Company Registration No: 02568507

UK Assistance Accident Repair Centres Limited

Annual Report and Financial Statements

31 December 2018

Direct Line Group Company Secretariat
Churchill Court
Westmoreland Road
Bromley
BR1 1DP

Annual report and financial statements

Contents

Officers and professional advisers

Directors:	C Bradley J Burrows S R Forrester S Maddock P Nightingale H C O' Murchu
Company Secretary:	R C Clifton
Registered office:	Churchill Court Westmoreland Road Bromley BR1 1DP
Independent Auditor:	Deloitte LLP 1 New Street Square London EC4A 3HQ United Kingdom
Company registration	Registered in England and Wales

Strategic report

For the year ended 31 December 2018

The Directors present their Strategic report for the year ended 31 December 2018.

Activities and business review

Activity

The principal activity of UK Assistance Accident Repair Centres Limited (the "Company") continues to be the provision of motor vehicle repair services to a general insurance company owned by Direct Line Insurance Group plc ("DLIG").

The Company is a member of the Direct Line Group (the "Group") headed by DLIG of which the Company is a subsidiary.

The Group provides the Company with access to all Group central resources and provides policies in all key areas such as finance, risk, human resources and environmental matters. Key performance indicators across the Group taken as a whole are referred to in the DLIG annual report and accounts ("DLIG annual report") and accordingly, for an understanding of the development, performance or position of the Company's business, please refer to the DLIG annual report alongside the Review of the year section below. Copies can be obtained from Direct Line Group Company Secretariat, Churchill Court, Westmoreland Road, Bromley, BR1 1DP, the Registrar of Companies or through the Group's website at www.directlinegroup.co.uk.

Review of the year

Business review

The Directors are satisfied with the Company's performance during the year. The Company may take into account proposals provided from within the Group in seeking further opportunities for growth.

Financial performance

The Company's financial performance is presented in the statement of comprehensive income on page 8.

Revenue from contracts with customers for the year ended 31 December 2018 was £197,669,000 (2017: £175,931,000), cost of sales were £116,595,000 (2017: £110,669,000) and administration expenses were £26,181,000 (2017: £20,567,000). Total comprehensive income for the year was £44,967,000 (2017: £36,208,000).

An interim dividend of £33,000,000 was paid during the year ended 31 December 2018 (2017: £27,000,000). The Directors do not recommend the payment of a final dividend (2017: £nil).

At the end of the year, the balance sheet reflected total assets of £96,963,000 (2017: £80,181,000) and equity of £62,208,000 (2017: £50,241,000).

The Company expanded its accident repair centre network during the year, with the acquisition of a new centre.

Principal risks and uncertainties

The management of the Group's risks, including those of the Company, are monitored at Group level, set out in the Risk Management section in the DLIG annual report. The Directors consider that there is minimal level of financial risk associated with the Company's assets and liabilities due to the nature of the Company's activities.

Credit risk
This is the risk of loss resulting from default in cash inflows and / or changes in market value of issuers of securities, counterparties and any debtors to which the Company is exposed. The Company is mainly exposed to counterparty default risk. This is the risk of loss from unexpected default of the counterparties and debtors of the Company's undertakings. It is monitored by the Group's Credit Risk Forum. The main responsibility of this forum is to ensure that all material aspects of counterparty risk within the Company are identified, monitored and measured.

Operational risk
This is the risk of loss due to inadequate or failed internal processes, people, systems or from external events. Material sources of operational risk for the Company include:

Change risk
This is the risk of failing to manage the Company's change portfolio resulting in conflicting priorities and failure to deliver strategic outcomes to time, cost or quality.

Technology and infrastructure risk
This is the risk that the IT infrastructure is insufficient to deliver the Company's strategy.

Strategic report

For the year ended 31 December 2018

Outsourcing risk
This is the risk of failing to implement a robust framework for the sourcing, appointment and ongoing contract management of third party suppliers, outsourced service providers and intragroup relationships.

Liquidity risk
This is the risk of being unable to realise investments in order to settle financial obligations when they fall due.

The Company has limited exposure to liquidity risk as it has access to Group funding which is constantly being monitored to ensure borrowing limits and funding requirements are at levels appropriate for the Company to operate.

