

Registered Number: 3007252

Annual Report and Financial Statements 2020

**Home and Legacy Insurance Services
Limited**

Directors: A G Ewington
B O'Neill
F K Dyson
G E Davess
M Wooldridge
K H Fryer (resigned 30.09.2020)

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, 2020.

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.

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 9. The profit for the year amounted to £1,110k (2019: £1,730k). Revenue was lower in 2020 following the loss of two significant insurers from our panel and no new insurers joining. The impact was only partly offset by savings in expenses where marketing costs and headcount were managed to reflect volumes of business. 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 administrative 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 £1,356k (2019: £2,152k) and the net assets were £7,028k (2019: £7,918k).

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 10% (2019: 14%) and is defined as the number of new business sales divided by the number of enquiries. The household retention rate for the year is 71% (2019: 74%) 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 28,671 (2019: 33,217).

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 was a global pandemic. This was a new and significant source of uncertainty for the Company in 2020, which continues into 2021. Preventative actions such as restricting the public on non-essential travel, working from home, closure of businesses, postponing events and stopping public gatherings were taken by the UK government to varying degrees throughout 2020. Restriction measures have continued into 2021. This had an immediate impact on the domestic and global economies, and financial markets, creating uncertainty for people and businesses which has been felt throughout the course of the pandemic.

The Company is closely monitoring the situation as it continues to develop, to maintain 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 continue to drive our decision making as we work through this challenging time, with a focus on putting our people first and prioritising existing, and emerging, customer needs.

Strategic Report (continued)

Principal risks and uncertainties (continued)

The Company is responding to the COVID-19 situation using well-established business resilience and crisis management procedures. The key risks this crisis presents are both operational and financial. These risks are actively monitored and managed on a daily basis. The operational risks from COVID-19 have been addressed by increasing homeworking capability and reducing non priority activity. Work has been prioritised to support supplier payments.

The impact of COVID-19 is continuing to evolve, but the impact on the Company has been and continues to be minor.

Future outlook

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

Brexit

The UK formally left the European Union ("EU") on January 31, 2020 and a trade deal was agreed on December 23, 2020, coming into effect from January 1, 2021. The deal has not had a significant impact on the Company's performance in 2021.

Going concern

The Directors, having undertaken an assessment, are confident in the Company's ability to continue as a going concern and to meet its financial obligations as they fall due. The business is well placed in managing the principal risks and uncertainties, has a strong financial, trading and capital position and is backed by one of the largest property and casualty insurers in the world.

Section 172 (1) Companies Act 2006 Statement

This statement sets out how the Directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 when performing their duties. The Directors consider, both individually and collectively, they have acted in a way that, 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)(a) to (f) of the Companies Act 2006 in the decisions taken during the year.

As a result of the governance structure of the Allianz Holdings plc Group ("Group"), of which the Company is a part, some strategic decisions and stakeholders interests (such as employees, community and the environment), are considered on a Group-wide basis by the board of Allianz Holdings plc or its committees (the "Group Board") rather than at a subsidiary board level. One of the Company's Directors, F K Dyson, is a Director of the Group Board and ensures that Group-wide strategy and stakeholder considerations are communicated to the Company's Board.

As a wholly owned subsidiary of the Group and in line with the duty to promote the success of the Company for the benefit of its shareholder, the Company's Board must have regard to the overall strategy and direction of the Group, including the impact on broader stakeholders of the Group, when making decisions. Stakeholders, their interests and the manner in which the Company engages with them, are integral to how the Company conducts business. The Company's key stakeholders are its shareholder, its customers, its regulator (the Financial Conduct Authority) and employees working on its business (who are employed by another entity within the Group).

The Company's Board meets at least quarterly. Additional ad hoc meetings are held if required. The Board considers all decisions put to it from the perspective of the Company and has regard to the Company's stakeholders and their interests. The Directors also consider the long term consequences of decisions on the Company and the wider Group.

Principal decisions

During the year the Board received regular updates regarding its strategy and priorities, compliance, sales and marketing and financial matters. The Board regularly reviewed its financial and non-financial KPIs and also focused on customer service including call handling and monitoring. The Board also received updates regarding the impact of the COVID-19 pandemic on its operations, during which they discussed the impact on various stakeholders including customers and maintaining services to them and employees working within the business. The Board also considered the long term consequences of the COVID-19 pandemic on the Company.

