Registered Number: 3007252

Annual Report and Financial Statements 2019

Home and Legacy Insurance Services Limited

Directors:	G E Davess
	A G Ewington
	K H Fryer
	B O'Neill
	M Wooldridge
	F K Dyson (appointed 15.03.19)
Secretary:	R C Jack-Kee
Registered Office:	57 Ladymead, Guildford, Surrey, GU1 1DB
Registered No:	3007252

Strategic Report

The Directors present their Strategic Report for the year ended December 31, 2019.

Principal activity

Home and Legacy Insurance Services Limited ("the Company") is a Financial Conduct Authority regulated insurance intermediary. The principal activity of the Company is an insurance broker and underwriting agent specialising in the distribution of household and motor insurance to the mid to high net worth market. The principal activity has remained unchanged during the financial year.

Business review

The impact of the Coronavirus disease ('COVID-19') is noted in principal risks and uncertainties below.

The results for the year are set out in the Statement of Comprehensive Income on page 8. The profit for the year amounted to £1,730k (2018: £2,380k). The profit before tax in the year arose almost entirely from commission received for the introduction of insurance business to a panel of insurers, processing of mid-term adjustments and claims handling under a delegated authority less associated administration expenses.

Key performance indicators

The financial key performance indicators monitored by the Company are profit before tax and net asset value. The profit before tax for the year amounted to £2,152k (2018: £2,920k) and the net assets were £7,918k (2018: £18,488k).

The non-financial key performance indicators monitored by the Company are household conversion rates, household retention rate and policy count.

The household conversion rate for the year is 14% (2018: 16%) and is defined as the number of new business sales divided by the number of enquiries. The household retention rate for the year is 74% (2018: 79%) and is defined as the number of renewing policies divided by the number of policies available to renew. The policy count for the year is 33,217 (2018: 35,917).

Principal risks and uncertainties

The principal risks facing the Company are: (1) conduct risk related to its regulated activity; and (2) availability of insurance carriers for the Company to work with. The Company continually monitors this risk, and sources new carriers as and when required.

On March 11, 2020 the World Health Organisation confirmed that the outbreak of COVID-19 is a global pandemic and is a new and significant source of uncertainty for the Company in 2020. Preventative actions are being taken by the UK government such as restricting the public on non-essential travel, working from home, closure of businesses, postponing events and public gatherings. This has had an immediate impact to the domestic and global economies and financial markets, creating uncertainty for people and businesses. Consequently, Allianz Holdings plc Group (which the Company is a wholly-owned subsidiary of), are assessing the impact of COVID-19 as explained below.

Strategic Report (continued)

Principal risks and uncertainties (continued)

The Company is closely monitoring the situation as it develops to maintain its service to customers and manage both operational and economic risk. There is close alignment and interaction to ensure the Company is operating in accordance with government advice and benefiting from the wider Allianz SE Group response.

Our values will drive our decision making as the Company works through this challenging time, with a focus on putting our people first and prioritising existing and emerging customer needs.

The Company is responding to the COVID-19 situation using well established business resilience and crisis management procedures. A crisis team meets daily ensuring that clear communication and quick decision making is enabled. The key risks this crisis presents are both operational and financial. These risks are being actively monitored and managed on a daily basis. Regular communications are taking place involving the directors of the Company to keep all staff informed throughout the period of uncertainty. The risks have largely come to the fore from late February onwards as new information has emerged and the government response has developed.

The operational risks from COVID-19 are largely being addressed by increasing homeworking capability and reducing non-priority activity. Work has been prioritised to support claims handling and existing customers.

The Company is regularly assessing the disruption from risks posed by the COVID-19 pandemic. The operational and financial impacts are being closely monitored in light of these emerging risks. The Company's existing Risk Management framework is designed to cope with stresses and is responding to the current crisis.

The impact of COVID-19 is continuing to evolve at a fast pace, and therefore it is not practicable to quantify the potential financial impact on the Company at the time of writing.

Future outlook

No changes in the principal activity are anticipated in the foreseeable future. The uncertainties surrounding Brexit and the COVID-19 pandemic are noted.