Presentation of financial statements

The Company transitioned from preparing these financial statements under EU-adopted IFRS to FRS 101 'Reduced Disclosure Framework' ("FRS 101") during 2018. This had no impact on the Company's financial position or performance. The Company has now taken advantage of several disclosure exemptions available under FRS101, which are outlined in the accounting policies section.

Potential effect of Brexit

Brexit, when the UK is due to leave the EU, was scheduled to take place on 29 March 2019, but is now expected to be delayed. Although the Company is predominantly a UK business, it does, for example, import goods and services in order to facilitate vehicle repairs, including from the EU. The Group has been monitoring events carefully and proactively taken steps to mitigate the likely impact on the Group and the Company to the extent it is considered to be appropriate and proportionate to do so, given the considerable uncertainties; however, in the event of a disruptive Brexit the Company will not be immune.

Outlook

High level strategies of the Company are determined by the DLIG Board and are shown in the DLIG annual report for the year ended 31 December 2018. The Directors consider that the Company's principal activities will continue unchanged for the foreseeable future.

Approved by the Board of Directors and signed on behalf of the Board by:

P Nightingale

Director

02 July 2019

Directors' report

For the year ended 31 December 2018

The Directors present their Annual Report and audited financial statements for the year ended 31 December 2018.

The Company has chosen, in accordance with section 414c(11) of the Companies Act 2006 and as noted in the Directors report, to include certain additional matters in its Strategic report that would otherwise be required to be disclosed in this Directors' report.

Directors and Secretary

The present Directors and Company Secretary are listed on page 1.

From 1 January 2018 to date, the following change has taken place:

Directors	Appointed
J Burrows	7 February 2019

Going concern

Having made due enquiries, the Directors reasonably expect that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. Accordingly, the Directors have adopted the going concern basis for the foreseeable future in preparing the financial statements.

Employees

All staff are employed by a fellow subsidiary undertaking of DLIG, DL Insurance Services Limited ("DLIS"). Disclosures relating to employees can be found in the annual report and financial statements of DL Insurance Services Limited.

Disclosure of information to the Auditor

Each person who was a Director of the Company on the date of approval of this report confirms that:

- so far as each Director is aware there is no relevant audit information, being information needed by auditors in connection with preparing their report, of which the Company's Auditor is unaware; and
- each Director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information.

This confirmation is given and shall be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

Deloitte LLP has expressed its willingness to continue in office as Auditor and it is the intention of the Directors to reappoint Deloitte LLP under the deemed appointment rules of section 487 of the Companies Act 2006.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework', and applicable law. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company at the end of the year and the profit or loss of the Company for the financial year. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom standards, comprising FRS 101 have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors' report

For the year ended 31 December 2018

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, the Company's financial position at any time; and enable them to ensure the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the Company's assets and, hence, taking reasonable steps to prevent and detect fraud and other irregularities.

Approved by the Board of Directors and signed on behalf of the Board by:

P Nightingale

Director

02 July 2019

Independent Auditor's report to the members of UK Assistance Accident Repair Centres Limited

For the year ended 31 December 2018

Report on the audit of the financial statements

Opinion

In our opinion the financial statements UK Assistance Accident Repair Centres Limited:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of UK Assistance Accident Repair Centres Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 11.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

Independent Auditor's report to the members of UK Assistance Accident Repair Centres Limited

For the year ended 31 December 2018

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

Use of our report

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.

Adam Addis (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
02 July 2019

Statement of comprehensive income

For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Revenue from contracts with customers		**197,669**	175,931
Cost of sales		**(116,595)**	(110,669)
Gross profit		**81,074**	65,262
Administration expenses	2	**(26,181)**	(20,567)
Operating profit		**54,893**	44,695
Interest received on loans to Group undertakings		**505**	206
Profit before tax		**55,398**	44,901
Tax charge	3	**(10,431)**	(8,693)
Profit and total comprehensive income for the year		**44,967**	36,208

The total comprehensive income for the year is entirely attributable to the owners of the Company.

The accompanying notes on pages 11 to 18 form an integral part of these financial statements.

