

**REGISTERED NUMBER: 02585818 (England and Wales)**

**ARAG PLC**

**Strategic Report, Report of the Directors and  
Financial Statements for the Year Ended 31 December 2017**

Whitehead Accountants Limited  
Statutory Auditor  
Chartered Accountants  
40 Lord Street  
Stockport  
Cheshire  
SK1 3NA

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for the Year Ended 31 December 2017**

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**ARAG PLC**

**Company Information  
for the Year Ended 31 December 2017**

**DIRECTORS:**

A J Buss  
W Nicoll  
R H Dirksen  
Ms K Smeja

**SECRETARY:**

R Moreton

**REGISTERED OFFICE:**

9 Whiteladies Road  
Clifton  
Bristol  
BS8 1NN

**REGISTERED NUMBER:**

02585818 (England and Wales)

**AUDITORS:**

Whitehead Accountants Limited  
Statutory Auditor  
Chartered Accountants  
40 Lord Street  
Stockport  
Cheshire  
SK1 3NA

**Strategic Report  
for the Year Ended 31 December 2017**

The directors present their strategic report for the year ended 31 December 2017.

**REVIEW OF BUSINESS**

The legal expenses market continues to experience challenges, particularly since the Legal Aid, Sentencing and Punishment of Offenders Act (LASPOA) in 2013. Despite this, the Company has continued to perform satisfactorily and has successfully consolidated its position as a leading player in the market. It has achieved this by adopting a policy of continuously listening to customers and partners and adapting and innovating to ensure that it remains at the forefront of providing access to justice for all.

Market conditions in 2017 showed a clear steer towards a new post-LASPOA environment with increased need to provide better value to customers in both the Before (BTE) and After (ATE) the event sectors. The Company is performing successfully in both areas and well positioned to grow a balanced book of business going forward.

Strong consistent growth continued in BTE business, especially for commercial legal protection aimed at SME's channelled through sources in London and the South-East. The Company welcomed the changes to Employment Tribunal fees in 2017 though anticipates there may be an impact on increasing claims frequencies in the future. Meanwhile, home emergency assistance business has remained a challenging class to underwrite, though measures are firmly in place to improve its performance going forward.

ATE business continues to have a mixed result. Sales were deliberately limited to control the exposure to clinical negligence risks which continue to face premium challenges from the paying losing defendants. Such matters are not expected to be fully resolved until 2019. Furthermore, competitive market conditions have seen a general reduction of approximately 15% of all ATE policies, reflecting the difficult post-LASPOA trading conditions of many personal injury law firms.

The ever-changing legal landscape remains uppermost in the Company's planning projections. The Civil Liability and Litigation Bills in England & Wales and Scotland respectively are expected to shift the Company's focus towards more BTE solutions to satisfy the likely changes in customer's demands. Clinical negligence ATE business is expected to continue largely unchanged even if new fixed recoverable costs are introduced in low value cases. The Company remains open to adjusting to these potential reforms along with the general economic and regulatory uncertainty attaching to Brexit.

The final results for 2017 exceeded shareholders expectations with earned income rising from £12.2m to £12.3m (plan £12.2m) and net operating profits amounting to £1.2m against a plan of £1.0m. Furthermore, solvency remains very adequately covered.

Costs and expenditure continue to be kept under control, mostly by keeping personnel costs within budget. This has been achieved without sacrificing any legal and regulatory obligations that the Company may have with many stakeholders. The Company remains resolute in ensuring that each customer is treated fairly.

The Company has an impressive market presence as recognised by retaining the best BTE Underwriting Service Award for the 5th consecutive year and Managing General Agent Team of the Year Award for the 3rd consecutive year as voted by industry experts. In addition, the Company was shortlisted for numerous awards and maintained "outstanding" status in the Best Companies survey along with being ranked in the top 20 Companies in the South-West. All of this has been achieved by loyal and supportive brokers, agents, insurers, solicitors and suppliers who have all been served by a dedicated and motivated workforce.