Brexit

The UK formally left the European Union ("EU") on January 31, 2020. There will now be a period of transition until December 31, 2020 where the UK and EU continue to negotiate, there remains a risk that a trade deal is not reached. This scenario could lead to inflationary pressure driven by exchange rate movements and labour shortages. As a result, the outcome of Brexit remains uncertain and management continue to monitor the potential impacts on the business. With operations based in the UK and minimal risk exposure outside the UK, management feel that the Company is well placed to respond to any potential outcome.

Going concern

The Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements. There is undeniably significant uncertainty surrounding the impact of COVID-19 on the business. However, a prudent assessment indicates that there is ample liquidity to support operations.

Business continuity activity to move to home working has been effected at speed and without any material customer detriment. Key activities have been maintained, e.g., frontline service, payments and IT systems. The Company continues to work closely with its suppliers to understand and manage the impact of COVID-19 on our supply chain.

The COVID-19 development has led to significant reductions in market values in the early part of 2020 and heightened volatility. Stock markets have fallen sharply, and the Bank of England and government have taken unprecedented steps in response with base rates reduced to a historic low of 0.1% and broad financial support measures have been introduced to try to support the economy. It is anticipated that the UK will enter a period of recession in 2020 due to this economic shock.

Management are regularly assessing the impact on the financial position with actions in place to respond where appropriate. The effect of COVID-19 is continuing to evolve at a fast pace, and therefore it is not practicable to quantify the potential financial impact on the Company at the time of writing.

The Board will continue to monitor the situation closely and take appropriate action as necessary.

Strategic Report (continued)

Section 172 (1) Companies Act 2006 Statement
The Company's board of directors have acted in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so have had regard to the matters set out in section 172 (1) of the Companies Act 2006 (the 'Act').

The Company's board meets quarterly (with additional ad hoc meetings held if required) and considers matters that it is responsible for under section 172 (1) of the Act. As a consequence of the Allianz Holdings plc group governance structure, certain of the Company's stakeholders, such as those concerning social responsibility and environmental considerations, are deliberated, and actions concerning them determined, at an Allianz Holdings plc group rather than individual subsidiary company level. One of the directors of the Company, F K Dyson, is a member of the Allianz Holdings plc management board (the Allianz Holdings plc group's principal executive board committee) and so is cognisant of those considerations and able to communicate them as appropriate to the Company's board.

Stakeholders, their interests and the manner in which the Company engages with them, are integral to how the Company conducts business. When strategic and operational decisions are considered by the board, the broader impacts on stakeholders are taken into account and this approach is embedded within the Group governance structure.

By order of the Board

F K Dyson
Director
June 29, 2020

Directors' Report

The Directors present their report and the audited financial statements for the year ended December 31, 2019.

Directors

The Directors of the Company who were in office during the financial year are shown on page 1.

Results and dividends

The results for the year are set out in the Statement of Comprehensive Income on page 8. A review of the Company's business activities and any likely future developments can be found in the Strategic Report on page 1.

An interim dividend of £12,300k was paid on November 14, 2019 for the year ended December 31, 2019 (2018: £nil). The Directors do not recommend the payment of a final dividend for the year ended December 31, 2019 (2018: £nil)

Future outlook

The future outlook for the Company is outlined in the Strategic Report on page 2.

Going concern

The Directors' going concern assessment has been outlined in the Strategic Report on page 2.

Directors responsibility to the auditors

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditor

Pursuant to section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been re-appointed as auditors at the end of 28 days beginning with the day on which copies of these report and financial statements are sent to Members.

