

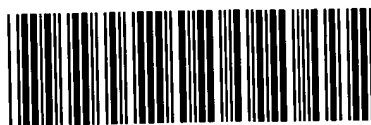
esure Services Limited

Report and Financial Statements

For the year ended 31 December 2020

Company Registration Number 02135610

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esure Services Limited

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esure Services Limited

Corporate Information

Directors

A K Haste (appointed 24 March 2020)

A S Birrell

P A Shaw

A R Rubenstein

L Bassi

D J R McMillan

P D Bole (appointed 18 March 2020)

Secretary

K R Whitehead (appointed 27 January 2020)

Auditor

KPMG LLP

Chartered Accountants & Statutory Auditor

15 Canada Square

London

E14 5GL

Registered office

The Observatory

Reigate

Surrey

RH2 0SG

esure Services Limited

Strategic Report

Review of the business

The Company is principally engaged as an intermediary and service provider for other members of the esure group of companies, esure Group plc and its direct and indirect subsidiaries, (the "Group"), which were established to write general insurance for private cars and homes. The Company is an authorised United Kingdom insurance and credit intermediary, regulated by the Financial Conduct Authority. In addition, the Company holds the Group's investments in esure broker Limited, Pikl Limited and IMe Law Limited, the Group's alternative business structure operated by the Group's partner, Irwin Mitchell.

Principal risks and uncertainties

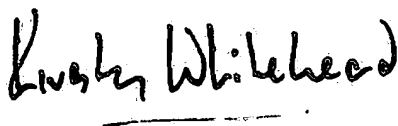
In addition to its regulated activities the Company employs personnel, providing a full range of services to various other members of the Group. The principal risks facing the Company are therefore operational in nature. In 2020 the Company has faced increasing risk due to the effect of the COVID pandemic on those operations, for further details of the Company's mitigating actions to this risk please see the esure Group plc annual report. Other risks considered inherently material and therefore engaging most management attention include staff recruitment, fraud and unforeseen consequences of material change programmes. In addition, as the Company and the wider Group operates in a regulated environment there is a risk of reputational or financial damage driven by regulatory or legal intervention. This could have an impact on both the Company and the Group.

The Directors of the Company are of the opinion that the disclosure of key performance indicators ("KPIs") within this report would not add any meaningful information as the Company's activities are driven by the underlying business and business needs of the Group. Relevant KPIs are disclosed within the operating and financial reviews provided in the esure Group plc annual report.

Results

The profit for the year, after taxation, amounted to £3.9m (2019: £9.5m).

By order of the Board



K R Whitehead
Company Secretary
9 March 2021

esure Services Limited

Registered number 02135610

Directors' Report

The Directors present their report and the financial statements for the year ended 31 December 2020.

Principal activity

The nature of the Company's operations is as an intermediary and service provider for other members of the esure group of companies.

Results and dividends

The profit for the year, after taxation, amounted to £3.9m (2019: £9.5m).

Dividends were paid during the year of £4.3m (2019: £2.0m). The Directors do not recommend payment of a final dividend (2019: £Nil).

Directors

The Directors who served during the year were:

P J Wood (resigned 27 March 2020)

P D Bole (appointed 18 March 2020)

A K Haste (appointed 24 March 2020)

A S Birrell

P A Shaw

A R Rubenstein

L Bassi

D J R McMillan

S A Long (resigned 18 March 2020)

The Company maintained Directors' and Officers' liability insurance, which gives appropriate cover should legal action be brought against its Directors. In addition, indemnities are in force under which the Company has agreed to indemnify the Directors against all liabilities and related costs that they may incur in the execution of their duties. These indemnities do not cover the Directors for fraudulent activities.

Employees

Our people are our most important asset. They enable us to achieve our strategy and deliver for our stakeholders. As of 31 December 2020, the Company employed 1,764 people across three offices in Glasgow, Manchester and Reigate.

Colleagues safety during the Covid pandemic

Colleague wellbeing throughout the Covid pandemic has been a key area of focus. Our ethos has been to protect our customers, our colleagues, and our business. The pandemic changed the way we all work, how we communicate and connect with one another. As the pandemic unfolded in the first quarter of 2020, the Company quickly prioritised investment in resources to ensure our colleagues could transition to working from home and adapt to the new ways of working.

We also launched a number of initiatives to support colleagues working from home including fortnightly Covid-based surveys using a new colleague survey tool; a new Employee Assistance Programme to help colleagues with emotional resilience and mental health awareness webinars; a business-wide 'No Apologies' campaign to support colleagues who were balancing working from home with parenting, and free online health and wellbeing classes.

To accommodate those unable or struggling to work from home, we also undertook an independent risk assessment of our offices and we set up Covid-secure working spaces to allow them to work from the office safely in line with government guidance.

Employee engagement

Employee engagement has always been critical for us but has taken on new importance during the Covid pandemic. To help maintain and improve employee engagement, in 2020, we invested in a new colleague engagement tool. The new tool allowed us to implement a modern 'continual listening' approach, to ensure we capture the views and experiences of our colleagues on a regular basis. We are delighted that our first survey received a 92% response rate, an engagement score of 7.7, which is above the true benchmark for the finance sector, and an employee Net Promoter Score of 30, which is above the benchmark.