Strategic Report (continued)

Section 172 (1) Companies Act 2006 Statement (continued)

In November 2020, the Board approved the payment of an interim dividend of £2,000k to its sole shareholder, Allianz Holdings plc. The Directors considered the impact of paying the dividend on its wider stakeholders including its Regulator and customers, who require the Company to conserve capital and to ensure that any decisions to pay dividends are prudent, particularly given the current economic climate. The Directors also considered the interests of its shareholder who require dividends to be paid in order to ensure the long term success of the Group as a whole. After considering these factors, together with other considerations when paying a dividend, the Directors concluded that the payment of the dividend would promote the success of the Company for the benefit of its member.

By order of the Board



F K Dyson
Director

October 1, 2021

Directors' Report

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

Directors

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

Following the year end, R C Jack-Kee resigned as Company Secretary on February 1, 2021, C M Twemlow was appointed as Company Secretary on February 1, 2021. A P Reid was appointed as a Director on March 19, 2021 and G E Davess resigned as a Director on July 13, 2021.

Results and dividends

The results for the year are set out in the Statement of Comprehensive Income on page 9. 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 £2,000k was paid for the year ended December 31, 2020 (2019: £12,300k). The Directors do not recommend the payment of a final dividend for the year ended December 31, 2020 (2019: £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.

Auditors

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



C M Twemlow
Secretary
Company Number: 3007252

October 1, 2021

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

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

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

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

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



F K Dyson
Director

October 1, 2021

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 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2020; the statement of comprehensive income, the statement of cash flows, and the 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

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK regulatory principles, such as those established by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered

those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries which may impact the financial performance and position of the company, and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- enquiry of management around actual and potential litigation and claims;
- enquiry of management to identify any instances of non-compliance with laws and regulations;
- reviewing minutes of meetings of those charged with governance;
- reading correspondence with the Financial Conduct Authority in relation to compliance with laws and regulations;
- reviewing financial statements disclosures and testing to supporting documentation to assess compliance with applicable law and regulations;
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Zahid Khan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
1 October 2021

Statement of Comprehensive Income

For the year ended December 31, 2020

	<i>Note</i>	<i>2020</i> £'000	<i>2019</i> £'000
Revenue	3(a)	7,466	8,605
Administrative expenses		(6,173)	(6,514)
Interest income		70	70
Finance costs	6	(7)	(9)
Profit before tax		<u>1,356</u>	<u>2,152</u>
Income tax expense	7	(246)	(422)
Profit for the year attributable to the equity holders		<u><u>1,110</u></u>	<u><u>1,730</u></u>

There has been no other comprehensive income in the year ended December 31, 2020 (2019: £nil).

Statement of Changes in Equity

For the year ended December 31, 2020

	<i>Share capital</i> £'000	<i>Share premium</i> £'000	<i>Retained earnings</i> £'000	<i>Total</i> £'000
Balance as at January 1, 2019	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	<u>1</u>	<u>56</u>	<u>7,861</u>	<u>7,918</u>
Dividend paid	-	-	(2,000)	(2,000)
Net profit for the year	-	-	1,110	1,110
Balance as at December 31, 2020	<u><u>1</u></u>	<u><u>56</u></u>	<u><u>6,971</u></u>	<u><u>7,028</u></u>

The accounting policies and notes on pages 12 to 23 are an integral part of these financial statements.

Balance Sheet

As at December 31, 2020

	Note	2020 £'000	2019 £'000
Assets			
Property and equipment	10	314	492
Right of use asset	11	436	523
Deferred tax assets	7(d)	130	112
Trade and other receivables	12	13,228	13,587
Cash and cash equivalents	13	5,903	6,813
Total assets		<u>20,011</u>	<u>21,527</u>
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	14	1	1
Share premium		56	56
Retained earnings		6,971	7,861
Total equity		<u>7,028</u>	<u>7,918</u>
Liabilities			
Trade and other payables	15	11,365	11,643
Lease liability	11	442	527
Current tax liabilities	7(c)	265	427
Contract liabilities	3(b)	911	1,012
Total liabilities		<u>12,983</u>	<u>13,609</u>
Total equity and liabilities		<u>20,011</u>	<u>21,527</u>

The accounting policies and notes on pages 12 to 23 are an integral part of these financial statements.

These financial statements on pages 9 to 23 were approved by the Board of Directors on October 1, 2021.