By order of the Board

R C Jack-Kee
Secretary
Home and Legacy Insurance Services Limited
Company Number: 3007252
June 29, 2020

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the financial statements, the Directors are required to:

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

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

By order of the Board

F K Dyson
Director
June 29, 2020

Independent auditors' report to the members of Home and Legacy Insurance Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Home and Legacy Insurance Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements 2019 (the "Annual Report"), which comprise: balance sheet as at 31 December 2019; statement of comprehensive income, statement of cash flows, statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Home and Legacy Insurance Services Limited

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Matthew Nichols (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 June 2020

Statement of Comprehensive Income

For the year ended December 31, 2019

	Note	2019 £'000	Restated [1] 2018 £'000
Revenue	3	8,605	9,435
Administrative expenses		(6,514)	(6,552)
Interest income		70	37
Finance costs	6	(9)	-
Profit before tax		2,152	2,920
Income tax expense	7	(422)	(540)
Profit for the year attributable to the equity holders		1,730	2,380

There has been no other comprehensive income in the year ended December 31, 2019.

(1) Refer to note 6.

Statement of Changes in Equity

For the year ended December 31, 2019

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Balance as at January 1, 2018	1	56	17,033	17,090
Recognition of contract liability	–	–	(1,212)	(1,212)
Tax on recognition of contract liability	–	–	230	230
Net profit for the year	–	–	2,380	2,380
Balance as at December 31, 2018	1	56	18,431	18,488
Dividend Paid	–	–	(12,300)	(12,300)
Net profit for the year	–	–	1,730	1,730
Balance as at December 31, 2019	1	56	7,861	7,918

The accounting policies and notes on pages 11 to 23 are an integral part of these financial statements.

Balance Sheet

As at December 31, 2019

	Note	*2019* *£'000*	*2018* *£'000*
Assets			
Property, plant and equipment	10	492	528
Right of use asset	11	523	-
Deferred tax assets	7	112	106
Trade and other receivables	12	13,587	26,124
Cash and cash equivalents	13	6,813	6,359
Total assets		21,527	33,117
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	14	1	1
Share premium		56	56
Retained earnings		7,861	18,431
Total equity		7,918	18,488
Liabilities			
Trade and other payables	15	11,643	13,074
Lease liability	11	527	-
Current tax liabilities	7	427	359
Contract liabilities	3	1,012	1,196
Total liabilities		13,609	14,629
Total equity and liabilities		21,527	33,117

The accounting policies and notes on pages 11 to 23 are an integral part of these financial statements.

These financial statements on pages 8 to 23 were approved by the Board of Directors on June 29, 2020 and signed on its behalf by:

F K Dyson
Director

Statement of Cash Flows

For the year ended December 31, 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Profit before tax		2,152	2,920
Gain on sale of property, plant and equipment		(10)	-
Depreciation of property, plant and equipment	10	267	256
Depreciation of right of use asset	11	87	-
Interest expense on lease liabilities	11	9	-
Decrease / (increase) in trade and other receivables	12	12,537	(1,758)
(Decrease) / increase in trade and other payables	15	(1,431)	1,445
(Decrease) / increase in contract liabilities	3	(184)	1,196
Prior year contract liability	3	-	(1,212)
Cash generated from operations		13,427	2,847
Income tax transfer in respect of group relief	7(b)	(360)	(606)
Net cash inflow from operating activities		13,067	2,241
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		21	7
Purchase of property, plant and equipment	10	(242)	(117)
Net cash outflow from investing activities		(221)	(110)
Cash flows from financing activities			
Dividends paid	9	(12,300)	-
Payment of lease liabilities	11	(92)	-
Net cash outflow from financing activities		(12,392)	-
Net increase in cash and cash equivalents		454	2,131
Cash and cash equivalents at the beginning of the year	13	6,359	4,228
Cash and cash equivalents at the year end	13	6,813	6,359

The accounting policies and notes on pages 11 to 23 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended December 31, 2019

1. ACCOUNTING POLICIES

1.1. Company and its operations

Home and Legacy Insurance Services Limited ("the Company") is a private limited company incorporated and domiciled in England and Wales.

1.2. Statement of compliance

The financial statements of the Company have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRSs") and interpretations issued by the IFRS Interpretations Committee as adopted by the European Union and with the Companies Act 2006 as applicable to companies reporting under IFRS.

1.3. Basis of preparation

The financial statements have been prepared on the historical cost basis. The functional and presentational currency is British Pounds.

Going concern

These financial statements are compiled on a going concern basis. For more information on the going concern assessment please refer to Going Concern within the Strategic Report on page 2.

