicitors.

The objective of the Company and its operating subsidiaries is to make life easier for its customers, by making insurance personal. The Company aims to deliver consistent, competitive and sustainable propositions direct to customers, to brokers and to those businesses seeking intermediated insurance solutions for their customers.

The Company does not prepare consolidated financial statements as these are prepared by the ultimate group parent. In the Company's financial statements, income and expenditure are in respect of financing activities relating to its subsidiaries, dividends receivable from subsidiaries and administrative expenses.

Key Performance Indicators and financial performance

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

- Income from shares in group undertakings,
- Net interest payable,
- Administrative expenses,
- Profit before taxation, and
- Shareholders' equity.

Strategic Report (continued)

Income from shares in group undertakings

	2020 £'000	2019 £'000	Movement
Income from shares in group undertakings	27,915	38,346	(27.2%)

Dividends are receivable from subsidiaries and joint ventures. In 2020 the following dividends were received:

- Ageas Insurance Limited paid a dividend of £20,400,000 on 21 May 2020 (2019: £22,648,000), and
- Tesco Underwriting Limited paid a dividend of £7,515,000 on 10 November 2020 (2019: £15,698,000).

The Company's policy is to use these dividends to fund its activities and to enable dividends to be paid to the Company's parent undertaking.

Net interest payable

	2020 £'000	2019 £'000	Movement
Net interest payable	20	254	(92.1%)

The Company has a variable rate loan with Ageas Insurance International NV, a bank overdraft facility and access to a revolving credit facility with Ageas Insurance Limited to fund the Company's working capital requirements.

Administrative expenses

	2020 £'000	2019 £'000	Movement
Administrative expenses	1,802	2,133	(15.5%)

The Company incurs expenses in relation to its activity as a holding company and in relation to services supplied to subsidiaries. The level of these expenses directly influences its profit or loss for the year. The subsidiaries are recharged for the services provided to them by the Company.

Profit before taxation

	2020 £'000	2019 £'000	Movement
Profit before taxation	26,121	36,323	(28.1%)

The decrease is due to reduced dividends received in 2020.

Shareholders' equity

	2020 £'000	2019 £'000	Movement
Shareholders' equity	683,806	677,745	0.9%

Shareholders' equity increased by £6,061,000 (2019: decrease of £1,757,000) to £683,806,000 due to the profit for the year, offset by the dividend payment made.

Strategic Report (continued)

Year end position

Assets

Total assets (including cash and cash equivalents) increased by £5,957,000 during the year (2019: decrease of £15,130,000). This is primarily due to the dividend received from Tesco Underwriting Limited in the year.

Liabilities

Total liabilities decreased by £104,000 in 2020 (2019: decrease of £13,373,000), due to a small reduction in other payables.

Section 172(1) statement

The Ageas UK directors have always been aware of and attentive to all of their duties and responsibilities, including those as set out under section 172 of the Companies Act 2006, when setting and embedding Ageas UK's culture and values in line with its purpose to 'make life easy for all customers by making insurance personal.' The Ageas UK Board recognises that the long term success of the Company is only possible through engagement with, and having regard to, the interests of key stakeholders, which for Ageas UK includes customers, employees, shareholders, suppliers, the community, environment and regulators.

The Ageas UK Boards' role is to perpetuate the long term, sustainable success of the Ageas UK business; providing strategic leadership within a framework of prudent and effective controls, setting the strategy, ensuring the direction and performance of the business is aligned to Ageas Group objectives, and that obligations to all stakeholders are understood and met. A range of mechanisms have been established to support directors in the discharge of their duties, and for each matter which comes before the Boards, stakeholders who may be affected and their interests carefully considered as part of the decision-making process. Further detail has been incorporated within the Stakeholder Engagement statements set out in the Directors' Report in pages 6-9

Non-Financial Information

The following section outlines the key non-financial matters of the Company.

Environmental matters
The Company is committed to a sustainable and responsible approach to its impact on the environment which it monitors through a number of initiatives which include, but are not limited to:

- recycling rates,
- CO2 emission reporting; and
- energy usage.

Covid-19

Following the outbreak of the virus Covid-19 in December 2019, Governments around the world took measures throughout 2020 in order to control the spread of the virus which included restricting nonessential movements, border controls and public gatherings. These actions resulted in significant economic disruption to businesses with leisure, travel and hospitality sectors particularly adversely affected.

As a result of these restrictions, financial markets become volatile and highly uncertain with many central banks taking measures to help stabilise markets. The Bank of England cut interest rates to their lowest level at 0.1%. During March 2020 equity markets saw large falls and corporate credit spreads widened significantly, although many of the falls were offset through corporate spread tightening after the initial impacts.

Ageas invoked its business continuity plans in March 2020 as measures in the UK were announced by the Government. These included daily meetings of the UK Crisis Management team to ensure strong coordination and monitoring of the Company's response to the event, enabling key functions to home work to ensure core activities were maintained and increased liquidity and credit risk monitoring. Increased oversight of third party suppliers was also implemented. The business has continued to operate remotely without disruption.

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Strategic Report (continued)

Principal risks and uncertainties

The Company has identified the following principal risks and uncertainties:

- credit,
- liquidity,
- operational,
- capital management, and
- market.

A review of these principal risks and uncertainties and the way in which they are managed is detailed in note 2 to the financial statements. The fundamental risks to which the Company is exposed have not changed during the year.

This report was approved by the Board of Directors on 17 June 2021 and signed on its behalf by:

C Marsh
Secretary

Ageas (UK) Limited

Company registration number: 1093301

Directors' Report

The directors submit their report, together with the audited financial statements for the year ended 31 December 2020.

Results

The results of the Company are contained in the financial statements on pages 10 to 34. The 2020 profit after tax for the year was £26,461,000 (2019: £36,643,000).

Business review

The business review is set out in the Strategic Report on pages 2 to 5.

Risk management

The risk management objectives are set out in the notes to the Financial Statements on pages 20 to 33.

Dividends

The Company paid a dividend of £20,400,000 in the year (2019: £38,400,000).

Directors

The Members of the Board are shown on page 1. All directors served throughout the year and to the date of this report with the exception of those highlighted on page 1.

Political donations

No political donations were made during the year (2019: £nil).

Charitable donations

No charitable donations were made during the year (2019: £nil).