In addition to sponsoring numerous events throughout the year to drive engagement and promote collaboration, our Colleague Forum also provides our colleagues with the opportunity to discuss issues, ideas and opinions on workplace matters. It consists of elected representatives and representatives from across the business.

The Group held a number of employee events throughout the year to drive engagement and to promote culture and collaboration, including a business-wide data science competition, charity fundraisers, online health and wellbeing classes, award nights, company-wide quizzes and Christmas events.

Diversity and inclusion

We are committed to fostering a supportive and inclusive working environment where people from all backgrounds feel respected, are treated equally and can thrive. We celebrate and nurture our diversity because it makes strong business sense and because it is the right thing to do. We believe that outstanding customer service comes hand in hand with a positive working culture where varied skills, perspectives and experiences are respected and nurtured. A diverse and inclusive workplace is also critical to enable us to attract and retain the best talent, reduce risk and improve decision-making. We also believe that the perspectives and experiences of our employees should reflect the breadth and diversity of our customers, suppliers, business partners and communities across the UK.

In the latter half of 2020, the Group established an Inclusion and Diversity working group consisting of representatives from across the organisation. This working group is overseen by Roy Jubraj, our Chief Strategy & Transformation Officer, and is responsible for determining the main areas of focus for diversity and inclusion within the Group. To date, this working group has sought feedback and surveyed all colleagues on the topics of inclusion and diversity which will drive the 2021 initiatives the group will undertake.

esure Services Limited

Registered number 02135610

Directors' Report

Employees (continued)

Diversity and Inclusion (continued)

In 2020, the esure Group Board also approved an Equity, Inclusion and Diversity Policy ("D&I Policy") to reinforce our commitment to promote equity, inclusion and diversity and fairness by, among other things, the following:

- ensuring that inclusion and diversity is part of everything we do, from how we treat customers to how we work together every day as colleagues;
- creating an environment that nurtures individual differences and ensuring that the contributions of all colleagues are recognized and valued;
- partnering with third parties to drive improvements; and
- continuously learning from our colleagues' using our engagement tool.

Learning and Development

There is a need for our colleagues to continuously develop and prepare the business for a future where new technology capabilities are leveraged to drive competitive advantage. We are dedicated to developing the potential of our colleagues. We invest in a range of programmes for our people, including apprenticeship opportunities and talent programmes, that provide colleagues the opportunities to gain experience and broaden their knowledge within our industry. Due to the pandemic, we remodelled some of our training programmes to deliver training in a virtual environment. In 2020, we launched our esure Academies to further build skills across the organisation. In addition, we continue to invest in our learning management system with an extensive selection of accredited learning under the Chartered Institute of Insurance (CII).

Section 172 Statement of the Directors

The Directors have acted, in good faith, to promote the success of the Company for the benefit of its members as a whole. For details of how the Directors complied with the requirements of section 172 (1) (a) to (f) of the Companies Act 2006 when performing their duties under section 172, please see the esure Group plc 2020 Annual Report and Accounts.

Corporate Governance Statement

For the year ended 31 December 2020, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council ('FRC') in December 2018). The Company is part of esure Group, which has also adopted the Guidelines for Disclosure and Transparency in Private Equity Companies (the "Walker PERG Guidelines"). For further information see the esure Group plc 2020 Annual Report and Accounts.

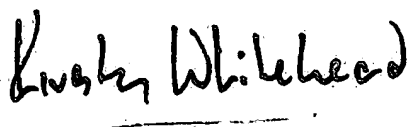
Change of auditor

Pursuant to a shareholder resolution, the Company is not obliged to reappoint its auditor annually. KPMG LLP has indicated its willingness to continue in office and therefore the Company has agreed that KPMG LLP will remain in office.

Statement of disclosure of information to auditor

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

By order of the Board



K R Whitehead
Company Secretary
9 March 2021

The Observatory
Reigate
Surrey
RH2 0SG

esure Services Limited

Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of esure Services Limited

Opinion

We have audited the financial statements of esure Services Limited ('the company') for the year ended 31 December 2020 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and related notes, including the accounting policies in note 2.

In our opinion the 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 for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management and staff.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as impairment. On this audit we do not believe there is a fraud risk related to revenue recognition because the recognition and valuation of revenue is not subjective or estimated and as such there is limited opportunity for management to commit a fraud, and that would lead to a material misstatement.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Company-wide fraud risk management controls.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by an individual who is not from the Finance Department to seldom used accounts, unusual journal entry pairings and journal entries recorded at the end of the period or as post-closing entries that have little or no explanation or
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Independent auditor's report to the members of esure Services Limited (continued)

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: data privacy, employment law and liquidity. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement 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; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

DocuSigned by:

Caroline Gilbertson

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Caroline Gilbertson

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square, London, E14 5GL

9 March 2021

esure Services Limited

Statement of Comprehensive Income For the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Turnover	5	274.3	247.6
Administrative expenses		(271.8)	(239.2)
Other operating income	6	0.0	0.1
Operating profit		2.5	8.5
Income from other investments		2.3	2.6
Interest receivable from group companies		0.3	0.2
Interest payable	11	(0.5)	(0.6)
Profit on ordinary activities before tax		4.6	10.7
Tax charge on profit on ordinary activities	12	(0.7)	(1.2)
Profit on ordinary activities after tax		3.9	9.5
Other comprehensive expense	26	(3.7)	(2.3)
Total comprehensive income		0.2	7.2

All amounts relate to continuing operations.