**Strategic Report  
for the Year Ended 31 December 2017**

**PRINCIPAL RISKS AND UNCERTAINTIES**

The Company has established a risk management and governance framework that is designed to identify and mitigate risk. Key policies and controls include;

- \* Regular biannual meetings are supplemented by ad hoc meetings of the Board of Directors Biannual meetings of the Compliance Committee and the Groups General Executive Council at which key aspects of the Company's business are reviewed.
- \* Underwriting and Claims guidelines and controls are aligned with the Company's binding authorities and embedded in the Company's operating systems and processes. Quarterly meetings of the Underwriting and Claims Committee regularly review performance of BTE and ATE segments (ie: 8 meetings per annum)
- \* Quarterly reviews are undertaken with all insurers
- \* The Group Reserve Committee reviews biannually the adequacy of claims reserves
- \* The Company's risk register is reviewed monthly by the Senior Management and reported to the Group quarterly
- \* Insurers audit underwriting and claims processes annually
- \* Group internal audit carries out regular audits
- \* Human resources policies and guidelines designed to include that the operations are adequately resourced by sufficiently skilled people
- \* Financial policies and controls that cover expense management, cash flow and other financial projections, credit risk and debt collection
- \* Key performance indicators are monitored on a regular basis and form part of the monthly reporting cycle. These include indicators on financial (gross written and net written premium, commission, fee income, EBITDA performance and underwriting loss ratio's) and non-financial (customer outcomes and conduct risk) performance.

**Legal and Regulatory Risk**

The Company is exposed to potential claims and litigation arising out of the ordinary course of business relating to errors and omissions, or non-compliance with laws and regulations. The Company is directly regulated by the Financial Conduct Authority.

The directors are satisfied that the Company has in place appropriate arrangements to manage these risks including engaging external consultants, compliance monitoring procedures and reporting to the Board. In addition, the Company ensures that solvency is preserved at all times and carries appropriate insurance cover to meet any claims.

The directors consider the risk and uncertainty arising from the UK intending to leave the EU to be minimal. This risk will continue to be monitored and assessed as the UK exit progresses over the next few years.

**Financial Risk**

The Company has put in place appropriate financial and cash flow management structures so that it able to anticipate demand for cash and meet obligations as they arise. The controls in place ensure the Company has appropriate cash resource to meet its obligations as they fall due.

The Company places excess funds on deposit and does not hold any investments where market values are impacted by interest rate fluctuations.

The Company monitors its level of exposure to revenues not yet received on a regular basis in order to provide any exposure which will not be collected. The Company regularly monitors its exposure to single and grouped counterparties and ensures that its cash is kept with counterparties with appropriate credit ratings.

**Strategic Report  
for the Year Ended 31 December 2017**

**Operational Risk**

The Company operates a framework of key risks and controls that includes internal controls, internal audit and compliance checks. Other measures such as back-up procedures, disaster recovery and contingency planning supplement this approach.

**Market Risk**

The key risks affecting the Company are;

- \* The uncertain legal landscape and economic climate that creates additional pressures on demand for the Company's products, on pricing, claims frequencies and settlements and cash flow
- \* Regulatory changes that may impact on sales, internal expenses, claims frequencies and claims costs
- \* Failure to achieve planned income and consequent shortfall of revenue against expenses
- \* Failure to attract or retain high quality staff on which the Company's high service proposition is founded

**ON BEHALF OF THE BOARD:**

W Nicoll - Director

7 June 2018

**Report of the Directors  
for the Year Ended 31 December 2017**

The directors present their report with the financial statements of the company for the year ended 31 December 2017.

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of the provision of a wide range of legal expenses and assistance insurance, legal services and advice to individuals and businesses, sold through a select number of insurance brokers, agents, insurers and solicitors.

The Company underwrites UK insurance under binding and delegated authorities granted by a number of UK authorised insurers. Reinsurance is separately placed between these insurers and ARAG SE based in Germany.

**DIVIDENDS**

Based on the 2017 profits it is proposed that a dividend of £560,456 will be paid during 2018.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

A J Buss  
W Nicoll  
R H Dirksen

Other changes in directors holding office are as follows:

Dr J Kathan - resigned 4 May 2017  
Ms K Smeja - appointed 14 August 2017

P K Hurley ceased to be a director after 31 December 2017 but prior to the date of this report.

**POLITICAL DONATIONS AND EXPENDITURE**

During the period the company made contributions to various charities totalling £4,456 (2016 £1,847).

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

**Report of the Directors  
for the Year Ended 31 December 2017**

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors, Whitehead Accountants Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

R Moreton - Secretary

7 June 2018



## **Report of the Independent Auditors to the Members of Arag Plc**

### **Opinion**

We have audited the financial statements of Arag Plc (the 'company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors 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.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **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 Auditors' 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 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

### **Other information**

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and 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, 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 this regard.

### **Opinion 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

## **Report of the Independent Auditors to the Members of Arag Plc**

### **Matters on which we are required to report by exception**

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 material misstatements in the Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page five, 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 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.