Opportunity and risk

The principal risks and uncertainties are set out in the Strategic Report on pages 2 to 5.

Stakeholder Engagement Statements

Ageas UK Shareholder, ageas SA/NV

Given ageas SA/NV's 100% ownership of the Company, the promotion of the long term success of Ageas UK, including the development of a clear UK purpose and strategy, is fully aligned to and supportive of ageas SA/NV's strategy, Connect21. During 2020 ageas SA/NV was represented on the Ageas UK Boards by Ageas Group Executive and Non-Executive Directors.

During 2020 the Ageas (UK) Board, having considered that the Company would have the appropriate resources to continue to meet debts as they fell due, resolved that an interim dividend of £20.4 million be declared to Ageas Insurance International NV

Customers and Suppliers

Customers are at the heart of how Ageas UK's business is conducted, supported by its purpose which is set by the Boards and articulated within the Ageas UK strategy. Customer interests have been a key consideration in a wide range of activities overseen by the Ageas UK Boards during 2020. In 2020 Ageas became a member of the Institute of Customer Service and is making great strides to achieving their 'Service Mark' Accreditation, having achieved a customer satisfaction score above the all sector average. To support oversight, customer experience reports and focus sessions have been provided to the Ageas UK by the Claims and Customer Operations Directors.

Directors' Report (continued)

Customers and Suppliers (continued)

During 2020 the Ageas UK Boards also considered the Ageas UK Customer ambition ahead of its launch, the purpose of which is to articulate what the Company wants to achieve, what it will deliver for customers and what they can expect every time they transact with us, as well as how it will measure its success and ensure outstanding delivery of its goals. Within Sales and Service Operations the customer journey has continued to be improved and simplified based on customer feedback, and despite the impact of Covid-19, digital solution development was progressed to enhance the customer end to end experience, including the integration of artificial intelligence into the claims process and the launch of virtual assistants (Chatbots) at the beginning of 2021.

The 'voice of the customer' programme continued to provide immediate feedback with positive results and during 2020 Ageas' continued focus on customers was recognised through a number of industry awards including 'Contact Centre of the Year' in the UK Customer Experience Awards and for the 'Ageas Way' work undertaken by the European Contact Centre Awards. Also 'Claims Initiative of the Year and Best Technology Award' from the Insurance Post British Insurance Awards 2020, and 'Customer Champion of the Year and Home Claims Team of the year' from the Insurance Times Awards 2020.

To support Ageas UK customers during a challenging year, the Ageas Care training programme was launched that assisted its people to have the right conversations with those customers who are or may be vulnerable. Some examples of additional assistance provided to its customers during the pandemic included, extending policy cover for home workers and volunteers, offering customers the option to defer their instalment payments, offering customers the option to change cover for the period they are not driving their vehicle. The Company also provides its colleagues with the tools to create 'Magic Moments' for customers by arranging gifts to be sent to customers identified as experiencing a difficult time during the pandemic.

Ageas UK maintains at all times a keen focus on treating customers fairly to ensure its products provide value for money. During 2020 a Customer Best Interest Framework, that seeks to deliver fair customer outcomes through pricing and value to customers, via product development and governance, distribution oversight, and service to its customers, delivered in line with its risk appetite, has also been a key consideration of the Ageas UK Boards.

Ageas UK's relationships with brokers are fundamental to its distribution, because 85% of its business is conducted through this channel. During 2020 Ageas UK launched a dedicated video account management team as part of a drive to offer brokers a broader service experience, which was well timed with one of the biggest changes in the way companies do business in 2020. It landed well and has been named 'a real game changer' in building relationships with more regional brokers and allows Ageas UK to flex its proposition to meet their needs.

In addition to this, throughout the pandemic Ageas UK received positive feedback from brokers about the support provided during the first and subsequent lockdowns in the form of Business Continuity Planning, online trading sessions at broker events, training videos about trading in a hard market, and Q&As via the website to help brokers with communicating to their customers at a very difficult time.

Ageas UK uses a wide variety of suppliers. Like most large businesses it engages with suppliers to support the provision of core business activities (e.g. IT), the supply of commodities, maintenance service contracts or facilities management services, such as catering and cleaning providers. As an insurer it also engages with suppliers of goods and repair services when customers' property has been lost or damaged, and medical and assistance services when customers have suffered accident or injury. Ageas UK is committed to high standards of business conduct and has policies and procedures in place to define the way in which Ageas wants to do business and the standards of conduct required. During 2020 Ageas has worked closely with suppliers to ensure providers of repairs and other services were able to continue to do so. Where Ageas appoints a third party to undertake any business activities, Ageas expects they are carried out in line with Ageas' standards and risk appetite.

Employee engagement

Attracting, developing and engaging people is key to the Company's business, and this shaped the 'Winning Team' strategic priority progressed during 2020. This sought to: connect its people with its vision and values; develop capability and support potential; to create a supportive, inclusive and safe environment; and ensure its people feel informed, involved and listened to.

Employee engagement (continued)

These ambitions were tested during 2020 as the business responded to the Covid-19 pandemic, with the health, safety and wellbeing of the Company's employees being a key area of focus for the Ageas UK Boards and leadership team. Ageas UK's response to the pandemic and first UK lockdown was swift and decisive, the Crisis Management Team was mobilised to provide immediate action, IT infrastructure was quickly enhanced enabling the majority of staff to work from home and support networks were established. For those whose role could not be performed remotely, cleaning and social distancing regimes recommended by the Government and Public Health England were implemented throughout the Ageas UK offices.

During the first lockdown in 2020 the decision was made not to furlough employees, instead focussing on enabling all employees to be able to work and continue to be paid. The Ageas UK Boards received regular updates regarding the implementation of the pandemic support plan along with feedback from employees via 'Peakon' the digital employee engagement tool which enabled the business to monitor employee sentiment on a real time basis and respond accordingly. Employee engagement scores have been very positive throughout the pandemic and are continuing to improve to be above industry benchmarks. The business response to the pandemic, together with the feedback received by the Company's people throughout 2020, supported the acceleration of a new way of working, specifically the embedding of remote and flexible ways of working as a more permanent feature of its employee proposition. The Ageas UK Boards were provided with a detailed overview of the proposition and have been kept appraised of developments.