Balance sheet

As at 31 December 2018

	Notes	2018 £'000	2017 £'000
Assets			
Goodwill	5	**1,678**	1,319
Property, plant and equipment	6	**13,995**	11,567
Inventories	7	**1,686**	1,799
Trade and other receivables	8	**77,672**	64,981
Prepayments		**1,013**	50
Cash and cash equivalents		**919**	465
Total assets		**96,963**	80,181
Equity		**62,208**	50,241
Liabilities			
Trade and other payables	9	**24,071**	21,110
Deferred tax	3	**179**	237
Current tax	3	**10,505**	8,593
Total liabilities		**34,755**	29,940
Total equity and liabilities		**96,963**	80,181

The Company has 2 issued and fully paid £1 ordinary shares.

The accompanying notes on pages 11 to 18 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 02 July 2019. They were signed on its behalf by:

P Nightingale

Director

Statement of changes in equity
For the year ended 31 December 2018

	Note	Equity £'000
Balance at 1 January 2017		41,033
Profit and total comprehensive income for the year		36,208
Dividends paid	4	(27,000)
Balance at 31 December 2017		**50,241**
Profit and total comprehensive income for the year		**44,967**
Dividends paid	4	**(33,000)**
Balance at 31 December 2018		**62,208**

The accompanying notes on pages 11 to 18 form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2018

1. Accounting policies

1.1 Basis of Preparation
The Company's financial statements are prepared in accordance with Financial Reporting Standard FRS 101 'Reduced Disclosure Framework'. This is the first period of adoption of FRS 101 having previously presented its financial statements under International Financial Reporting Standards as adopted by the EU ("EU-adopted IFRS"). The financial statements are prepared on a historical cost basis.

The Company is incorporated in the UK and registered in England and Wales. .

The Company's financial statements are presented in sterling which is the functional and presentational currency of the Company.

No transitional adjustments to the financial position of the Company were required as FRS 101 follows EU-adopted IFRS recognition and measurement principles. Therefore, in preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of EU-adopted IFRS but makes amendments where necessary to comply with Companies Act 2006, and to take advantage of the following disclosure exemptions available under FRS 101:

- FRS 101.8 (d-e): the disclosure requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement and IFRS 7 Financial Instruments: Disclosures where equivalent disclosures have been included in DLIG's consolidated financial statements;
- FRS 101.8 (eA): the requirements of the second sentence of paragraph 110 and paragraphs 113 (a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from contracts with customers;
- FRS 101.8 (g): the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111, and 134 to 136 of IAS 1 Presentation of Financial Statements to produce a cash flow statement, a third balance sheet and to make an explicit and unreserved statement of compliance with IFRSs;
- FRS 101.8 (h): the requirements of IAS 7 Statements of Cash Flows to produce a cash flow statement and related notes;
- FRS 101.8 (i): the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to include a list of new IFRSs that have been issued but that have yet to be applied; and
- FRS 101.8 (k): the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary party to the transaction is wholly owned by such a member.

The Company has considerable financial resources and as a consequence, the Directors believe the Company is well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 2 and 3 and the Directors' report on pages 4 and 5.

Adoption of new and revised standards
The Company has adopted the following new amendments to IFRSs and the IASs that became mandatorily effective for the Company for the first time during 2018, however these have had no significant impact on the financial statements or performance.

IFRS 15 'Revenue from Contracts with Customers' introduces new revenue recognition and disclosure requirements. Entities are required to recognise revenue as goods and services are transferred to the customer in proportion to the total consideration it expects to receive in exchange for those services. The Company generates revenue from the provision of motor vehicles repair services which is recognised upon completion of the repair. The Company has adopted the standard on a fully retrospective basis. This has had no material impact on the financial statements.

The Company has adopted IFRS 9 'Financial Instruments' which became mandatory for the first time in 2018. IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' introducing new guidance on the classification and measurement of financial assets, an expected credit loss impairment model, and new hedge accounting requirements.

The Company completed an impact assessment on transition to IFRS 9, including an assessment of its financial assets under the new impairment model, and concluded there was no impact on the Company's equity at 1 January 2018.