### **Our 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 a Report of the Auditors 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

Allan Whitehead FCA (Senior Statutory Auditor)  
for and on behalf of Whitehead Accountants Limited  
Statutory Auditor  
Chartered Accountants  
40 Lord Street  
Stockport  
Cheshire  
SK1 3NA

7 June 2018

**Statement of Comprehensive Income  
for the Year Ended 31 December 2017**

	Notes	31.12.17 £	31.12.16 £
<b>TURNOVER</b>		12,060,100	12,158,961
Cost of sales		<u>2,336,171</u>	<u>2,339,018</u>
<b>GROSS PROFIT</b>		9,723,929	9,819,943
Administrative expenses		<u>8,567,225</u>	<u>7,461,913</u>
<b>OPERATING PROFIT</b>	4	1,156,704	2,358,030
Interest receivable and similar income		<u>67</u>	<u>188</u>
<b>PROFIT BEFORE TAXATION</b>		1,156,771	2,358,218
Tax on profit	5	<u>222,678</u>	<u>483,325</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		934,093	1,874,893
<b>OTHER COMPREHENSIVE INCOME</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>934,093</u>	<u>1,874,893</u>

The notes form part of these financial statements

**ARAG PLC (REGISTERED NUMBER: 02585818)**

**Balance Sheet**  
**31 December 2017**

	Notes	31.12.17 £	£	31.12.16 £	£
<b>FIXED ASSETS</b>					
Tangible assets	7		308,820		455,305
Investments	8		<u>-</u>		<u>-</u>
			308,820		455,305
<b>CURRENT ASSETS</b>					
Debtors: amounts falling due within one year	9	9,681,283		9,886,482	
Debtors: amounts falling due after more than one year	9	13,432,383		17,485,829	
Cash at bank and in hand		<u>19,838,167</u>		<u>19,573,974</u>	
		42,951,833		46,946,285	
<b>CREDITORS</b>					
Amounts falling due within one year	10	<u>17,433,471</u>		<u>19,436,679</u>	
<b>NET CURRENT ASSETS</b>			<u>25,518,362</u>		<u>27,509,606</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			25,827,182		27,964,911
<b>CREDITORS</b>					
Amounts falling due after more than one year	11		(14,613,921)		(16,538,535)
<b>PROVISIONS FOR LIABILITIES</b>	13		<u>(41,314)</u>		<u>(63,586)</u>
<b>NET ASSETS</b>			<u>11,171,947</u>		<u>11,362,790</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	14		8,600,000		8,600,000
Retained earnings	15		<u>2,571,947</u>		<u>2,762,790</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>11,171,947</u>		<u>11,362,790</u>

The financial statements were approved by the Board of Directors on 7 June 2018 and were signed on its behalf by:

W Nicoll - Director

**Statement of Changes in Equity  
for the Year Ended 31 December 2017**

	Called up share capital £	Retained earnings £	Total equity £
<b>Balance at 1 January 2016</b>	8,600,000	2,219,742	10,819,742
<b>Changes in equity</b>			
Dividends	-	(1,331,845)	(1,331,845)
Total comprehensive income	-	1,874,893	1,874,893
<b>Balance at 31 December 2016</b>	<u>8,600,000</u>	<u>2,762,790</u>	<u>11,362,790</u>
<b>Changes in equity</b>			
Dividends	-	(1,124,936)	(1,124,936)
Total comprehensive income	-	934,093	934,093
<b>Balance at 31 December 2017</b>	<u>8,600,000</u>	<u>2,571,947</u>	<u>11,171,947</u>

**Cash Flow Statement**  
**for the Year Ended 31 December 2017**

	Notes	31.12.17 £	31.12.16 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	1,855,071	2,283,817
Tax paid		<u>(426,025)</u>	<u>(337,268)</u>
Net cash from operating activities		<u>1,429,046</u>	<u>1,946,549</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(61,022)	(188,609)
Sale of tangible fixed assets		21,038	-
Interest received		<u>67</u>	<u>188</u>
Net cash from investing activities		<u>(39,917)</u>	<u>(188,421)</u>
<b>Cash flows from financing activities</b>			
Equity dividends paid		<u>(1,124,936)</u>	<u>(1,331,845)</u>
Net cash from financing activities		<u>(1,124,936)</u>	<u>(1,331,845)</u>
<b>Increase in cash and cash equivalents</b>		<u>264,193</u>	<u>426,283</u>
<b>Cash and cash equivalents at beginning of year</b>	2	19,573,974	19,147,691
<b>Cash and cash equivalents at end of year</b>	2	<u>19,838,167</u>	<u>19,573,974</u>