The Company has developed in collaboration with Mind, Samaritans and Time for Change, a framework to support the mental and financial wellbeing of its people, with programs including the launch of Mental Health first aiders who are available to all employees for one to one support. Providing the Company's people with timely and regular communications was also critical during the pandemic, and in the initial phase of the first lockdown daily communications were issued via the digital tool 'Workplace'; a dedicated digital working from home resources hub was launched, and the new learning and development platform 'People Hub' was further developed to support remote working and ongoing learning. Employees have also been kept up to date regarding business as usual matters such as strategy and performance through a variety of virtual channels, including formal leadership events, employee briefings and the Employee Forum. Regular meetings with the Employee Forum have continued virtually on a quarterly basis, and are supported by the HR Director and members of the UK Executive team, facilitating the escalation and cascade of key messages from and to the Executive team and the Ageas UK Boards. As agreed by the Ageas UK Boards, the Chair of the Remuneration Committee, an INED, attends the Employee Forum on an annual basis and meets the Chair of the Forum biannually, without the Executive present, in order to enhance the engagement between the Employee Forum and the Ageas UK Boards.

Ageas UK has established and promotes a culture where employees have the confidence and ability to raise their concerns. Directors and managers have a responsibility to ensure that mechanisms are in place to encourage such concerns to be raised and any wrongdoing dealt with, and the Chair of the Audit Committee has responsibility for the maintenance of the independence, autonomy and effectiveness of Ageas UK whistleblowing policies and procedures, he reported to the Ageas UK Audit Committee in 2020 stating his view that the systems and controls in place were satisfactory.

Diversity and inclusion

The Company is committed to a culture which is inclusive and supports diversity. Recruitment, promotion, career development, selection for training and all other aspects of people management are regularly reviewed and monitored to ensure they are free from discrimination, including on the grounds of gender, ethnicity, disability, age, sexual orientation, marital status and other protected characteristics. The Ageas UK Boards have set the policies and standards within which the Company will operate, and the Boards' approach to diversity and inclusion is monitored regularly. Since 2019, as part of the Diversity and Inclusion strategy, Ageas UK has been the official sponsor of the Bournemouth Pride Event, Bourne Free and in 2020 agreed to continue to be the primary sponsor for the next two years. Unfortunately, the pandemic meant the 2020 Bourne Free event was cancelled, however Ages UK continued to work closely with the Bourne Free Trustees to look for opportunities to support other activities in 2021. Individual Members of the UK Executive Team are sponsors for diversity topics on the Inclusion Plan, with ideas generated from employees, including becoming a champion of Stonewall, Members of the Global Disability Task Force and a Business Disability Forum. The Company is also a signatory of the Race at Work Charter, and during 2020 measured its ethnicity pay gap for the first time, with further action to be taken to tackle barriers associated with racial inequality, which will be an area of focus for the 2021 Inclusion Plan. The gender pay gap report is provided to the Ageas UK Boards at least annually, together with progress against the target established in the Women in Finance Charter to have 40% of senior positions held by women by the end of 2021.

Directors' Report (continued)

Diversity and inclusion (continued)

In line with legislation relating to discrimination in employment, including the employment of people with disabilities, Ageas UK policies and standards include further detail of its requirements. Employees with disabilities are treated fairly and can compete on equal terms for career progression. Ageas UK is committed to continuing the employment of, and for arranging training for, employees who have become disabled while employed by Ageas.

Community and Environment

In terms of the wider society, the Company continues to support the important work of the Road Safety Foundation to measure, map and track the safety performance of Britain's main roads. The Company is also proudly taking an industry lead in key initiatives that have an important environmental and economic impact such as the 'green parts' initiative to make the repair of vehicles more sustainable.

This initiative is now award-winning and really came into its own during the national lockdown, when the impact of the global pandemic meant that it was harder for repair centres to source new parts and therefore the greater availability and use of refurbished parts overcame a supply chain challenge while also helping the planet.

The Company supports local initiatives such as a 'Charity of the Year' as nominated by the employees, which since 2020 has been Rays of Sunshine. As a home insurer, Ageas Insurance has also supported another local charity, the 'Bobby Scheme', including donating to an appeal to purchase Carbon Monoxide detectors for installation in the homes of the elderly and the most vulnerable in the area. In response to the Covid-19 pandemic, the Ageas UK Boards also supported donations of up to £1 million to charitable and industry initiatives, comprising £750k to the ABI Industry Charitable Fund and £250k to an Ageas Group wide initiative to research institutions, funding potential treatments for Covid-19. These were paid by Ageas Insurance Limited.

Future developments

The Company will continue to act as the holding company for its subsidiaries.
On 14 October 2020, the Company signed a sale and purchase agreement to dispose of its share in Tesco Underwriting Limited, a joint venture entity in which the Company held 50.1% of the voting rights and Tesco Personal Finance plc held the remaining 49.9%. The agreed transfer of its 50.1% stake in Tesco Underwriting to Tesco Personal Finance plc in 2021 completed on 4 May 2021.

Disclosure of information to auditors

Each of the persons who are directors at the date of approval of this report confirm that so far as each director is 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 in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

During March 2021 the Audit Committee initiated an audit tender for external audit services, which at the time of signing these accounts was not concluded.

This report was approved by the Board of Directors on 17 June 2021 and signed on behalf of the board by:

C Marsh
Secretary

Ageas (UK) Limited

Company registration number: 1093301

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Interest income from group undertakings	3	906	1,072
Income from shares in group undertakings	4	27,915	38,346
Administrative expenses	5	(1,802)	(2,133)
Other income	6	28	364
Operating profit before finance costs		27,047	37,649
Finance costs	7	(926)	(1,326)
Profit before taxation		26,121	36,323
Income tax	8	340	320
Profit for the year		26,461	36,643
Other comprehensive income		-	-
Total comprehensive income		26,461	36,643

The notes on pages 14 to 34 form an integral part of these financial statements.

Ageas (UK) Limited

Company registration number: 1093301

Statement of financial position

As at 31 December 2020

	Note	2020 £'000	2019 £'000
Assets			
Property, plant and equipment	9	-	16
Intangible assets	10	-	4
Investments in group undertakings	11	583,633	667,634
Non-current other receivables	12	-	26,073
Deferred tax assets	13	363	404
Current tax assets	14	30	402
Current other receivables	12	27,796	2,013
Cash and cash equivalents	15	10,133	3,453
Assets classified as held for sale	16	84,001	-
Total assets		705,956	699,999
Shareholders' equity			
Share capital	19	421,119	421,119
Share premium		10,308	10,308
Retained earnings	19	247,879	241,818
Other reserves	19	4,500	4,500
Total equity		683,806	677,745
Liabilities			
Financial liabilities	17	21,543	21,543
Other payables	18	607	711
		22,150	22,254
Total equity and liabilities		705,956	699,999

The notes on pages 14 to 34 form an integral part of these financial statements.