F K Dyson
Director

Statement of Cash Flows

For the year ended December 31, 2020

	2020	2019
Note	£'000	£'000
Cash flows from operating activities		
Profit before tax	1,356	2,152
Loss/ (gain) on sale of property and equipment	1	(10)
Depreciation of property and equipment	10 255	267
Depreciation of right of use asset	11 87	87
Interest expense on lease liability	6 7	9
Decrease in trade and other receivables	12 359	12,537
Decrease in trade and other payables	15 (278)	(1,431)
Decrease in contract liabilities	3(b) (101)	(184)
Cash generated from operations	1,686	13,427
Income tax transfer in respect of group relief	7(b) (426)	(360)
Net cash inflow from operating activities	1,260	13,067
Cash flows from investing activities		
Proceeds from sale of property and equipment	47	21
Purchase of property and equipment	10 (125)	(242)
Net cash outflow from investing activities	(78)	(221)
Cash flows from financing activities		
Dividends paid	9 (2,000)	(12,300)
Payment of lease liability	(92)	(92)
Net cash outflow from financing activities	(2,092)	(12,392)
Net (decrease)/ increase in cash and cash equivalents	(910)	454
Cash and cash equivalents at the beginning of the year	13 6,813	6,359
Cash and cash equivalents at the year end	13 5,903	6,813

The accounting policies and notes on pages 12 to 23 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended December 31, 2020

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

1.3. Basis of preparation

The financial statements have been prepared on the historical cost basis for all items with the exception of the lease liability (further details are disclosed in accounting policy b). The functional and presentational currency is British Pounds.

Going concern

These financial statements are prepared 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.

UK-adopted international accounting standards

On December 31, 2020, EU-adopted IFRS was brought into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board (“UKEB”).

New standards and interpretations adopted by the Company

There are no new standards and interpretations that are mandatorily effective from January 1, 2020.

1.4. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the financial statements are set out in the following paragraphs.

(a) Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. 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 and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

(b) Leases

Company as a Lessee

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.

Notes to the Financial Statements

For the year ended December 31, 2020

1. ACCOUNTING POLICIES (continued)

1.4. Summary of significant accounting policies (continued)

(b) Leases (continued)

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.

(c) Income taxes

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, together with adjustments to tax payable in respect of prior years.

Deferred income tax is provided in full using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the Balance Sheet date. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

Group tax losses are utilised when available. Consideration paid for group relief is accounted for in the financial statements as though the payment has been made to the relevant tax authorities.

(d) Trade and other receivables

Trade and other receivables are initially recognised and subsequently remeasured at amortised cost 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 determining the ECL. Under this approach, the ECL is calculated as the book cost of the receivables multiplied by a 1 year probability of default ("PD"), an appropriate loss given default ("LGD") and the number of days to maturity as a fraction of a year ("tenor").

(e) 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.

An ECL provision is assessed as at the Balance Sheet date and the carrying amount of the cash and cash equivalents balance is reported after deduction of any ECL. The Company has adopted the "simplified approach" in determining the ECL. Under this approach, the ECL is calculated as the book cost of the cash and cash equivalents multiplied by a 1 year PD, an appropriate LGD and tenor.

Notes to the Financial Statements

For the year ended December 31, 2020

1. ACCOUNTING POLICIES (continued)

1.4. Summary of significant accounting policies (continued)

(f) 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.

(g) 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.

Processing mid-term adjustments ("MTA") - 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 on 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.

(h) Contract liability

The contract liability is stated at cost. The contract liability recognised is the amount of revenue allocated to the service period that falls after the Balance sheet date. The contract liability is recognised as revenue as (or when) the Company performs under the contract.

(i) Interest 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.

The critical judgements, estimations and assumptions that the Directors have made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the financial statements are discussed below:

Assumptions used to determine the revenue recognised in the year

There are 3 key assumptions as to how the transaction price is allocated to each performance obligation, these are; i) the cost of the claims handling team is equal to 6% of the total company expenses, ii) 40% of policies are adjusted for during the policy year and iii) the amount of effort in processing MTA's is equal to that of new business & renewals. These assumptions are considered to be a key source of uncertainty as changes in the assumptions used may have a significant effect on the timing of the revenue recognised and deferred by the Company. The sensitivity of that amount to changes in the assumptions is provided in note 16.

Notes to the Financial Statements

For the year ended December 31, 2020

3. REVENUE

(a) Disaggregation of revenue from contracts with customers

The Company derives revenue through retained brokerage and fees in respect of household intermediation in the following performance obligations:

	2020	2019
	£'000	£'000
Introduction of insurance business and processing renewals	3,509	4,087
Processing mid-term adjustments	3,509	4,087
Claims handling under a delegated authority	448	431
Total	<u>7,466</u>	<u>8,605</u>

(b) Liabilities related to contracts with customers

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

	2020	2019
	£'000	£'000
Processing mid-term adjustments	692	961
Claims handling under a delegated authority	219	51
Total	<u>911</u>	<u>1,012</u>

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

	2020	2019
	£'000	£'000
Processing mid-term adjustments	961	1,136
Claims handling under a delegated authority	51	60
Total	<u>1,012</u>	<u>1,196</u>

4. EMPLOYEE RELATED COSTS

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

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 (2019: £nil).