New standards and interpretations adopted by the Company

A number of new standards and interpretations adopted by the EU are mandatorily effective from January 1, 2019. The following has been adopted within this set of financial statements:

- IFRS 16: Leases (EU effective date January 1, 2019) replaces IAS 17 Leases. IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the Balance Sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability (to pay rental) are recognised. The only exceptions are short-term and low-value leases. The impact assessment and implementation project has been carried out at Allianz Holdings plc group level.

The Company's lease portfolio is in real estate. The Company has chosen to adopt the modified retrospective approach with option 2 in accordance with IFRS 16 C5(b) upon transition and has applied all available transitional practical expedients in accordance with IFRS 16 C10(a)-(e). The right-of-use assets have been measured at the amount of the lease liability on adoption and the Company has not restated comparative amounts for the year prior to first adoption.

The following changes in accounting policies apply from January 1, 2019:

- The short term exemption will be used for any leases with a term of less than twelve months.
- The low value exemption will be used for any leases with an underlying asset value of less than £5,000.
- The practical expedient allowing aggregation of the lease and non-lease components has not been adopted.

Key judgements and estimates used in applying IFRS 16 from January 1, 2019:

- The Company has been unable to determine the interest rate implicit in its leases. An incremental borrowing rate has been calculated per portfolio of leases with reasonably similar characteristics.

Notes to the Financial Statements

For the year ended December 31, 2019

1. ACCOUNTING POLICIES (continued)

1.3 Basis of preparation (continued)

New standards and interpretations adopted by the Company (continued)

The weighted average incremental borrowing rate applied to lease liabilities recognised in the Balance Sheet on January 1, 2019 is 1.5%.

The following table shows the operating lease commitments disclosed applying IAS 17 at December 31, 2018,discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the Balance Sheet at the date of initial application.

	£'000
Operating lease commitments at December 31, 2018	644
Effect of discounting the above amounts	(34)
Lease liability recognised at January 1, 2019	610

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

	£'000
Right of use asset	610
Lease liability	(610)

1.4. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the financial statements are set out below:

(a) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended. Depreciation is provided on all computer and other equipment and motor vehicles, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the Balance Sheet date, of each asset evenly over its expected useful life as follows:

Computer and other equipment and motor vehicles – 4 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

The Company's lease portfolio is in real estate. The Company adopted the modified retrospective approach with option 2 in accordance with IFRS 16 C5(b) upon transition and applied all available transitional practical expedients. On adoption of IFRS 16, right-of-use assets classified under property, plant and equipment are measured at the amount of the lease liability and comparative amounts for the year prior to first adoption have not been restated. Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

(b) Leases

The Company has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Notes to the Financial Statements

For the year ended December 31, 2019

1. ACCOUNTING POLICIES (continued)

1.4. Summary of significant accounting policies (continued)

(b) Leases (continued)

Company as a Lessee

Policy Applicable from January 1, 2019 (IFRS 16)

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made or incentives received at or before the commencement date, plus initial direct costs incurred and an estimate of costs to dismantle, remove and restore the underlying asset and the site on which it is located.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The Company applies IAS 36 Impairment of Assets to determine whether the right of use asset is impaired.

The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is subsequently measured by reducing the carrying amount to reflect lease payments and increasing the carrying amount to reflect interest on the lease liability. The carrying amount will also be adjusted to reflect any reassessment or lease modifications specified in the standard.

The lease term is determined as the non-cancellable period of a lease, together with options to extend or terminate which the Company deems as reasonably certain.

The Company has elected to not recognise right of use assets and lease liabilities for short-term leases and leases of low-value assets. The lease payments are recognised as an expense on a straight-line basis over the lease term.

Policy Applicable before January 1, 2019 (IAS 17)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee were classified as operating leases prior to the implementation of IFRS 16. Payments made under operating leases (net of any invoices received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. Comparative information in these accounts is stated under this policy.

(c) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income. Current tax and deferred tax shall be recognised outside of profit and loss if the tax relates to items that are recognised, in the same or a different period, outside profit or loss.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the Balance Sheet date.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the Statement of Comprehensive Income.