These financial statements were approved the Board of Directors on 17th June 2021 and signed on behalf of the board by:

A Middle
Chief Executive

Ageas (UK) Limited

Company registration number: 1093301

Statement of changes in equity

For the year ended 31 December 2020

	Share capital £'000	Share premium £'000	Retained earnings £'000	Capital reserve £'000	Total £'000
Balance as at 1 January 2019	421,119	10,308	243,575	4,500	679,502
Profit for the year	-	-	36,643	-	36,643
Total comprehensive income for the year	-	-	36,643	-	36,643
Dividends paid to shareholders	-	-	(38,400)	-	(38,400)
Balance as at 31 December 2019	421,119	10,308	241,818	4,500	677,745
Balance as at 1 January 2020	421,119	10,308	241,818	4,500	677,745
Profit for the year	-	-	26,461	-	26,461
Total comprehensive income for the year	-	-	26,461	-	26,461
Dividends paid to shareholders	-	-	(20,400)	-	(20,400)
Balance as at 31 December 2020	421,119	10,308	247,879	4,500	683,806

Ordinary shares have a par value of £1. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

In historic years the company issued share capital above par, increasing the capital contribution received and creating a share premium account.

Retained earnings represents the accumulated comprehensive income for the current and prior financial years.

The capital reserve comprises a capital contribution and is distributable.

The notes on pages 14 to 34 form an integral part of these financial statements.

Ageas (UK) Limited

Company registration number: 1093301

Statement of cash flows

For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Cash flows from operating activities			
Profit before taxation		26,121	36,323
Adjustments for:			
Interest income	3	(906)	(1,072)
Finance costs	7	926	1,326
Depreciation	5	16	57
Amortisation	5	4	159
Operating profit before working capital changes		26,161	36,793
Decrease in other receivables	12	290	1,241
Decrease in other payables	18	(104)	(347)
Cash generated from operating activities		26,347	37,687
Interest received	3	906	1,072
Income taxes recovered		753	572
Net cash generated from operating activities		28,006	39,331
Cash flows generated from investing activities			
Repayment of loans and borrowings	12	-	7,848
Net cash generated from investing activities		-	7,848
Cash flows used in financing activities			
Repayment of loans and borrowings	17	-	(13,026)
Finance costs paid	7	(926)	(1,326)
Dividends paid		(20,400)	(38,400)
Net cash used in financing activities		(21,326)	(52,752)
Net increase/(decrease) in cash and cash equivalents		6,680	(5,573)
Cash and cash equivalents as at 1 January		3,453	9,026
Cash and cash equivalents as at 31 December	15	10,133	3,453

The notes on pages 14 to 34 form an integral part of these financial statements.

Notes to the financial statements

1 Accounting policies

Ageas (UK) Limited ('the Company') is a private company, limited by shares, domiciled and incorporated in England and Wales. The address of its registered office is Ageas House, Hampshire Corporate Park, Templars Way, Eastleigh, Hampshire, SO53 3YA.

(a) Statement of compliance

The financial statements were approved for issue by the Board of Directors on 17 June 2021.

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('CA 2006').

In accordance with IFRS 8: Operating Segments, the Company is not required to present segmental information as the equity of the Company is not publicly traded.

(b) Basis of preparation

The Company has elected not to prepare consolidated financial statements. The prepared financial statements are separate financial statements and the exemption from consolidation, in accordance with the CA 2006 s400(2) has been used. Consolidated financial statements including the results of the Company are prepared by the ultimate holding company, ageas SA/NV, a company incorporated in Belgium, and copies can be obtained from the Company Secretary, Markiesstraat 1 Box 7, 1000 Brussels.

The financial performance and position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the primary statements on pages 10 to 13, and in the subsequent notes on pages 14 to 34. Further analysis of the objectives and policies for mitigating risk can be found within note 2.

Having considered the position of the Company as above, the approved budget for the next twelve months and reviewing the potential risks to the Company, the directors have concluded that the Company has sufficient resources to continue in operation for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

The Company presents its statement of financial position in order of liquidity in accordance with IAS 1: Presentation of Financial Statements. For each asset and liability line item in the statement of financial position that details amounts expected to be recovered or settled within twelve months, or more than twelve months after the statement of financial position date, a classification is included within the notes. The disclosures in the notes for these classifications are distinguished as follows:

- amounts expected to be recovered in less than one year are referred to as current; and
- amounts expected to be recovered in more than one year are referred to as non-current.

All new standards and interpretations released by the International Accounting Standards Board ('IASB') have been considered. The following new and amended standards that came into effect in the year have been adopted by the Company during the period as appropriate:

- Conceptual Framework: Amendments to References to the Conceptual Framework in IFRS Standards
- IAS 1 and IAS 8 amendments: Definition of material
- IFRS 3 amendments: Definition of a business
- IFRS 9, IAS 39 and IFRS 7 amendments: Interest rate benchmark reform

The new standards that have come into effect in the year have not had an impact on the Company.

Notes to the financial statements

1 Accounting policies (continued)

(b) Basis of preparation (continued)

In addition, the following is a list of standards that are in issue but are not effective in 2020, together with the effective date of application to the Company:

- IAS 37 amendments: Cost of fulfilling a contract – January 2022
- Annual improvements to IFRS standards 2018-2020 – January 2022
- IAS 16 amendments: Proceeds before intended use – January 2022
- IFRS 3 amendments: Reference to the Conceptual Framework – January 2022
- IAS 1 amendments: Classification of liabilities as current or non-current – January 2023

The standards effective from 2022 and 2023 have been reviewed and are not expected to have a material impact on the Company.

(i) Basis of measurement

The financial statements have been prepared on the historical cost basis, with the exception of assets held for sale, which is stated at the lower of its carrying amount and fair value less costs to sell.