	2020	2019
	£'000	£'000
Fees payable for the audit of the Company's financial statements	<u>8</u>	<u>8</u>

Notes to the Financial Statements

For the year ended December 31, 2020

6. FINANCE COSTS

	2020	2019
	£'000	£'000
Interest expense on lease liability	7	9
Total finance costs	<u>7</u>	<u>9</u>

7. INCOME TAX EXPENSE

(a) Income tax recognised in profit or loss

	2020	2019
	£'000	£'000
<i>Current tax:</i>		
In respect of the current year	265	427
In respect of prior years	(1)	1
Total current tax	<u>264</u>	<u>428</u>
<i>Deferred tax:</i>		
In respect of the current year	(7)	(6)
Adjustments to deferred tax attributable to changes in tax rates	(13)	-
In respect of prior years	2	-
Total deferred tax	<u>(18)</u>	<u>(6)</u>
Total income tax expense recognised in the current year	<u>246</u>	<u>422</u>

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

	2020	2019
	£'000	£'000
Profit before tax	<u>1,356</u>	<u>2,152</u>
Income tax expense calculated at 19% (2019: 19%)	258	409
Effect of expenses not deductible in determining taxable profit	49	53
Effect of capital allowances	(49)	(52)
Effect of prior year adjustment	1	1
Effect of change in tax rate	(13)	-
Effect of imputed transfer pricing adjustments	-	11
Income tax expense recognised in profit or loss	<u>246</u>	<u>422</u>

The tax rate used for the 2020 and 2019 reconciliations above is the corporate tax rate payable by corporate entities in the UK on taxable profits under tax law in that jurisdiction. The standard rate of UK corporation tax will be 19% for 2021.

Notes to the Financial Statements

For the year ended December 31, 2020

7. INCOME TAX EXPENSE (continued)

(b) Tax paid for cash flow purpose

	2020	2019
	£'000	£'000
Current tax liability at January 1	427	359
Amounts charged to the Statement of Comprehensive Income	246	422
Movements in deferred tax asset in the Statement of Comprehensive Income	18	6
Transfer in respect of group relief	(426)	(360)
Current tax liability at December 31	<u>265</u>	<u>427</u>

(c) Current tax liabilities

	2020	2019
	£'000	£'000
Current tax liabilities	<u>265</u>	<u>427</u>

(d) Deferred tax balances

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

	2020	2019
	£'000	£'000
At January 1	112	106
Effect of capital allowances	18	6
At December 31	<u>130</u>	<u>112</u>

The deferred tax balance is all non-current.

The UK Government announced its intention in the budget of March 3, 2021 to legislate to increase the rate of corporation tax from 19% to 25% with effect from April 1, 2023. This legislation was substantively enacted on May 24, 2021. If the deferred tax balance less amounts expected to reverse within one year is re-measured using a rate of 25% at December 31, 2020, the deferred tax asset would increase to £171k.

8. DIRECTORS' EMOLUMENTS

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

	2020	2019
	£'000	£'000
Emoluments	451	464
The amounts paid in respect of the highest paid Director are as follows:		
Emoluments	172	173
Company pension contributions to defined contribution schemes*	45	47
Number of Directors accruing benefits under defined contribution schemes	4	4

* of which £10k (2019: £10k) was attributable to the highest paid Director.

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.

Notes to the Financial Statements

For the year ended December 31, 2020

9. DIVIDENDS

An interim dividend of £2,000k was paid for the year ended December 31, 2020 (2019: £12,300k). The Directors do not recommend the payment of a final dividend for the year ended December 31, 2020 (2019: £nil)