The notes on pages 11 to 23 form part of these financial statements.

esure Services Limited

Statement of Financial Position As at 31 December 2020

	Notes	2020 £m	2020 £m	2019 £m	2019 £m
Fixed assets					
Intangible assets	13		34.7		33.0
Tangible assets	14		17.1		22.7
Investments	16		4.4		8.2
			<u>56.2</u>		<u>63.9</u>
Current assets					
Debtors	17	47.1		30.6	
Cash at bank		<u>1.5</u>		<u>4.2</u>	
		48.6		34.8	
Creditors: amounts falling due within one year	18	<u>(47.9)</u>		<u>(36.7)</u>	
Net current assets / (liabilities)			0.7		(1.9)
Total assets less current liabilities			<u>56.9</u>		<u>62.0</u>
Creditors: amounts falling due after more than one year	19		(12.1)		(13.2)
Net assets			<u>44.8</u>		<u>48.8</u>
Capital and reserves					
Called up share capital	21		13.8		13.8
Profit and loss account			(70.1)		(69.7)
Available-for-sale and other reserves			<u>101.1</u>		<u>104.7</u>
Shareholder's funds - all equity			<u>44.8</u>		<u>48.8</u>

The notes on pages 11 to 23 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 9 March 2021 and signed on its behalf.



Peter Bole
Director

Registered number: 02135610

esure Services Limited

Statement of changes in equity

	Share capital	Profit and loss account	Available for sale reserve	Other reserves	Total equity
	£m	£m	£m	£m	£m
Year ended 31 December 2019					
At 1 January 2019 as previously reported	13.8	(80.3)	7.9	99.1	40.5
Implementation of IFRS 16 (note 4)	-	3.1	-	-	3.1
Profit for the year	-	9.5	(2.3)	-	7.2
Total comprehensive income for the year	-	12.6	(2.3)	-	10.3
Transactions with owners:					
Dividends	-	(2.0)	-	-	(2.0)
Total transactions with owners:	-	(2.0)	-	0.0	(2.0)
At 31 December 2019	13.8	(69.7)	5.6	99.1	48.8
Year ended 31 December 2020					
At 1 January 2020	13.8	(69.7)	5.6	99.1	48.8
Profit for the year	-	3.9	(3.7)	-	0.2
Total comprehensive income for the year	-	3.9	(3.7)	-	0.2
Transactions with owners:					
Dividends	-	(4.3)	-	-	(4.3)
Capital contribution: share-based payments	-	-	-	0.1	0.1
Total transactions with owners:	-	(4.3)	-	0.1	(4.2)
At 31 December 2020	13.8	(70.1)	1.9	99.2	44.8

During the year ended 31 December 2020 capital contributions of £100,000 (2019: £nil) were received from the parent of esure Services Limited, Blue (BC) Topco Limited, related to share-based payment awards made to employees of esure Services Limited in the shares of Blue (BC) Topco Limited.

Other reserves include capital contributions made by esure Holdings Limited to esure Services Limited of £85,000,000. During the year ended 31 December 2020 no additional capital contributions were made (2019: £nil). These capital contributions are realised profit and are therefore available for distribution under the requirements of Companies Act 2006.

Dividends per Ordinary Share of £0.31 were declared and paid in 2020 (2019 (interim dividend): £0.14).

The notes on pages 11 to 23 form part of these financial statements.

esure Services Limited

Notes to the financial statements For the year ended 31 December 2020

1. General information

esure Services Limited is a company incorporated in England and Wales. Its registered office is The Observatory, Castlefield Road, Reigate, Surrey, RH2 0SG.

All of the Company's subsidiaries are located in the United Kingdom.

2. Accounting policies

Basis of preparation

These financial statements present the esure Services Limited Company financial statements for the year ended 31 December 2020, comprising the statement of comprehensive income, statement of financial position, statement of changes in equity and related notes, as well as comparatives for the year ended 31 December 2019.

The financial statements have been prepared in accordance with the provisions of Section 396 of the Companies Act 2006 (the "Act") and Schedule 1 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (the "Regulations").

Under the provisions of Section 400 of the Act, consolidated financial statements have not been prepared. Consolidated financial statements incorporating the results of the Company and its subsidiary undertakings are prepared by the Company's ultimate parent undertaking, esure Group plc. The consolidated financial statements of esure Group plc can be obtained from The Observatory, Castlefield Road, Reigate, Surrey, RH2 0SG or at <https://www.esuregroup.com/investors/annual-reports.aspx>.

These financial statements were prepared in accordance with the FRS 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of capital management;
- Disclosure in respect of transactions with other wholly owned subsidiaries of esure Group plc;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of key management personnel required by IAS 24.

As the consolidated financial statements of esure Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments; and
- The disclosures required by IFRS 7 *Financial Instrument Disclosures*.

These financial statements have been prepared on a going concern basis. The Board has reviewed the Company's projections for the next planning cycle including consideration of the liquidity requirements of the Company.

The Board has considered the likely impact of the on-going Covid pandemic, including the economic consequences for the Company of severe, but plausible, stresses that could result. When modelling scenarios resulting from the pandemic the Board considered risks including the impact of other Group companies.