(ii) Use of estimates and judgements

The preparation of financial statements in conformity with international accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These form the basis of judgements concerning carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The most critical judgements and estimates made by the Company are those relating to the value of investments in subsidiary undertakings. These are stated at cost but are subject to impairment testing. The valuation of investments in subsidiaries is regularly reviewed and provisions are made as necessary to reduce the cost of investment to the Company's estimate of its recoverable amount. The Company performs an annual impairment of its investments in subsidiaries which includes various estimates such as the discount rate and future expected cash flows. The recoverable amount (based on value in use calculations) of the Company's investments in subsidiary undertakings is determined using projected discounted cash flows based on the Board-approved budget for 2021 to 2023 for Ageas Insurance Limited, Ageas Retail Limited and Ageas Services (UK) Limited, which are considered to be a single cash generating unit as their cash flows are interdependent. For further details see note (g).

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

Notes to the financial statements

1 Accounting policies (continued)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Pounds Sterling, which is the Company's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from settlement of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss within finance income, or finance costs, as appropriate. All other foreign exchange gains and losses are present in the statement of profit or loss within other losses or other income.

(d) Recognition and measurement of revenue

Interest income is interest charged to subsidiary undertakings on loans and is recognised in the period in which it is earned. Income from shares in group undertakings is recognised when the dividends are declared following authorisation by the subsidiary.

(e) Finance costs

Finance costs comprise interest payable on borrowings relating to both long and short term loans from the immediate parent and subsidiaries, and on bank overdrafts, and are recognised using the effective interest method.

(f) Income tax and deferred tax

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

Current tax is the expected tax payable on the taxable profit for the year, or payments in respect of losses surrendered for group relief, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

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

Deferred tax assets and liabilities are not discounted.

Notes to the financial statements

1 Accounting policies (continued)

(g) Investments

Investments in group undertakings are classified as non-current investments and are recorded in the statement of financial position at cost less any accumulated impairment. The carrying value of investments is reviewed at each reporting date. If an indication of impairment exists then the impairment policy (accounting policy (l)) becomes applicable.

(h) Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(i) Financial assets

Financial assets include cash and short-term deposits and other receivables, including amounts due from group undertakings. Financial assets are recognised in the statement of financial position on the date the Company commits to purchase the asset. Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. The Company's financial assets are subsequently measured at amortised cost. Any interest income from these financial assets is included in the statement of profit or loss as finance income, using the effective interest rate method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Any gain or loss arising on derecognition is recognised directly in the statement of profit or loss, and presented in other gains or losses.

(j) Other receivables

Other receivables are stated at their cost less any impairment losses, where cost approximates fair value.

(k) Cash and cash equivalents

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

(l) Impairment

(i) Financial assets

The Company uses a forward looking 'expected credit loss' ('ECL') model and measures loss allowances on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

1 Accounting policies (continued)

(i) Financial assets (continued)

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. The Company determines that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables without a significant financing component; this policy also applies to trade receivables with a significant financing component.

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial asset at the reporting date with the risk of a default occurring on the financial asset at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available.

The Company assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial asset is determined to have low credit risk if:

- the financial asset has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.
The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

(ii) Non-financial assets

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit'). An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Provisions

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

Notes to the financial statements

1 Accounting policies (continued)

(n) Financial liabilities

Financial liabilities include payables to group undertakings, interest-bearing loans and borrowings, bank overdrafts and other payables. Financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. Interest-bearing loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Interest-bearing loans and borrowings are subsequently measured at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption amount is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method. Interest-bearing loans and borrowings are derecognised when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of profit or loss as other income or finance costs.

Management has determined that the carrying amount of other payables reasonably approximates their fair values because these liabilities are mostly short term in nature or are repriced frequently.

(o) Dividends

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

(p) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost (or deemed cost) less accumulated depreciation (see below) and impairment losses (see accounting policy (l)). Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the costs of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred

(ii) Depreciation

Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Office equipment	Three years
IT equipment	Three years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and they are recognised within the statement of profit or loss as other income, or other losses, as appropriate.

Notes to the financial statements

1 Accounting policies (continued)

(q) Intangible assets

An intangible asset is defined as an identifiable non-monetary asset without physical substance. Intangible assets are stated at cost less any accumulated amortisation and any accumulated impairment losses (see accounting policy (l)). Cost is defined as its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and any directly attributable cost of preparing the asset for its intended use.

Amortisation is charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each intangible asset.

The estimated useful lives are as follows:

Software	Three years

2 Risk management

Objectives and policies for mitigating business risk

The Company's business involves investing in subsidiary undertakings through both share capital and loans. It is exposed to credit, liquidity and operational risk in respect of those investments.

To manage its risk position the Company receives regular reports from, and holds regular meetings with, its subsidiary companies which enables it to monitor its risk exposure, in particular in relation to cash flow. The Company also takes advantage of the knowledge and expertise within its subsidiary companies to assist it with the identification and management of other areas of risk to which it could be exposed. The directors believe the overall procedures and policies in place to manage risk are appropriate to the size and nature of the business.

(i) Credit risk

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

Current other receivables

	Note	2020 £'000	2020	2019 £'000	2019
Within terms		22,575	81%	1,679	83%
Over 3 months overdue		5,221	19%	334	17%
Total	12	27,796	100%	2,013	100%

Credit risk is monitored by management on an ongoing basis.

(ii) Liquidity risk

The Company is exposed to liquidity risks arising from daily calls on its cash resources. There is therefore a risk that cash will not be available to settle liabilities and calls from subsidiaries when due. The Company manages this risk by monitoring its own and its subsidiaries' cash needs to ensure sufficient funds are available.

2 Risk management (continued)

(ii) Liquidity risk (continued)

Financial liabilities and other payables - maturity profile

	Notes	2020 £'000	2020	2019 £'000	2019
Payment period:					
Between 0 - 3 months		607	2.7%	711	3.2%
Between 3 and 12 months		21,543	97.3%	21,543	96.8%
Total	17, 18	22,150	100.0%	22,254	100.0%

(iii) 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. 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, risk reporting 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 Ageas UK Board Risk Committee.

(iv) Capital management

Definitions of capital management
The capital managed by the Company is comprised of shareholder funds.

Capital management is the collection of processes and activities undertaken to ensure that sufficient capital is maintained so that the Company is able to meet its liabilities and ultimately ensure its survival, particularly in the case of losses arising from adverse events.