The Company assessed which business models apply to the financial assets held by the Company and classified its financial instruments into the appropriate IFRS 9 categories. Financial assets previously classified as loans and receivables were reclassified as financial assets held at amortised cost. There was no impact on the measurement bases of financial assets and as a result no restatement or opening balance reconciliation on transition to IFRS 9 has been presented.

There were no changes to the classification or measurement of financial liabilities. IFRS 9 accounting policies adopted in the period are presented in note 1.8.

Notes to the financial statements

For the year ended 31 December 2018

1. **Accounting policies** continued

1.2 Revenue recognition

Revenue from contracts with customers

The Company's revenue comprises motor vehicle repair services provided to Group undertakings as well as other third party customers. Revenue in respect of repairs to vehicles is recognised upon completion of the repair obligation, at a point in time. The price is determined using market rates for the services and materials used after discounts and sales taxes have been deducted where applicable.

Interest received

Interest received on financial assets is determined using the effective interest rate method. The effective interest rate method is a way of calculating the amortised cost of a financial asset (or group of financial assets) and of allocating the interest income over the expected life of the asset.

Interest received relates to interest income received from loans to other Group undertakings.

1.3 Taxation

The tax charge or credit represents the proportion of the tax payable and receivable arising in the current year only.

The current tax charge is based on the taxable profits for the year as determined in accordance with the relevant tax legislation, after any adjustments in respect of prior years. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Provision for taxation is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date, and is allocated over profits before taxation and amounts charged or credited to components of other comprehensive income and equity, as appropriate.

Deferred taxation is accounted for in full using the balance sheet liability method on all temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes.

Deferred tax liabilities are generally recognised for all taxable temporary timing differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is probable that they will not be recovered.

Deferred tax assets and liabilities are calculated at the tax rates expected to apply when the assets are realised or liabilities are settled based on laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the statement of comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current assets and liabilities on a net basis.

1.4 Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on ordinary shares are recognised when they have been approved at the Board meeting.

1.5 Goodwill

Acquired goodwill, being the excess of the cost of an acquisition over the Company's interest in the fair value of the net assets acquired, is initially recognised at cost and subsequently at cost less any accumulated impairment losses.

1.Accounting policies (continued)

1.6 Property, plant and equipment
Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for separately.

Depreciation is charged to the statement of comprehensive income on a straight-line basis so as to write off the depreciable amount of property, plant and equipment over their estimated useful lives. The depreciable amount is the cost of an asset less its residual value. Land is not depreciated. Estimated useful lives are as follows:

Freehold and leasehold buildings	50 years or the period of the lease if shorter
Vehicles	Up to 3 years
Computer equipment	Up to 5 Years
Other equipment, including property adaptation costs	2 to 15 years

The gain or loss arising from the derecognition of an item of property, plant and equipment, is determined as the difference between the disposal proceeds, if any, and the carrying amount of the item.

1.7 Impairment of goodwill and property, plant and equipment
At each reporting date, the Company assesses whether there is any indication that its goodwill or property, plant and equipment are impaired. If any such indication exists, the Company estimates the recoverable amount of the asset and the impairment loss, if any.

If an asset does not generate cash flows that are independent of those of other assets or groups of assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The recoverable amount of an asset is the higher of its fair value, less costs to sell and its value in use. Value in use is the present value of future cash flows from the asset or cash-generating unit, discounted at a rate that reflects market interest rates, adjusted for risks specific to the asset or cash-generating unit that have not been reflected in the estimation of future cash flows.

If the recoverable amount of an asset is less than its carrying value, an impairment loss is recognised immediately in the statement of comprehensive income and the carrying value of the asset is reduced by the amount of the impairment loss.

A reversal of an impairment loss on property, plant and equipment is recognised as it arises provided the increased carrying value does not exceed the carrying amount that would have been determined had no impairment loss been recognised.