The Board has reviewed the Company's projections for the 12 months from the date of approval of the financial statements and, based on this work, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for at least the 12 months from the date of signing of these financial statements.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

At the date of approval of these financial statements there were no standards, amendments or interpretations in issue and endorsed by the UK which the Company had not adopted.

Turnover

Turnover comprises amounts received or receivable for services provided to other members of the Group and is recognised when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

Turnover also includes fees receivable from customers for administration services related to policies and is recognised in the period in which the related services are provided.

Turnover also includes rental income. Rental income represents income arising from operating leases and is recognised on a straight-line basis over the lease term.

esure Services Limited

Notes to the financial statements

For the year ended 31 December 2020

2 . Accounting policies (continued)

Government grants

Government grants are recognised as other operating income where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to the income statement in equal amounts over the expected useful life of the related asset.

Income from investments in group undertakings and from other investments

Income from investments in group undertakings and from other investments comprises of dividend income. Dividends are recognised when the right to receive payment is established.

Taxation

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the reporting date. Current tax assets and liabilities also include adjustments in respect of tax expected to be payable or recoverable in respect of previous periods.

Current tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in the income statement.

Deferred tax

Deferred tax is provided in full using the balance sheet liability method, providing for temporary differences arising between the carrying amount of assets and liabilities for accounting purposes, and the amounts used for taxation purposes. It is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is recovered, using tax rates enacted or substantially enacted by the reporting 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 relating to items recognised outside the income statement is also recognised outside the income statement, either in other comprehensive income or directly in equity as appropriate.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Intangible assets

Software

Purchased software is recognised as an intangible asset, with the carrying value being reviewed at every reporting date for evidence of impairment and the value being written down if any impairment exists. If conditions subsequently improve, the previously recognised impairment may be reversed.

Amortisation of software begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of purchased software is amortised on a straight line basis over the expected useful life of the intangible asset. This has been set between two and seven years.

Expenditure on research activities is recognised in the income statement as an expense as incurred. Costs associated with the development of software for internal use are capitalised only if the software is technically feasible for sale or use on completion and the Company has both the intent and sufficient resources to complete the development. Subsequent expenditure is capitalised only if the cost of the asset can be reliably measured, will generate future economic benefits and there is an ability to use or sell the asset.

The cost of internally generated software is amortised over the expected useful life of the intangible asset on a straight line basis. The expected useful life is between three and five years.

Impairment testing of intangible assets

The Group tests intangible assets with finite useful lives for impairment where there are indicators that their carrying value may be impaired. All intangible assets not yet in use within the business are tested annually for impairment.

esure Services Limited

Notes to the financial statements For the year ended 31 December 2020

2 . Accounting policies (continued)

Tangible assets

Property, plant and equipment

Property, plant and equipment comprise fixtures, fittings and equipment (including computer hardware). Replacement or major inspection costs are capitalised when incurred if it is possible that future economic benefits associated with the item will flow to the entity and the costs can be measured reliably.

These assets are stated at cost less depreciation and accumulated impairment. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is calculated using the straight-line method to write off the cost less residual values of the assets over their economic lives. This has been set between three and eight years.

The assets' residual values, useful lives and method of depreciation are reviewed and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the asset is derecognised.

Impairment and revaluation of property, plant and equipment

Carrying values are reviewed at each reporting date to determine whether there are any indications of impairment. If any such indications exist, the asset's recoverable amount is estimated and compared to the carrying value. The recoverable amount is the higher of the fair value of the asset, less costs to sell and the asset's value in use. Impairment losses are recognised through the income statement. Impairment may be reversed if conditions subsequently improve and credited through the income statement.

Investments in group undertakings and joint ventures

The investment in the group undertaking is stated at cost less provisions for impairments.

Impairment of group undertakings and joint ventures

The carrying amounts of the Company's investments in subsidiaries are reviewed at each reporting date to determine whether there is any indication of impairment. Objective evidence of impairment may include reduction or elimination of the prospects of expected future dividends from the subsidiary. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an investment in group undertakings 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.

Impairment losses and any reversals of impairments are recognised through the income statement.

Financial assets

Classification

Financial assets falling within the scope of IFRS 9 *Financial Instruments* are classified as 'measured at amortised cost' or 'fair value through other comprehensive income' ("FVOCI").

During the years ended 31 December 2020 and 31 December 2019 the Company did not classify any financial assets 'at fair value through profit or loss'.

The Company determines the classification of its financial assets at initial recognition. Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets as at 31 December 2020 and 31 December 2019 included trade and other debtors which were classified as measured at amortised cost. As at 31 December 2020 and 31 December 2019, investments in shares in unquoted equity instruments were classified as FVOCI.

Initial recognition of financial assets

The Company's financial assets are initially recognised at fair value, plus any directly attributable transaction costs.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI on an investment-by-investment basis.

esure Services Limited

Notes to the financial statements

For the year ended 31 December 2020

2 . Accounting policies (continued)

Financial assets (continued)

Subsequent measurement

Equity instruments at FVOCI are measured at fair value. Dividends are recognised as income in profit or loss unless they clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to the income statement.

Financial assets at amortised cost are measured at amortised cost using the effective interest rate. Impairment losses are recognised in the income statement. Any gain or loss on derecognition is also recognised in the income statement.

Impairment of financial assets

The Company recognises loss allowances for Expected Credit Losses ("ECL") on all financial assets measured at amortised cost.