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

Aims of capital management policy
The Company has established standards for the efficient management of capital, to meet the needs of the business and return on capital requirements of shareholders. This includes the capital required to support the risk appetite identified in the Company's risk policies together with a margin for safety. There are no regulatory capital requirements for the Company.

Approach to capital management
The Company develops the Ageas UK Business Plan which is reviewed and revised each year and then formally approved by the Board.

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

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

- capital required to support the planned growth in the business,
- the required rate of return on capital employed; and
- the required dividend.

Notes to the financial statements

2 Risk management (continued)

(v) Market risk

Market risk can be described as the risk of change in the fair value of financial instruments due to changes in interest rates, foreign exchange rates and market prices. The Company has limited exposure to market risk other than a change in LIBOR.

The Company has assessed the likely impact following the transition from LIBOR after 2021 and does not expect there to be a material impact as at 31 December 2020, as its exposure is limited to loans with fellow group undertakings and discussions are underway to renegotiate the related interest rates.

(vi) Sensitivity to key business drivers

	Interest rates increase 1%	Expenses increase 10%
Impact - 2020	£'000	£'000
Increase/(decrease) in profit before tax	948	(180)
Increase/(decrease) in net assets	768	(146)
Impact - 2019		
Increase/(decrease) in profit before tax	1,022	(213)
Increase/(decrease) in net assets	828	(173)

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

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

Interest rates increase by 1%

The Company will be exposed to the impact of interest rate changes on its financial assets and liabilities. There would be an increase in income on loans due from group undertakings and an increase in interest costs on the Company's borrowings. The Company matches where possible the interest rate charged to subsidiaries with the rate payable on borrowings and any increase will only affect the difference between these balances.

Expenses increase by 10%

If expenses were to increase by 10%, in addition to the impact on profit there would also be a reduction in cash availability at the year end.

3 Interest income from group undertakings

	2020	2019
	£'000	£'000
Interest receivable from group undertakings	906	1,072

Interest received from group undertakings relates primarily to interest received in respect of subordinated debt.

Notes to the financial statements

4 Income from shares in group undertakings

	2020 £'000	2019 £'000
Dividend income from group undertakings	27,915	38,346

Further details of dividends received can be found in the Strategic Report on page 3.

5 Administrative expenses

	2020 £'000	2019 £'000
Depreciation:		
- Office equipment	2	3
- IT equipment	14	54
Amortisation:		
- Software	4	159
Other costs	1,782	1,917
Total administrative expenses	1,802	2,133

	2020 £'000	2019 £'000
Fees payable to the Company's auditors:		
For the audit of the Company's annual financial statements	70	70

No staff (including executive directors) were employed by the Company during the year (2019: nil).

6 Other income

	2020 £'000	2019 £'000
Bank interest receivable	28	260
Other income	-	104
	28	364

7 Finance costs

	2020 £'000	2019 £'000
Interest payable to group undertakings	926	1,326

Interest payable to group undertakings relates primarily to interest payable in respect of subordinated debt.

Notes to the financial statements

8 Income tax

(a) Amounts recognised in the statement of profit or loss:

	2020 £'000	2019 £'000
Current tax credit		
UK corporation tax on profits for the year	381	395
Prior year over provision in respect of current tax	-	215
	381	610
Deferred tax charge		
Origination and reversal of temporary differences	(85)	(56)
Effect of change in rate on deferred tax	44	(35)
Prior year under provision in respect of deferred tax	-	(199)
	(41)	(290)
Total income tax credit for the financial year	340	320

(b) Reconciliation of effective tax rate:

The tax assessed on the year is lower (2019: lower) than the standard rate of corporation tax in the United Kingdom of 19.00% (2019: 19.00%).

A reconciliation of the effective tax rate to the actual tax credit is shown below:

	2020 £'000	2019 £'000
Profit before taxation	26,121	36,323
Standard rate of corporation tax in year	19%	19%
Income tax using the UK corporation tax rate	(4,963)	(6,901)
Dividends from UK companies not taxable	5,304	7,286
Expenses not deductible for tax purposes	(38)	(46)
Other income not taxable	3	-
Unrecognised deferred tax	(10)	-
Effect of variable tax rates	44	(35)
	340	304
Prior year (under)/over provision in respect of current tax	-	215
Prior year (under)/over provision in respect of deferred tax	-	(199)
	340	320

Notes to the financial statements

9 Property, plant and equipment

	IT equipment £'000	Office equipment £'000	Total £'000
Cost			
Balance as at 1 January 2019	2,301	18	2,319
Balance as at 31 December 2019	2,301	18	2,319
Disposals	(2,204)	(18)	(2,222)
Balance as at 31 December 2020	97	-	97
Accumulated depreciation and impairment losses			
Balance as at 1 January 2019	2,233	13	2,246
Depreciation charge for the year	54	3	57
Balance as at 31 December 2019	2,287	16	2,303
Depreciation charge for the year	14	2	16
Disposals	(2,204)	(18)	(2,222)
Balance as at 31 December 2020	97	-	97
Net book value			
Balance as at 31 December 2019	14	2	16
Balance as at 31 December 2020	-	-	-

Following a review in the year, a number of obsolete assets were disposed of in 2020.

10 Intangible assets

	Software £'000
Cost	
Balance as at 1 January 2019	792
Balance as at 31 December 2019	792
Balance as at 31 December 2020	792
Accumulated amortisation and impairment losses	
Balance as at 1 January 2019	629
Amortisation charge for the year	159
Balance as at 31 December 2019	788
Amortisation charge for the year	4
Balance as at 31 December 2020	792
Net book value	
Balance as at 31 December 2019	4
Balance as at 31 December 2020	-

11 Investments in group undertakings

	2020 £'000	2019 £'000
Cost		
Balance as at 1 January	699,409	699,409
Investment reclassified as held for sale	(84,001)	-
Balance as at 31 December	615,408	699,409
Provision for impairment losses		
Balance as at 1 January	(31,775)	(31,775)
Balance as at 31 December	(31,775)	(31,775)
Carrying amount at 31 December	583,633	667,634

The Company's 50.1% share in Tesco Underwriting Limited was reclassified as an asset held for sale in October 2020. See note 16 for details.