Notes to the Financial Statements

For the year ended December 31, 2019

1. ACCOUNTING POLICIES (continued)

1.4. Summary of significant accounting policies (continued)

(d) Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 of continuing operations are recognised in the Statement of Comprehensive Income in those expense categories consistent with the function of the impaired asset.

(e) Trade and other receivables

Trade and other receivables are initially recognised and subsequently remeasured at fair value after taking into account any impairment losses. Trade and other receivables shall be derecognised when the contractual right to receive cash flows expire or when the asset is transferred.

An expected credit loss (ECL) provision is assessed as at the Balance Sheet date and the carrying amount of the receivables balance is reported after deduction of any ECL. The Company has adopted the simplified approach in calculating the ECL on trade and other receivables. The Company has used a provisioning matrix to consider the aging of the receivables and has applied the ECL model to any balances that are overdue.

Under this approach, the calculation is based on an appropriate probability of default (PD) and a loss given default (LGD) to determine lifetime credit losses.

(f) Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

An ECL provision is calculated as at the Balance Sheet date. The cash and cash equivalents are reported after deduction of any ECL amount.

(g) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. They are initially recognised and subsequently measured at cost because they are expected to be settled within twelve months and their carrying value is a reasonable approximation of fair value.

(h) Revenue recognition

Revenue represents retained brokerage and fees in respect of household intermediation services. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. Revenue is recognised when the performance obligation has been satisfied. The Company has three performance obligations within its revenue streams:

Introduction of insurance business and processing renewals - the transaction price has been allocated to this obligation based on the average amount of time taken to introduce new business and process a renewal. This obligation is fully satisfied upon the introduction or renewal of insurance products and as such the revenue is recognised fully on the inception date of the underlying policy.

Notes to the Financial Statements

For the year ended December 31, 2019

1. ACCOUNTING POLICIES (continued)

1.4. Summary of significant accounting policies (continued)

(h) Revenue recognition (continued)

Processing mid-term adjustments - the transaction price has been allocated to this obligation based on the average amount of time taken to process a mid-term adjustment. The Company believes that although the obligation is satisfied at a single point in time, an appropriate proxy is to consider the obligation, for a portfolio of policies, to be satisfied evenly over the coverage period of the insurance policy. As such the revenue is recognised on a straight-line basis over the coverage period.

Claims handling under a delegated authority - the transaction price has been allocated to this obligation based claims handling costs as a proportion of total expenses. The Company believes that although the obligation is satisfied at a single point in time, an appropriate proxy is to consider the obligation, for a portfolio of policies, to be satisfied evenly over the coverage period of the insurance policy. As such the revenue is recognised on a straight-line basis over the coverage period.

(i) Contract liabilities

The contract liability recognised is equal to the amount of revenue allocated to performance obligations that have not yet been satisfied.

***(j) Investment* income**

Interest income is recognised in the Statement of Comprehensive Income as it accrues.

2. USE OF CRITICAL ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The Company makes estimates, assumptions and judgements that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. None of these are deemed critical.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue recognised that was included in the contract liability balance at the beginning of the period:

	2019	*2018*
	£'000	*£'000*
Processing mid-term adjustments	1,136	1,151
Claims handling under a delegated authority	60	61
Total	1,196	1,212

The Company has recognised the following liabilities related to contract with customers:

	2019	*2018*
	£'000	*£'000*
Processing mid-term adjustments	961	1,136
Claims handling under a delegated authority	51	60
Total	1,012	1,196

4. EMPLOYEE RELATED COSTS

The Company has no employees and as such incurs no employee related costs.

Notes to the Financial Statements

For the year ended December 31, 2019

5. AUDITORS' REMUNERATION

The total remuneration payable by the Company excluding VAT, to its auditors in respect of the audit of these financial statements, is shown below. The Company's audit fees are borne by Allianz Management Services Limited. Other services supplied pursuant to legislation were £nil (2018: £nil).