For financial assets that are not credit-impaired at the reporting date the ECL is the present value of possible cash shortfalls in the next twelve months, this may be on a portfolio basis.

For financial assets that are credit-impaired at the reporting date the ECL is the difference between the gross carrying amount and the present value of the estimated future cash flows.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Derecognition of financial assets

A financial asset is derecognised when the rights to receive cash flows from that asset have expired or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, the Company has a currently enforceable legal right to offset the recognised amounts and it intends to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation.

Financial liabilities

Financial liabilities falling within the scope of IFRS 9 are classified as 'financial liabilities at amortised cost'.

The Company's financial liabilities at 31 December 2020 and 31 December 2019 include trade and other creditors and amounts owed to Group undertakings.

Initial recognition

Other financial liabilities are measured initially at fair value less directly attributable transaction costs.

Subsequent measurement

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised.

Amortised cost is calculated by taking into account any fees or costs that are an integral part of effective interest rate, transaction costs and all other premiums and discounts. The amortisation is included in finance costs in the statement of comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification, is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Share Capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other assets to holders of the financial instruments.

Employee benefits - Pensions

The Company contributes to a defined contribution scheme for its employees. The contributions payable to this scheme are charged to the income statement in the accounting period to which they relate.

esure Services Limited

Notes to the financial statements

For the year ended 31 December 2020

2 . Accounting policies (continued)

Leases

Company as a lessor

The Company subleases property. The Company has classified this lease as an operating lease.

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the related income. Contingent rents are recognised as revenue in the period in which they are earned (i.e. when virtually certain).

Company as a lessee - operating leases

As a lessee, the Company leases a property asset. The Company recognises right-of-use assets and lease liabilities for all leases. On initial recognition, lease liabilities are measured at the present value of the future lease payments, discounted at the Group's incremental borrowing rate at that date. The right-of-use asset is equal to the lease liability and is then depreciated on a straight-line basis over the lifetime of the lease.

Share-based payments

Where the Company's ultimate parent, Blue (BC) Topco Limited, grants rights to its equity instruments to employees of esure Services Limited, esure Services Limited accounts for these share-based payments as equity-settled. A corresponding credit to other reserves (an equity contribution from Blue (BC) Topco Limited) is recorded in relation to each of the share-based payment expenses recorded for these awards.

Equity-settled share-based payments to employees are measured at the grant date at the fair value of the equity instruments (excluding the effect of non-market vesting conditions but including the effect of market vesting conditions). Fair value is not subsequently remeasured. The fair value of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the best estimate of the number of awards which will ultimately vest unconditionally with employees. The estimate of the number of awards expected to vest (excluding the effect of market vesting conditions) is revised at each reporting date, with any consequential changes to the charge recognised in the income statement. Where equity-settled share-based payments are modified, any incremental fair value is expensed on a straight-line basis over the revised vesting period.

3 . Critical accounting judgements and estimates

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates; however the financial statements presented are based on conditions that existed at the balance sheet date.

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

Key sources of estimation uncertainty and critical judgements in applying the Company's accounting policies

The key assumptions concerning the future, and other key sources of estimation uncertainty at each balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Useful lives of property, plant and equipment and software

Property, plant and equipment, other than land, and certain intangible assets are depreciated on a straight-line basis to write off the cost less estimated residual value of each asset over their estimated useful lives. The determination of appropriate useful lives requires the use of judgement based on a number of factors, including the expected usage of the asset, expected deterioration and technological obsolescence.

Determining the useful lives for the software licences requires particular judgement to be applied as follows:

The useful life of software licences is determined by management at the time the software is acquired and brought into use and is regularly reviewed for appropriateness. The useful life represents management's view of expected benefits over which the Company will receive benefits from the software, but not exceeding the licence term. For unique software products, the life is based on historical experience with similar products as well as anticipation of future events which may impact their life such as changes in technology.

esure Services Limited

Notes to the financial statements For the year ended 31 December 2020

3 . Critical accounting judgements and estimates (continued)

Key sources of estimation uncertainty and critical judgements in applying the Company's accounting policies (continued)

Impairment of investments in group undertakings

On 4 April 2019 the Directors of esure broker Limited made the decision that the Company would cease to write new business with the book being run off from renewal. As at 31 December 2020, reassessment of the recoverability of the Company's investment in esure broker Limited has been performed given the decision made. Based on current projections, it is considered less than probable that esure broker Limited will be in a position to pay a future dividend and therefore the investment of £7.5m remains fully impaired as at 31 December 2020.

4 IFRS 16 Leases Implementation

Changes in significant accounting policies: IFRS 16 Leases

The Company has applied IFRS 16 Leases from its effective date of 1 January 2019.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information as permitted by IFRS 16.

See note 2 for details of the accounting policies under IFRS 16.

Impact on Financial Statements

Impact on transition

On transition to IFRS 16, the Company recognised additional property right-of-use assets, and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	As at 1 Jan 2019 £m
Right-of-use assets – property	15.1
Lease liabilities	(15.1)
Release of property accruals held at 31 December 2018	3.7
Tax impact	(0.6)
Retained earnings (increase)	3.1

For the impact of IFRS 16 on profit or loss for the year, see notes 11 and 14.

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019.