An impairment review has been performed which has indicated there is no impairment of the Company's investments in group undertakings. The recoverable amount (based on value in use calculations) of the investments was determined using projected discounted cash flows based on the Board-approved budget for 2021 to 2023 for Ageas Insurance Limited, Ageas Retail Limited and Ageas Services (UK) Limited, which are considered together as a single cash-generating unit. The recoverable amount indicates a headroom of £882m using a discount rate of 4.66% and a terminal growth rate of 2%. A discount rate increase of 4% would suggest an impairment of £0.3m. No specific sensitivities have been run in respect of the FCA dual pricing review but any outcomes are considered to be covered by the various sensitivity scenarios that have been run which all support the carrying value.

The Company's investments in Group undertakings are as follows:

Company Name	% Owned	Direct/Indirect	Country of incorporation
The registered address for the following entities during 2020 is Ageas House, Hampshire Corporate Park, Templars Way, Eastleigh, Hampshire, SO53 3YA:			
Ageas Insurance Limited	100%	Direct	England and Wales
Ageas Retail Limited	100%	Direct	England and Wales
Ageas Services (UK) Limited	100%	Direct	England and Wales
Billiter Street (1991) Limited	100%	Direct	England and Wales
HCP (Estate Management) Limited	51%	Indirect	England and Wales
Tesco Underwriting Limited	50.1%	Direct	England and Wales
The registered address for the following entity is Helmont House, Churchill Way, Cardiff, South Glamorgan, CF10 2HE:			
Ageas Law LLP	50%	Indirect	England and Wales
The registered address for the following entities was 2nd Floor North Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN:			
Kwik-Fit Insurance Services Limited (dissolved 29 September 2020)	100%	Direct	Scotland

Tesco Underwriting Limited is a joint venture, with the Company holding 50.1% of the voting rights and Tesco Personal Finance plc holding the remaining 49.9%. This investment has been reclassified as an asset held for sale and is presented separately in the Statement of Financial Position (as detailed in note 16).

Notes to the financial statements

12 Other receivables

	2020 £'000	2019 £'000
Amounts falling due in more than one year		
Amounts due from group undertakings	-	21,210
Other receivables	-	4,863
	-	26,073

Set up costs of £4,876,000 and subordinated debt of £21,210,000, both relating to the Company's 50.1% share of Tesco Underwriting Limited, have been recognised as current receivables as these were settled upon completion of the sale of Tesco Underwriting Limited which took place on 4 May 2021.

	2020 £'000	2019 £'000
Amounts falling due within one year		
Amounts due from group undertakings	21,407	564
Other receivables and prepayments	6,389	1,449
	27,796	2,013

Included in the amounts due from group undertakings is £21,210,000 (2019: £21,210,000) relating to subordinated debt due from Tesco Underwriting Limited. The subordinated debt bears interest at 3.5% plus the LIBOR rate on the first day of the interest period with the exception of the increase in subordinated debt in 2011 (£7,181,000) with Tesco Underwriting Limited, which bears interest at a rate of 4.5% plus the LIBOR rate. All interest is received quarterly. The subordinated debt was repaid on 4 May 2021 following completion of the sale of Tesco Underwriting Limited.

Ageas (UK) Limited
Company registration number: 1093301

Notes to the financial statements

13 Deferred tax assets

	2020 £'000	2019 £'000
(a) Deferred tax asset		
At 1 January	404	694
Charge for the year	(41)	(290)
At 31 December	363	404
The deferred tax assets comprises:		
Differences between capital allowances and depreciation	363	404
	363	404

A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. This resulted in the rate remaining at 19% rather than reducing to 17% from 1 April 2020 as previously enacted. The deferred tax asset recognised as at 31 December 2020 has been calculated at 19%.

An increase to the main rate of corporation tax to 25% from April 2023 was announced in the Budget on 3 March 2021. This rate was substantively enacted on 24 May 2021 and does not materially impact the deferred tax asset.

	2020 £'000	2019 £'000
(b) Recognised in profit or loss		
Differences between capital allowances and depreciation	(41)	(208)
Other temporary differences	-	(82)
Charge in profit or loss (see note 8)	(41)	(290)

(c) Unrecognised deferred tax

The Company has an unrecognised deferred tax asset of £2,237,957 (2019: £1,715,000) in relation to revenue and capital tax losses as these are not expected to be utilised against profits or gains in the foreseeable future.

14 Current tax assets

	2020 £'000	2019 £'000
Current tax asset/(liability)	30	402

The current tax balance represents the amount of income taxes receivable/(payable) in respect of the current year as well as a residual balance in respect of prior years.

15 Cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank	10,133	3,453

The effective interest was 0.12% (2019: 0.75%).

16 Assets classified as held for sale

	2020	2019
	£'000	£'000
Cost		
Balance classified as held for sale during the year	84,001	-
Carrying amount at 31 December	84,001	-

On 14 October 2020, the Company signed a sale and purchase agreement to dispose of its share in Tesco Underwriting Limited, a joint venture entity in which the Company holds 50.1% of the voting rights and Tesco Personal Finance plc holds the remaining 49.9%, in 2021.

The sale of this investment was finalised on 4 May 2021 which was within 12 months of the balance sheet date and was therefore classified as an asset held for sale and presented separately in the statement of financial position.

The asset held for sale has been measured at the lower of its carrying amount and fair value less costs to sell.

The proceeds of disposal exceeded the carrying amount of the investment and accordingly no impairment losses were recognised.

17 Financial liabilities

	2020	2019
	£'000	£'000
Amounts falling due in less than one year		
Loans and borrowings due to group undertakings	21,543	21,543

Notes to the financial statements

18 Other payables

Amounts falling due within one year:

	2020 £'000	2019 £'000
Due to group undertakings	437	188
Trade creditors	61	48
Other payables and accrued expenses	109	475
	607	711

Amounts due to group undertakings include interest due to the parent company of £154,000 (2019: £188,000). All amounts are unsecured, interest free and payable on demand in cash.

19 Share capital and reserves

	2020 £'000	2019 £'000
In issue at 31 December – fully paid ordinary shares of £1 each	421,119	421,119

At 31 December 2020, the issued and authorised share capital is 421,119,000 ordinary shares (2019: 421,119,000). The ordinary shares have a par value of £1 each (2019: £1 each).