	2019	*2018*
	£'000	*£'000*
Fees payable for the audit of the Company's financial statements	8	13

6. FINANCE COSTS

		Restated[1]
	2019	*2018*
	£'000	*£'000*
Interest expense on lease liabilities	9	-
Total finance costs	9	-

(1) Revenue earned and expenses incurred in order to facilitate the provision of premium payment by instalments were reported as interest income and finance costs respectively in 2018. In 2019, it was determined that these should more appropriately be reported as revenue and administrative expenses. The table below shows the restatements;

	2018 as previously reported	Restatement	2019 as restated
	£'000	*£'000*	*£'000*
Revenue	9,229	206	9,435
Interest income	243	(206)	37
Administrative expenses	(6,536)	(16)	(6,552)
Finance costs	(16)	16	-

7. INCOME TAX

(a) Income tax recognised in profit or loss

	2019	*2018*
	£'000	*£'000*
Current tax:		
In respect of the current year	427	589
In respect of prior years	1	(9)
Total current tax	428	580
Deferred tax:		
In respect of the current year	(6)	(1)
In respect of prior years	-	(39)
Total deferred tax	(6)	(40)
Total income tax expense recognised in the current year	422	540

Notes to the Financial Statements

For the year ended December 31, 2019

7. INCOME TAX (continued)

(a) Income tax recognised in profit or loss (continued)

The income tax expense for the year can be reconciled to the accounting profit as follows:

	2019	*2018*
	£'000	*£'000*
Profit before tax	2,152	2,920
Income tax expense calculated at 19% (2018: 19%)	409	555
Effect of expenses not deductible in determining taxable profit	53	53
Effect of capital allowances	(52)	(87)
Effect of recognising contract liability	-	(9)
Effect of prior year adjustment	1	-
Effect of imputed transfer pricing adjustments	11	28
Income tax expense recognised in profit or loss	422	540

The tax rate used for the 2019 and 2018 reconciliations above is the corporate tax rate payable by corporate entities in the UK on taxable profits under tax law in that jurisdiction. Deferred tax on temporary timing differences which are expected to unwind after April 1, 2020 have been recognised at 17.0%, the rate which was substantially enacted in law as at December 31, 2019. The 17.0% rate has since been repealed from law in the March Budget resulting in the tax rate for 2020 onwards remaining at 19.0%. Management have assessed the impact and concluded that it is not significant.

(b) Tax paid for cashflow purpose

	2019	*2018*
	£'000	*£'000*
Current tax liability at January 1	359	615
Amounts charged to the Statement of Comprehensive Income	422	540
Movements in deferred tax asset in the Statement of Comprehensive Income	6	40
Transfer in respect of group relief	(360)	(606)
Prior year contract liability recognition	-	(230)
Current tax liability at December 31	427	359

(c) Current tax liabilities

	2019	*2018*
	£'000	*£'000*
Current tax liabilities	427	359

(d) Deferred tax balances

The following is the analysis of deferred tax assets presented in the Balance Sheet:

	2019	*2018*
	£'000	*£'000*
At January 1	106	66
Effect of capital allowances	6	40
At December 31	112	106

The deferred tax balance is all non-current.

Notes to the Financial Statements

For the year ended December 31, 2019

8. DIRECTORS' EMOLUMENTS

Four Directors were remunerated for their roles as Directors of the Company. Details of their remuneration have been set out below:

		Restated[1]
	2019	*2018*
	£'000	*£'000*
Emoluments	464	473
The amounts paid in respect of the highest paid Director are as follows:		
Emoluments	173	178
Company pension contributions to defined contribution schemes*	47	45
Number of Directors accruing benefits under defined contribution schemes	4	4

* of which £10k (2018: £10k) was attributable to the highest paid Director

[1] In 2018, the Company pension contributions to defined contributions schemes were overstated by the employees' pension contributions. This has been restated from £60k to £45k with no impact on the profit for the year attributable to the equity holders or retained earnings.

F K Dyson was not directly remunerated for his role as a Director of the Company as the amount of time spent performing his duties was incidental to his role as key management personnel of the Allianz Holdings plc Group.