	As at 1 Jan 2019 £m
Operating lease commitments at 31 Dec 2018 as disclosed under IAS 17 in the Company's consolidated financial statements	18.9
Effect of discounted using the incremental borrowing rate at 1 January 2019	(3.8)
Lease liabilities recognised at 1 January 2019	15.1

5 . Turnover

Turnover is attributable to fees, rent, commissions and additional services revenue from within the United Kingdom.

Turnover includes fees receivable from customers for administrative services related to policies.

6 . Other operating income

	2020 £m	2019 £m
Government grants received	0.0	0.1

esure Services Limited

Notes to the financial statements For the year ended 31 December 2020

7. Profit after tax

Profit after tax is stated after charging:

	2020 £m	2019 £m
Amortisation of intangible assets (note 13)	12.4	9.8
Depreciation of tangible fixed assets:		
- owned by the company (note 14)	6.5	6.2
Auditor's remuneration	0.1	0.1
Loss on disposal of intangible assets (note 13)	1.8	1.6

Details of auditor's remuneration for the esure group of companies are disclosed in the consolidated financial statements of esure Group plc.

8. Staff cost

Staff costs, including Directors' remuneration, were as follows:

	2020 £m	2019 £m
Wages and salaries	69.7	69.2
Social security costs	7.4	6.9
Other pension costs	3.9	3.8
Equity-settled share-based payment expense (note 9)	0.1	-
	<u>81.1</u>	<u>79.9</u>

The average monthly number of employees, including Directors, during the year was:

	2020	2019
Operations	1,342	1,425
Support	453	493
	<u>1,795</u>	<u>1,918</u>

9. Share-based payments

During 2020 certain employees were eligible to purchase shares in the Company's ultimate parent company, Blue (BC) Topco Limited. Due to the restrictive conditions in place over the options these shares qualify as a share-based payment scheme under IFRS 2 *Share Based Payments*. The Company receives the employees' services but the scheme will be settled by Blue (BC) Topco Limited and is therefore classified as equity settled in these accounts.

Awards have been made in the scheme as follows:

	Year ended 31 December 2020 Number granted
Awarded to Directors	510
Under the scheme the restrictions on the shares are lifted on the event of Blue (BC) Topco exiting its investment in the esure Group.	
Number of shares initially granted	510
Number outstanding at 1 January	-
Granted in the year	510
Number outstanding at 31 December 2020	510
Exercise price per share	£5,500

Valuation of awards

As the shares have a variable participation in proceeds on exit, the fair value of the awards was estimated using a Stochastic (Monte-Carlo) model.

The inputs into the model were:

Valuation date	16 October 2020
Volatility (modelled using historical share price volatility of quoted comparator companies)	25.0%
Expected term	3.2 years
Risk free rate	-0.09%
Expected transaction cost (% of enterprise value)	3.0%
Discount for post vesting restrictions	10.0%

Valuation Methodology

IFRS 2 does not provide direct guidance as to the methodology for determining the share price at the valuation date. As Blue (BC) Topco Limited was not listed at the date of grant an approach using a multiple of net asset value at the date of grant has been applied.

esure Services Limited

Notes to the financial statements

For the year ended 31 December 2020

9 . Share-based payments (continued)

Financial effect of share-based payments made

The total expense recognised for the year arising from the share-based payments above was £0.1m (2019: £nil). All share based payment transactions were accounted for as equity-settled.

10 . Directors' remuneration

	2020 £m	2019 £m
Emoluments in respect of qualifying services	3.3	3.6
Contributions to defined contribution pension schemes	0.1	0.1
Total Directors' remuneration	<u>3.4</u>	<u>3.7</u>

All of the Directors of esure Group plc and its subsidiary undertakings receive remuneration from esure Services Limited as employees of that company. The Directors of esure Services Limited received total remuneration of £3.4m during the year ended 31 December 2020 (2019: £3.7m). It is not appropriate to allocate this remuneration between their services as Directors of esure Services Limited and the other services provided to esure Group plc and its subsidiary undertakings.

During the year, retirement benefits were accruing to two Directors of esure Services Limited (2019: three) in respect of defined contribution pension schemes.

Remuneration of the highest paid Director

	2020 £m	2019 £m
Emoluments in respect of qualifying services	1.9	1.9
Contributions to defined contribution pension schemes	0.1	-
	<u>2.0</u>	<u>1.9</u>

11 . Interest payable

	2020 £m	2019 £m
On loans from group undertakings	-	0.0
Interest expense on leasing liabilities	0.5	0.6
	<u>0.5</u>	<u>0.6</u>

12 . Taxation

	2020 £m	2019 £m
UK corporation tax charge on profit for the year	0.6	2.4
Tax adjustment relating to income for prior periods	(0.4)	(0.1)
Taxation charge	<u>0.2</u>	<u>2.3</u>
Deferred tax for the reporting period (note 20)	0.3	(0.6)
Deferred tax relating to prior periods (note 20)	0.2	(0.5)
Total deferred tax	<u>0.5</u>	<u>(1.1)</u>
Taxation expense	<u>0.7</u>	<u>1.2</u>

The tax rate used for the calculations is the Corporation Tax rate of 19.00% (2019: 19.00%) payable by the corporate entities in the UK on taxable profits under tax law in that jurisdiction.