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

In the year a dividend of 4.8 pence was paid per share (2019: 9.1 pence). This was a total dividend of £20,400,000 in the year (2019: £38,400,000)

20 Assets and liabilities – classification and measurement

Assets and liabilities have been classified and valued in accordance with the requirements of International accounting standards. Other assets and liabilities valued at fair value are in accordance with the principles set out in IFRS 13: Fair Value Measurement. The basis applied is summarised below:

	Cost/ amortised cost	Total carrying value	Fair value where applicable
	2020	2020	2020
	£'000	£'000	£'000
Assets			
Investments in group undertakings	583,633	583,633	-
Deferred tax assets	363	363	-
Current tax assets	30	30	-
Current other receivables	27,796	27,796	-
Cash and cash equivalents	10,133	10,133	-
Assets classified as held for sale	84,001	84,001	
Total assets	705,956	705,956	-
Liabilities			
Financial liabilities	21,543	21,543	-
Other payables	607	607	-
Total liabilities	22,150	22,150	-

	2019	2019	2019
	£'000	£'000	£'000
Assets			
Property, plant and equipment	16	16	-
Intangible assets	4	4	-
Investments in group undertakings	667,634	667,634	-
Non-current other receivables	26,073	26,073	-
Deferred tax assets	404	404	-
Current tax assets	402	402	-
Current other receivables	2,013	2,013	-
Cash and cash equivalents	3,453	3,453	-
Total assets	699,999	699,999	-
Liabilities			
Financial liabilities	21,543	21,543	-
Other payables	711	711	-
Total liabilities	22,254	22,254	-

Notes to the financial statements

21 Related party transactions

The Company has a related party relationship with the directors and other key management personnel of the Company.

Transactions with directors and other key management personnel

In addition to their salaries, the Company also provides non-cash benefits to the directors and other key management personnel.

The remuneration of the directors and key management personnel consists of:

	2020 £'000	2019 £'000
Short-term employee benefits	624	700
Post-employment benefits	16	-
Share-based payments	17	103
	657	803

In respect of the highest paid director:	2020 £'000	2019 £'000
Short-term employee benefits	187	267
Post-employment benefits	-	94
Share-based payments	17	-
	204	361

One of the Company's directors is not included in the disclosure above as no recharge is received for their services.

21 Related party transactions (continued)

Transactions with other related parties

In the ordinary course of business the Company carries out transactions with related parties as defined in IAS 24: Related Party Disclosures.

All investments in group undertakings, assets classified as held for sale and dividend income from Ageas group companies are considered to be related parties. In addition, the following amounts are also related party transactions and balances:

	2020 Comp. income £'000 Income/ (expense)	2020 Financial Position £'000 Asset/ (liability)	2019 Comp. income £'000 Income/ (expense)	2019 Financial Position £'000 Asset/ (liability)
Immediate parent undertaking - expense	(842)	-	(1,242)	-
Group undertakings - income	906	-	1,711	-
Group undertakings - expense	(1,870)	-	(2,017)	-
Amounts due from immediate parent undertaking	-	-	-	335
Amounts due to immediate parent undertaking	-	(21,697)	-	(21,731)
Amounts due from group undertakings	-	21,407	-	21,772
Amounts due to group undertakings	-	(283)	-	(281)
Amounts due from joint venture partner	14	4,876	138	4,863
	(1,792)	4,303	(1,410)	4,958

The transactions and balances with related parties relate predominantly to loans between companies, interest charged on such loans and intercompany cross charges. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received and there are no expected credit losses in respect of the amounts owed by related parties.

In addition to the amounts shown above, dividends of £27,915,000 (2019: £38,346,000) were received during the year, as described in note 4.

22 Capital commitments

The Company had no capital commitments at the end of the financial year, either authorised or contracted for (2019: £nil).

23 Events after the reporting period

Sale of Tesco Underwriting Limited

On 14 October 2020, the Company signed a sale and purchase agreement to dispose of its share in Tesco Underwriting Limited, a joint venture entity in which the Company holds 50.1% of the voting rights and Tesco Personal Finance plc holds the remaining 49.9%.

The completion of the sale was finalised on 4 May 2021.

Notes to the financial statements

24 Ultimate parent company

The Company's immediate parent is Ageas Insurance International NV, a company incorporated in the Netherlands and migrated on 1 January 2019 to Belgium, whose registered address is Markiesstraat 1 Box 7, 1000 Brussels.

The ultimate parent undertaking and controlling party of the Company is ageas SA/NV, a company incorporated in Belgium whose registered address is Markiesstraat 1 Box 7, 1000 Brussels. ageas SA/NV is the parent undertaking of the smallest and largest group of undertakings to consolidate the financial statements of the Company as at 31 December 2020.

Copies of the consolidated financial statements can be obtained from ageas SA/NV's registered address. Copies of the Company's financial statements can be obtained from the Company Secretary, Ageas (UK) Limited, Ageas House, Hampshire Corporate Park, Templars Way, Eastleigh, Hampshire, SO53 3YA.

Statement of Directors' Responsibilities in respect of the Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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 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.

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.

Independent auditors' report to the members of Ageas (UK) Limited

Report on the audit of the financial statements

Opinion

- In our opinion, Ageas (UK) Limited's financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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, which comprise: the statement of financial position as at 31 December 2020; the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows 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

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining a copy of management's going concern assessment to assess the identification and assessment of the risks relevant to going concern.
- Assessing the reasonableness of the assumptions used in the profitability and cash flow forecasts included in management's going concern assessment
- Assessing projected cash flows for the Company to consider management's assessment on available liquidity.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the members of Ageas (UK) Limited (continued)

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 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 Statement of Directors' Responsibilities in respect of the Financial Statements, 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.

Independent auditors' report to the members of Ageas (UK) Limited (continued)

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK Tax regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in the determination of accounting estimates and the posting of inappropriate journal entries to increase revenue or to manipulate reported profit before tax. Audit procedures performed by the engagement team included:

- Discussions with management, risk, compliance and internal audit staff, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Evaluation of management's controls designed to prevent and detect irregularities.
- Challenging the judgements and estimates made by management in their significant accounting estimates, in particular in relation to valuation of investments in subsidiary undertakings.
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations impacting revenue or expenses, posted by senior management or posted late in the year end close process.
- Reviewing Board minutes and attending Audit Committee meetings during the year.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

Ageas (UK) Limited
Company registration number: 1093301

Independent auditors' report to the members of Ageas (UK) Limited (continued)

Other required reporting

Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not obtained 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.

Joanne Leeson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
18 June 2021