G E Davess was not directly remunerated for his role as Director of the Company as the amount of time spent performing his duties was incidental to his role as an employee of the Allianz Holdings plc Group.

9. DIVIDENDS

An interim dividend of £12,300k was paid on November 14, 2019 for the year ended December 31, 2019 (2018: £nil). The Directors do not recommend the payment of a final dividend for the year ended December 31, 2019 (2018: £nil)

Notes to the Financial Statements

For the year ended December 31, 2019

10. PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment	*Equipment*	*Motor Vehicles*	*Total*
	£'000	*£'000*	*£'000*	*£'000*
Cost:				
At January 1, 2018	4,002	366	70	4,438
Additions	98	-	19	117
Disposals	-	-	(18)	(18)
At December 31, 2018	4,100	366	71	4,537
Additions	184	-	58	242
Disposals	-	-	(51)	(51)
At December 31, 2019	4,284	366	78	4,728
Accumulated Depreciation:				
At January 1, 2018	3,602	124	38	3,764
Provided during the year	173	69	14	256
Disposals	-	-	(11)	(11)
At December 31, 2018	3,775	193	41	4,009
Provided during the year	183	69	15	267
Disposals	-	-	(40)	(40)
At December 31, 2019	3,958	262	16	4,236
Net book value at December 31, 2018	325	173	30	528
Net book value at December 31, 2019	326	104	62	492

11. LEASES

Lease agreements where the Company is lessee

Disclosure required by IFRS 16

Right of Use Asset

	2019
Cost	£'000
At January 1, 2019	610
At December 31, 2019	610
Accumulated depreciation	
At January 1, 2019	-
Charge for the year	87
At December 31, 2019	87
Carrying amount	
At December 31, 2019	523

The Company has one lease relating to property. The average lease term is 6 years.

Notes to the Financial Statements

For the year ended December 31, 2019

11. LEASES (continued)

Amounts recognised in profit or loss

	2019
	£'000
Interest expense on lease liabilities	9
Depreciation charge on right of use assets	87

The total cash outflow for leases amounted to £92k for the year ended December 31, 2019.

Lease Liabilities

	2019
	£'000
Current	81
Non-current	446
Total lease liabilities	527

	2019
Maturity analysis	*£'000*
Year 1	92
Year 2	92
Year 3	92
Year 4	92
Year 5	92
Onwards	92
Total contractual undiscounted cash flows	552

Disclosure required by IAS 17

At the reporting date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019
	£'000
Not later than one year	92
After one year but not more than five years	368
After five years	92
Future minimum lease payments	552

12. TRADE AND OTHER RECEIVABLES

	2019	*2018*
	£'000	*£'000*
Trade receivables	6,867	6,246
Prepayments and accrued income	111	273
Amounts due from related parties	6,609	19,605
	13,587	26,124

Trade and other receivables approximate to fair value. All of the Company's other receivables are due within 12 months of the balance sheet date. The Company has concluded that the expected credit loss model has made no material impact on the valuation of receivables reported in the financial statements.

Notes to the Financial Statements

For the year ended December 31, 2019

13. CASH AND CASH EQUIVALENTS

	2019	*2018*
	£'000	*£'000*
Cash at bank and in hand	4,359	5,100
Cash in respect of delegated authority	2,454	1,259
	6,813	6,359

Included in cash at bank and in hand is an amount of £3,186k (2018: £3,755k) which is held on behalf of clients under an appropriate risk transfer arrangement.

The Company has concluded that the expected credit loss model has made no material impact on the valuation of cash and cash equivalents reported in the financial statements.

14. SHARE CAPITAL

	2019	*2018*
	£	*£*
Ordinary shares of £0.01 each	1,420	1,420

15. TRADE AND OTHER PAYABLES

	2019	*2018*
	£'000	*£'000*
Trade payables	9,089	8,852
Other creditors	1,786	1,145
Accruals and deferred income	276	424
Amounts due to related parties	492	2,653
	11,643	13,074

Trade and other payables approximate to fair value. All of the liabilities are payable within 12 months of the Balance Sheet date.