1.8 Financial assets
The Company only holds assets that are classified as held at amortised cost which are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Impairment of financial assets
At each balance sheet date, the Company assesses, on a forward looking basis, whether there is any objective evidence that an impairment loss on a financial asset or group of financial assets classified as held at amortised cost is expected. The Company measures the amount of the loss as the difference between the carrying amount of the asset or group of assets including an allowance for expected losses at initial recognition, and the present value of estimate future cash flows from the asset or group of assets, discounted at the effective interest rate of the instrument at initial recognition. The expected loss allowance for financial assets is based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the credit quality and history of the financial asset or group of financial assets, as well existing market conditions and forward-looking expectations.

The Company applies the simplified impairment approach to its trade receivables, grouping receivables into categories with shared credit risk characteristics and estimating expected future loss rates based on historical experience.

Impairment losses, including the expected credit allowance, are recognised in the income statement and the carrying amount of the financial asset or group of financial assets is reduced by establishing an allowance for the impairment losses. If in a subsequent period the amount of the expected impairment allowance reduces and this can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

Notes to the financial statements

For the year ended 31 December 2018

1. Accounting policies (continued)

1.9 Cash and cash equivalents

Cash and cash equivalents comprises cash in hand and demand deposits with banks together with short-term highly liquid investments, such as money market funds, that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

1.10 Inventories

Inventories comprise work in progress, including labour, parts, paint and consumable materials used in the repair of vehicles. They are stated at the lower of cost and net realisable value less provisions for obsolete and slow-moving items. Cost is based on the first-in first-out principle.

1.11 Financial liabilities

Financial liabilities are initially recognised at fair value net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method. A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires.

1.12 Leases

Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

2. Administration expenses

	2018 £'000	2017 £'000
Marketing and administrative expenses	**24,960**	19,524
Depreciation	**1,205**	1,027
Auditor's remuneration	**16**	16
Total	**26,181**	20,567

Management charges

DLIS, a fellow subsidiary, charges the Company on a monthly basis for use of IT, staff costs and other central resources.

Staff costs, number of employees and Directors' emoluments

All staff and Directors were employed by DLIS, the financial statements for which contain full disclosure of employee benefit expenses incurred in the period including pensions. The Company has no employees and pays a management charge for services provided by other Group companies.

The services provided by the Directors of the Company are non-executive in nature and it is not appropriate to allocate their emoluments in respect of services to the Company.

Auditor's remuneration

Fees for audit and non-audit services, included within marketing and administrative expenses, are initially borne and subsequently recharged by a related party, DLIS.

Fees payable to Deloitte LLP for the audit of the Company's annual accounts amount to £15,759 (2017: £15,759).

Notes to the financial statements

For the year ended 31 December 2018

3. Taxation

	2018 £'000	2017 £'000
Current taxation:		
Charge for the year	10,505	8,593
Over provision in respect of prior-year	(16)	(7)
	10,489	8,586
Deferred taxation:		
Charge for the year	57	76
(Over)/under provision in respect of prior-year	(115)	31
	(58)	107
Tax charge for the year	10,431	8,693

The actual income tax charge differs from the expected income tax charge computed by applying the standard rate of UK corporation tax of 19%[1] (2017: 19.25%) as follows:

	2018 £'000	2017 £'000
Profit for the year	55,398	44,901
Expected tax charge	10,526	8,643
Disallowable expenses	43	37
Non-taxable items	-	(1)
Effect of change in UK taxation rate	(7)	(10)
Adjustments in respect of prior-year	(131)	24
Actual tax charge for the year	10,431	8,693

Note

1. In the Finance (No 2) Act 2015 the UK Government enacted a reduction in the UK corporation tax rate from 20% to 19% effective from 1 April 2017, and then the Finance Act 2016 enacted a further reduction to 17% effective from 1 April 2020. As a consequence, the closing deferred tax assets and liabilities have been recognised at the tax rates expected to apply when the assets or liabilities are settled. The impact of these changes on the tax charge for the year is set out in the table above.

	2018 £'000	2017 £'000
Per balance sheet:		
Deferred tax liabilities	179	237
Current tax liabilities	10,505	8,593

The table below analyses deferred tax liabilities recognised by the Company, and the movements thereon.