The notes form part of these financial statements

**Notes to the Cash Flow Statement  
for the Year Ended 31 December 2017**

**1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	31.12.17	31.12.16
	£	£
Profit before taxation	1,156,771	2,358,218
Depreciation charges	192,307	194,135
Profit on disposal of fixed assets	(5,838)	-
Finance income	(67)	(188)
	<u>1,343,173</u>	<u>2,552,165</u>
Decrease in trade and other debtors	4,253,039	1,123,952
Decrease in trade and other creditors	<u>(3,741,141)</u>	<u>(1,392,300)</u>
<b>Cash generated from operations</b>	<u><b>1,855,071</b></u>	<u><b>2,283,817</b></u>

**2. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

**Year ended 31 December 2017**

	31/12/17	1/1/17
	£	£
Cash and cash equivalents	<u>19,838,167</u>	<u>19,573,974</u>

**Year ended 31 December 2016**

	31/12/16	1/1/16
	£	£
Cash and cash equivalents	<u>19,573,974</u>	<u>19,147,691</u>

**Notes to the Financial Statements  
for the Year Ended 31 December 2017**

**1. STATUTORY INFORMATION**

Arag Plc is a private company, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

**2. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

**Preparation of consolidated financial statements**

The financial statements contain information about Arag Plc as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, ARAG SE.

**Turnover**

Turnover represents brokerage and commissions earned as an insurance intermediary facilitating Legal Expenses insurance services. Commissions are received on the placing of insurances through UK insurers and reinsurance provided by the company's parent - ARAG SE.

Income is earned in full at inception on all risks except for After The Event risks where the premium is contingent upon successful outcome of the case. In such circumstances the income is only earned at the conclusion of a successful case. Unearned commissions are shown on the Balance Sheet as Deferred Income.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.  
Fixtures and fittings - 33% on cost, 25% on cost and 20% on cost

**Investments in subsidiaries**

Investments in subsidiary undertakings are recognised at cost less any provision for impairment.

**Financial instruments**

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable.

Debt instruments, such as loans and other accounts receivable and payable, are initially measured at present value of the future payments and subsequently at amortised cost using the effective interest method.

Debt instruments that are payable or receivable within one year are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

**Taxation**

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.



**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2017**

**2. ACCOUNTING POLICIES - continued**

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Pension costs and other post-retirement benefits**

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

**Clawback provision**

The company provides a financial product upon which it receives commission on inception of the contract. If these policies are cancelled, abandoned or the case is not won, some of the commission received is repayable. The company has provided for this potential clawback of commission on the basis of the historical success rate of completed cases is 70% so accordingly 30% of the policies will fail. The policy is under continual review in order to reflect such liabilities as accurately as possible.

**Holding provision**

Certain introducers receive a fee on the conclusion of a successful case. The Holding provision represents 70% of the advance commission received by the company referred to in the Clawback provision above that may be paid to Introducers.

**3. EMPLOYEES AND DIRECTORS**

	31.12.17	31.12.16
	£	£
Wages and salaries	4,981,324	4,480,823
Social security costs	563,896	496,376
Other pension costs	303,748	340,882
	<u>5,848,968</u>	<u>5,318,081</u>

The average number of employees during the year was as follows:

	31.12.17	31.12.16
Administration	<u>108</u>	<u>95</u>
	31.12.17	31.12.16
	£	£
Directors' remuneration	724,949	723,473
Directors' pension contributions to money purchase schemes	<u>-</u>	<u>(1,174)</u>

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2017**

**3. EMPLOYEES AND DIRECTORS - continued**

Information regarding the highest paid director is as follows:

	31.12.17	31.12.16
	£	£
Emoluments etc	<u>405,434</u>	<u>391,122</u>

**4. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	31.12.17	31.12.16
	£	£
Depreciation - owned assets	192,307	194,136
Profit on disposal of fixed assets	(5,838)	-
Auditors' remuneration	105,595	30,520
Auditors' remuneration for non audit work	12,611	11,605
Foreign exchange differences	<u>4,814</u>	<u>(18)</u>

**5. TAXATION**

**Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

	31.12.17	31.12.16
	£	£
Current tax:		
UK corporation tax	244,950	477,641
Deferred tax	<u>(22,272)</u>	<u>5,684</u>
Tax on profit	<u>222,678</u>	<u>483,325</u>