esure Services Limited

Notes to the financial statements For the year ended 31 December 2020

12 . Taxation (continued)

The expense for the year can be reconciled to the profit per the income statement and other comprehensive income as follows:

	2020 £m	2019 £m
Profit before taxation	<u>4.6</u>	<u>10.7</u>
Taxation calculated at 19.00% (2019: 19.00%)	0.9	2.0
Effect of expenses that are not deductible	(0.2)	0.2
Adjustments in relation to the current tax of prior years	0.2	(0.1)
Adjustments in relation to the deferred tax of prior years	0.2	(0.5)
Non taxable income	<u>(0.4)</u>	<u>(0.4)</u>
Taxation expense	<u>0.7</u>	<u>1.2</u>

Tax recognised directly in equity

	2020 £m	2019 £m
Deferred tax (credit)/charge recognised directly in equity	<u>(0.0)</u>	<u>0.6</u>
Total tax (credit)/charge recognised directly in equity	<u>(0.0)</u>	<u>0.6</u>

In 2020 the deferred tax recognised directly in equity related to the unwind of deferred tax on the implementation of IFRS 16. In 2019 the deferred tax recognised directly in equity related to the implementation of IFRS 16 (see note 4).

13 . Intangible fixed assets

	Software £m
Cost	
At 1 January 2020	57.7
Additions	15.9
Disposals and impairments	(2.5)
At 31 December 2020	<u>71.1</u>
Amortisation	
At 1 January 2020	24.7
Charge for the year	12.4
Disposals and impairments	(0.7)
At 31 December 2020	<u>36.4</u>
Net book value	
At 31 December 2020	<u>34.7</u>
At 1 January 2020	<u>33.0</u>

Included in software as at 31 December 2020 is £8.1m relating to software assets that are not yet available for use in the manner intended by management (31 December 2019: £3.5m). As a result, no amortisation has been charged on these assets during the year. Work on bringing these assets into a condition necessary for their intended use is expected to be completed during 2021, after which the assets are expected to have a useful economic life of three to five years.

The Company tests intangible assets with finite useful lives for impairment where there are indicators that their carrying value may be impaired. In 2020, due to regulatory changes, the Company has identified intangible assets requiring impairment and recognised a loss of £1.7m

IAS 36 *Impairment of Assets* requires that all intangible assets not yet in use are tested for impairment annually. This testing was performed for assets not yet in use at the year end and no impairments were required.

The estimated value in use for each asset was determined using a pre-tax discount rate of 8.0% (2019: 8.0%) and assuming that no value would be obtained beyond the end of the asset's useful economic lives.

esure Services Limited

Notes to the financial statements

For the year ended 31 December 2020

14. Tangible fixed assets

	Right of use assets leasehold buildings £m	Furniture, fittings and equipment £m	Total £m
Cost			
At 1 January 2020	15.1	42.3	57.4
Additions	-	0.9	0.9
At 31 December 2020	15.1	43.2	58.3
Depreciation			
At 1 January 2020	1.3	33.4	34.7
Charge for the year	1.3	5.2	6.5
At 31 December 2020	2.6	38.6	41.2
Net book value			
At 31 December 2020	12.5	4.6	17.1
At 1 January 2020	13.8	8.9	22.7

There were no indicators of impairment in the periods reported and as a result no impairment testing was performed.

15. Financial Assets and Liabilities

Financial assets

Designation under IFRS 9

	2020 £m	2019 £m
Financial assets measured at FVOCI (designated)	4.4	8.2
Financial assets at amortised cost	37.7	23.5
Total financial assets	42.1	31.7

Financial liabilities

Financial liabilities measured at amortised cost

Total financial liabilities	4.2	3.8
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The directors consider that the carrying amount of the financial assets and liabilities at amortised cost approximates their fair value. All financial assets and liabilities at amortised cost are expected to be settled within one year.

Credit Risk

Loss allowances

Measured at equal to lifetime expected credit loss: credit-impaired

	£m
At 31 Dec 2019	1.1
At 31 Dec 2020	1.5

At 31 December 2020 the Company did not have any amounts that were written off during the year and which were still subject to enforcement activity (2019: £nil).

Credit Risk Exposure

Gross carrying amounts

	Loss allowance equal to 12-month expected credit loss £m	Loss allowance equal to lifetime expected credit loss: credit-impaired £m
At 31 December 2020		
Low Risk	35.1	-
Doubtful	-	2.6
Loss	-	-
Total	35.1	2.6
At 31 December 2019		
Low Risk	21.5	-
Doubtful	-	2.0
Loss	-	-
Total	21.5	2.0

esure Services Limited

Notes to the financial statements

For the year ended 31 December 2020

15 . Financial Assets and Liabilities (continued)

Items of income, expense, gains or losses

Net gains/(losses) on:	2020 £m	2019 £m
Financial assets measured at FVOCI (designated)	(3.8)	(2.2)
Financial assets at amortised cost	(0.4)	(0.5)
Financial liabilities measured at amortised cost	-	-

16 . Investments

Fixed asset investments comprise:

	Unlisted equity investments £m	Total £m
At 1 January 2019	9.9	9.9
Change in discounted cash flow valuation	(2.2)	(2.2)
New investment	0.5	0.5
At 1 January 2020	8.2	8.2
Change in discounted cash flow valuation	(3.8)	(3.8)
At 31 December 2020	4.4	4.4

As permitted by IFRS 9, on initial recognition the Company has irrevocably elected to present the unlisted equity investments as measured at FVOCI. This election has been made to reflect the intention of the Company to hold the investments and to obtain its return through dividend income. The fair value at 31 December 2020 was £4.4m (31 December 2019: £8.2m) and the dividend income received in 2020 totalled £2.3m (2019: £2.5m). During 2020 there were no transfers within equity (2019: £nil).