	Accelerated capital allowances £'000
At 1 January 2017	130
Charge to income	107
At 31 December 2017	237
Credit to income	(58)
At 31 December 2018	179

Notes to the financial statements

For the year ended 31 December 2018

4. Dividends

	2018 £'000	2017 £'000
Interim dividend of £16,500,000 per share paid on 16 August 2018	**33,000**	-
Interim dividend of £13,500,000 per share paid on 29 June 2017	-	27,000
	33,000	27,000

5. Goodwill

	2018 £'000	2017 £'000
At 1 January	**1,319**	319
Arising on acquisitions[1]	**359**	1,000
At 31 December	**1,678**	1,319

Note

1. The additions to goodwill of £359,000 (2017: £1,000,000) arose as a result of a purchase of an accident repair centre to expand the Group's accident repair centre network.

6. Property, plant and equipment

	Land and buildings £'000	Vehicles £'000	Computer and other equipment £'000	Total £'000
Cost				
At 1 January 2017	3,475	2,187	18,110	23,772
Additions	-	291	2,907	3,198
Disposals	-	(1,454)	(3,361)	(4,815)
At 31 December 2017	3,475	1,024	17,656	22,155
Additions	-	**23**	**3,741**	**3,764**
Disposals	-	**(418)**	**(3,940)**	**(4,358)**
At 31 December 2018	**3,475**	**629**	**17,457**	**21,561**
Accumulated depreciation				
At 1 January 2017	222	1,956	11,893	14,071
Charge for the year	55	174	798	1,027
Disposals	-	(1,430)	(3,080)	(4,510)
At 31 December 2017	277	700	9,611	10,588
Charge for the year	**46**	**95**	**1,064**	**1,205**
Disposals	-	**(413)**	**(3,814)**	**(4,227)**
At 31 December 2018	**323**	**382**	**6,861**	**7,566**
Carrying amount				
At 31 December 2018	**3,152**	**247**	**10,596**	**13,995**
At 31 December 2017	3,198	324	8,045	11,567

7. Inventories

	2018 £'000	2017 £'000
Work in progress	**1,604**	1,799
Fuel stock	**82**	-
Total	**1,686**	1,799

Notes to the financial statements
For the year ended 31 December 2018

8. Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	1,550	1,135
Less allowance for trade receivables	(59)	(58)
Trade receivables due from related parties	3,119	2,444
Indirect taxation	32	-
Financial assets held at amortised cost:		
Loans to Group undertakings	73,030	61,460
Total	**77,672**	64,981

The following table analyses trade receivables that were past due at the balance sheet date but not considered to be impaired:

	1 - 29 days £'000	30 - 59 days £'000	60 - 89 days £'000	90 days and over £'000	Total £'000
2018	110	35	-	106	251
2017	44	9	12	48	113

The trade and other receivables are, with the exception of the above, neither past due nor impaired. All trade and other receivables, with the exception of the above, including amounts due from related parties are considered current. Loans to Group undertakings are repayable on demand. In respect of credit quality, all are classified as unrated.

9. Trade and other payables

	2018 £'000	2017 £'000
Trade payables due to related parties	20,970	18,506
Accruals	3,100	2,554
Indirect taxes	-	50
Total	**24,070**	21,110

Trade payables due to related parties are due within one year.

10. Share capital

	2018 £	2017 £
Issued and fully paid equity shares		
2 Ordinary Shares of £1 each	2	2

The Company is a member of the Direct Line Group headed by Direct Line Insurance Group plc of which the Company is a subsidiary.

11. Commitments

Operating lease commitments

The Company leases properties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewable rights. The Company also leases vehicles under non-cancellable lease agreements.

	2018 £'000	2017 £'000
Lease payments under operating leases recognised as an expense in the year	698	1,871

Notes to the financial statements

For the year ended 31 December 2018

11. Commitments continued

The following table analyses the outstanding commitments for future lease payments under non-cancellable operating leases by the period in which they fall due:

At 31 December	2018		2017[1]	
	Property	**Vehicles**	Property	Vehicles
	£'000	**£'000**	£'000	£,000
Within 1 year	**868**	**334**	784	594
After 1 year but within 5 years	**2,709**	**185**	1,938	571
After 5 years	**1,401**	**-**	624	-
	4,978	**519**	3,346	1,165

Note:

1. The comparative figures have been re-presented following review of the Company's contractual commitments.