16. RISK MANAGEMENT POLICIES

The Company is an insurance intermediary and underwriting agent specialising in the distribution of household and motor insurance to the mid to high net worth market based in the United Kingdom. Its operations are primarily based in the United Kingdom hence any risk exposure is almost entirely confined within the United Kingdom.

Financial Risk

The key financial risk is that proceeds from the realisation of assets are insufficient to meet obligations as they fall due. The most important aspects of financial risk comprise market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign currency exchange rates and equity prices will affect the value of the Company's assets and income. The Company is not directly exposed to market risk.

Notes to the Financial Statements

For the year ended December 31, 2019

16. RISK MANAGEMENT POLICIES (continued)

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts due to the Company in full when they fall due. The Company is exposed to credit risk through its cash balances and amounts due from related parties and customers. The Company deems the risk associated with amounts due from Group undertakings to be low as the amounts are due from fellow Allianz SE Group subsidiaries and as such are A rated. The cash balances are held with a financial institution with an A+ credit rating. The trade receivables are a combination of premium due to the insurers and commission due to the Company. Despite the trade and prepayments and accrued income being unrated, the Company is only exposed to credit risk on the commission element and as such, the Company deems the associated risk to be immaterial. All amounts due from related parties are due within 1 year and cash can be drawn upon immediately.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. The Company is exposed to liquidity risk through its property, plant and equipment, right of use asset, trade and other payables, tax payable and contract liabilities. Liquidity risk for the Company is mitigated as the Company has sufficient liquid assets to settle trade and other payables and tax payable as they fall due. The Company considers the liquidity risk associated with property, plant and equipment and right-of-use asset to be immaterial as the balance would not be required to meet the current obligations as the fall due. Contract liabilities are a non-cash item and therefore management consider the associated liquidity risk to be immaterial. The Company would be able to draw down from the liquid assets held elsewhere is the Allianz Holdings plc Group should the need arise. All balances payable are due within 1 year.

17. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Allianz Holdings plc, a company registered in England and Wales.

The ultimate parent undertaking, Allianz Societas Europaea ("Allianz SE"), is incorporated in Germany and is the parent of the largest group of undertakings for which Allianz SE group financial statements are drawn up and of which the Company is a member.

Copies of the Allianz SE Group financial statements are available on request from Allianz Societas Europaea, Königinstrasse 28, 80802 München, Germany.

18. RELATED PARTY TRANSACTIONS

The Company enters into transactions with fellow group undertakings and key management personnel in the normal course of business. Details of transactions carried out during the year with related parties are as follows:

	2019	*2018*
	£'000	*£'000*
Commission received	253	936
Administration service fees	5,136	4,639
Dividend paid	12,300	-

Notes to the Financial Statements

For the year ended December 31, 2019

18. RELATED PARTY TRANSACTIONS (continued)

Year end balances arising from transactions carried out with related parties are as follows:

	2019	*2018*
	£'000	*£'000*
Due from related parties at December 31		
Parent	-	14,950
Other related parties	6,609	4,655
Total	6,609	19,605

	2019	*2018*
	£'000	*£'000*
Due to related parties at December 31		
Other related parties	492	2,653

The Company considers its key management personnel to be the Directors only. Further information is disclosed in note 8.

19. SUBSEQUENT EVENTS

The outbreak of COVID-19 has resulted in a pandemic causing significant disruption across the globe. COVID-19 has been classified as a non-adjusting event for accounting purposes. At December 31, 2019, a very limited number of cases had been reported to the World Health Organisation. Since then the spread of the virus has been rapid and the number of reported cases and deaths has increased significantly.

The impact on society is reflected in business closures, restrictions on movement, home working and cancellations of sporting and other events. This is expected to lead to an economic downturn.

The recent volatility in financial markets and the impact on asset and liability values is being monitored with management plans in place to mitigate financial and operational risks. However, whilst there is still a significant degree of uncertainty the Company remains in a robust position. The impact of COVID-19 is continuing to evolve at a fast pace, and therefore it is not practicable to quantify the potential financial impact on the Company at the time of writing.