Investments in group undertakings

Investments in group undertakings, which are wholly and directly owned are as follows:

	Country of Incorporation	Registered office	Class of shares held	Percentage of shares held
esure broker Limited	England and Wales	The Observatory, Reigate, Surrey, RH2 0SG	Ordinary	100%

Investment in esure broker Limited

On 4 April 2019 the Directors of esure broker Limited made the decision that the Company would cease to write new business with the book being run off from renewal. As at 31 December 2020, reassessment of the recoverability of the Company's investment in esure broker Limited has been performed given the decision made. Based on current projections, it is considered less than probable that esure broker Limited will be in a position to pay a future dividend and therefore the investment of £7.5m remains fully impaired as at 31 December 2020.

17 . Debtors: Amounts falling due within one year

	2020 £m	2019 £m
Amounts owed by group undertakings	36.1	20.8
Corporation tax	0.1	1.6
Other debtors	1.6	2.7
Prepayments and accrued income	8.7	5.4
Deferred tax asset (see note 20)	0.6	0.1
	<u>47.1</u>	<u>30.6</u>

esure Services Limited

Notes to the financial statements

For the year ended 31 December 2020

18 . Creditors: Amounts falling due within one year

	2020 £m	2019 £m
Amounts owed to group undertakings	1.1	0.2
Social security and other taxes	2.9	1.8
Other creditors	3.1	3.6
Accruals	39.7	30.1
Lease liabilities	1.1	1.0
	<u>47.9</u>	<u>36.7</u>

19 . Creditors: Amounts falling due after more than one year

	2020 £m	2019 £m
Lease liabilities	12.1	13.2
	<u>12.1</u>	<u>13.2</u>

20 . Deferred taxation asset

The deferred tax asset is made up as follows:

	2020 £m	2019 £m
Losses carried forward	-	0.6
Capital allowances	1.2	0.1
Leases	(0.6)	(0.6)
	<u>0.6</u>	<u>0.1</u>

There were no unrecognised deferred tax assets.

The deferred tax blended rate is 19.00% (2019: 18.26%).

	Leases £m	Losses brought forward £m	Capital allowances £m	Total £m
1 January 2019	-	1.1	(1.1)	(0.0)
Deferred tax charge for prior periods	-	(0.5)	-	(0.5)
Deferred tax charge for the period	-	-	1.2	1.2
Recognised directly in equity	(0.6)	-	-	(0.6)
At 31 December 2019	<u>(0.6)</u>	<u>0.6</u>	<u>0.1</u>	<u>0.1</u>
At 1 January 2020	(0.6)	0.6	0.1	0.1
Deferred tax charge for prior periods	-	0.2	-	0.2
Deferred tax charge for the period	-	(0.8)	1.1	0.3
Recognised directly in equity	0.0	-	-	0.0
At 31 December 2020	<u>(0.6)</u>	<u>-</u>	<u>1.2</u>	<u>0.6</u>

21 . Share capital

	2020 £m	2019 £m
Authorised, allotted, called up and fully paid		
13,800,000 Ordinary shares of £1 each (2019: 13,800,000 Ordinary shares of £1 each)	<u>13.8</u>	<u>13.8</u>

esure Services Limited

Notes to the financial statements

For the year ended 31 December 2020

22 . Capital commitments

The Company had capital commitments as follows:

	2020 £m	2019 £m
Contracted for but not provided in these financial statements	0.1	0.1

23 . Pension commitments

The Company contributes to a Group Personal Pension defined contribution scheme available to all staff of which 1,661 (2019: 1,707) employees participated in the scheme.

The pension cost charge for the period represents contributions payable by the company to the pension scheme and amounted to £3.9m (2019: £3.8m). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

24 . Contingent liabilities

The Company has confirmed that it will provide such funds and continued financial support as necessary to ensure that esure broker Limited is able to continue trade for the foreseeable future and for a period of not less than 12 months from the date of approval of the esure broker Limited financial statements for the year ended 31 December 2020.

25 . Operating leases

The Company leases offices under operating leases and sublets a portion of the space not occupied.

Leases as a lessor - future minimum lease payments receivable

At 31 December, the future minimum lease payments receivable under non-cancellable operating leases were as follows:

	2020 £m	2019 £m
Less than one year	0.1	0.1
	0.1	0.1

26 . Other comprehensive income

During the year ended 31 December 2020, £3.7m was expensed to other comprehensive income in respect of fair value movements on an available for sale financial asset (31 December 2019: £2.3m). The available for sale reserve as at 31 December 2020 represents accumulated fair value changes in respect of the financial asset.

27 . Ultimate parent undertaking

The Company is a wholly owned subsidiary undertaking of esure Holdings Limited. The smallest group into which these accounts are consolidated is esure Group plc. The largest group into which these accounts are consolidated is an intermediate holding company, Blue (BC) Topco Limited.