**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is the same as the standard rate of corporation tax in the UK.

	31.12.17	31.12.16
	£	£
Profit before tax	<u>1,156,771</u>	<u>2,358,218</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19.250% (2016 - 20%)	222,678	471,644
Effects of:		
Expenses not deductible for tax purposes	9,308	11,912
Capital allowances in excess of depreciation	-	(5,685)
Depreciation in excess of capital allowances	19,772	-
Adjustments to tax charge in respect of previous periods	(6,808)	(230)
Deferred tax charge	<u>(22,272)</u>	<u>5,684</u>
Total tax charge	<u>222,678</u>	<u>483,325</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2017

## 6. DIVIDENDS

	31.12.17 £	31.12.16 £
Ordinary shares of £1 each		
Final	<u>1,124,936</u>	<u>1,331,845</u>

## 7. TANGIBLE FIXED ASSETS

	Fixtures and fittings £
<b>COST</b>	
At 1 January 2017	1,342,547
Additions	61,022
Disposals	(20,596)
At 31 December 2017	<u>1,382,973</u>
<b>DEPRECIATION</b>	
At 1 January 2017	887,242
Charge for year	192,307
Eliminated on disposal	(5,396)
At 31 December 2017	<u>1,074,153</u>
<b>NET BOOK VALUE</b>	
At 31 December 2017	<u>308,820</u>
At 31 December 2016	<u>455,305</u>

## 8. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
<b>COST</b>	
At 1 January 2017 and 31 December 2017	<u>3,973,745</u>
<b>PROVISIONS</b>	
At 1 January 2017 and 31 December 2017	<u>3,973,745</u>
<b>NET BOOK VALUE</b>	
At 31 December 2017	<u>-</u>
At 31 December 2016	<u>-</u>

The company's investments at the Balance Sheet date in the share capital of companies include the following:

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2017

## 8. FIXED ASSET INVESTMENTS - continued

## Easy2claim Limited

Registered office: England

Nature of business: Dormant

Class of shares:	% holding	31.12.17	31.12.16
Ordinary	100.00	£	£
Aggregate capital and reserves		<u>1</u>	<u>1</u>

## 9. DEBTORS

	31.12.17	31.12.16
	£	£
Amounts falling due within one year:		
Trade debtors	7,984,045	8,352,958
Amounts owed by group undertakings	-	5,606
Other debtors	3,342	28,819
Sundry Debtors	1,381,239	1,252,909
Prepayments and accrued income	312,657	246,190
	<u>9,681,283</u>	<u>9,886,482</u>

Amounts falling due after more than one year:

Trade Debtors	<u>13,432,383</u>	<u>17,485,829</u>
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Aggregate amounts	<u>23,113,666</u>	<u>27,372,311</u>
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## 10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.17	31.12.16
	£	£
Trade creditors	5,963,719	7,400,138
ATE Trade creditors	257,983	257,983
Tax	136,224	304,288
Social security and other taxes	147,809	131,700
VAT	2,687	6,607
Other creditors	29,352	32,720
ATE Other creditors	136,007	136,007
Accruals and deferred income	10,759,690	11,167,236
	<u>17,433,471</u>	<u>19,436,679</u>

## 11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31.12.17	31.12.16
	£	£
Deferred income	<u>14,613,921</u>	<u>16,538,535</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2017

## 12. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	31.12.17	31.12.16
	£	£
Within one year	331,376	326,214
Between one and five years	<u>91,836</u>	<u>288,369</u>
	<u>423,212</u>	<u>614,583</u>

## 13. PROVISIONS FOR LIABILITIES

	31.12.17	31.12.16
	£	£
Deferred tax	<u>37,858</u>	<u>60,130</u>
Other provisions		
ATE Clawback provision	2,966	2,966
ATE Holding provision	<u>490</u>	<u>490</u>
	<u>3,456</u>	<u>3,456</u>
Aggregate amounts	<u>41,314</u>	<u>63,586</u>
		Deferred tax
		£
Balance at 1 January 2017		60,130
Credit to Statement of Comprehensive Income during year		<u>(22,272)</u>
Balance at 31 December 2017		<u>37,858</u>

## 14. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.12.17	31.12.16
		£1	£	£
8,600,000	Ordinary		<u>8,600,000</u>	<u>8,600,000</u>

## 15. RESERVES

	Retained earnings
	£
At 1 January 2017	2,762,790
Profit for the year	934,093
Dividends	<u>(1,124,936)</u>
At 31 December 2017	<u>2,571,947</u>

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2017**

**16. ULTIMATE PARENT COMPANY**

ARAG Holding SE (incorporated in Germany ) is regarded by the directors as being the company's ultimate parent company.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.