10. PROPERTY AND EQUIPMENT

	<i>Computer Equipment</i> £'000	<i>Equipment</i> £'000	<i>Motor Vehicles</i> £'000	<i>Total</i> £'000
Cost:				
At January 1, 2019	4,100	366	71	4,537
Additions	184	-	58	242
Disposals	-	-	(51)	(51)
At December 31, 2019	<u>4,284</u>	<u>366</u>	<u>78</u>	<u>4,728</u>
Additions	125	-	-	125
Disposals	(3,744)	(89)	(78)	(3,911)
At December 31, 2020	<u>665</u>	<u>277</u>	<u>-</u>	<u>942</u>
Accumulated Depreciation:				
At January 1, 2019	3,775	193	41	4,009
Depreciation charge for the year	183	69	15	267
Disposals	-	-	(40)	(40)
At December 31, 2019	<u>3,958</u>	<u>262</u>	<u>16</u>	<u>4,236</u>
Depreciation charge for the year	173	69	13	255
Disposals	(3,744)	(90)	(29)	(3,863)
At December 31, 2020	<u>387</u>	<u>241</u>	<u>-</u>	<u>628</u>
Carrying Amount				
At December 31, 2019	<u>326</u>	<u>104</u>	<u>62</u>	<u>492</u>
At December 31, 2020	<u>278</u>	<u>36</u>	<u>-</u>	<u>314</u>

Notes to the Financial Statements

For the year ended December 31, 2020

11. LEASE LIABILITY

Right of Use Asset

	2020 £'000	2019 £'000
At January 1	523	610
Depreciation charge for the year	(87)	(87)
At December 31	<u>436</u>	<u>523</u>

Amounts recognised in profit and loss:

	2020 £'000	2019 £'000
Interest on lease liability	7	9
Depreciation charge	87	87

Lease Liability

	2020 £'000	2019 £'000
Current	86	81
Non current	356	446
Total lease liability	<u>442</u>	<u>527</u>

Maturity analysis – contractual undiscounted cash flows:

	2020 £'000	2019 £'000
Year 1	92	92
Year 2	92	92
Year 3	92	92
Year 4	92	92
Year 5	92	92
Onwards	-	92
Total	<u>460</u>	<u>552</u>

12. TRADE AND OTHER RECEIVABLES

	2020 £'000	2019 £'000
Trade receivables	5,998	6,867
Prepayments and accrued income	58	111
Amounts due from related parties	7,172	6,609
	<u>13,228</u>	<u>13,587</u>

Trade and other receivables are due within 12 months of the balance sheet date. The Company has concluded that the ECL model has made no significant impact on the valuation of receivables reported in the financial statements.

Notes to the Financial Statements

For the year ended December 31, 2020

13. CASH AND CASH EQUIVALENTS

	2020	2019
	£'000	£'000
Cash at bank and in hand	3,867	4,359
Cash in respect of delegated authority	2,036	2,454
	<u>5,903</u>	<u>6,813</u>

Included in cash at bank and in hand is an amount of £2,985k (2019: £3,186k) which is held on behalf of clients under an appropriate risk transfer arrangement. The company has concluded that the ECL model has made no significant impact on the valuation of cash and cash equivalents reported in the financial statements.

14. SHARE CAPITAL

	2020	2019
	£	£
Ordinary shares of £0.01 each	<u>1,420</u>	<u>1,420</u>

15. TRADE AND OTHER PAYABLES

	2020	2019
	£'000	£'000
Trade payables	8,734	9,089
Other creditors	2,009	1,786
Accruals and deferred income	172	276
Amounts due to related parties	450	492
	<u>11,365</u>	<u>11,643</u>

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

Capital management

The Company's capital risk is determined with reference to the requirements of the Allianz Holdings plc group. In managing capital, the Company seeks to maintain sufficient, but not excessive, financial strength to support the payment of dividends and the requirements of all stakeholders. The sources of capital used by the Company are equity shareholders' funds. At December 31, 2020 the Company had £7,028k (2019: £7,918k) of total capital employed.

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.

Notes to the Financial Statements

For the year ended December 31, 2020

16. RISK MANAGEMENT POLICIES (continued)

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.

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 and cash equivalents and amounts due from related parties and customers. The Company deems the risk associated with amounts due from Group related parties to be low as the amounts are due from fellow Allianz Societas Europaea ("Allianz SE") Group subsidiaries and as such are AA- 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 receivables, 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 and equipment, right of use asset, trade and other payables, tax payable and contract liability.

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 they 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 in the Allianz Holdings plc Group should the need arise. All balances payable are due within 1 year.

Revenue recognition risk

In allocating the transaction price to performance obligations, management have relied on historic experience. Management believe this is appropriate as the Company's revenue streams have remained consistent. More detail on how the transaction price has been allocated is disclosed in accounting policy (g).

Sensitivity analysis of changes in key assumptions relating to the amount of revenue allocated to each identified performance obligation and the impact on the contract liability:

% of revenue allocated to claims handling	Contract liability £'000
+4%	1,021
+2%	962
Base	911
-2%	846
-4%	787

Notes to the Financial Statements

For the year ended December 31, 2020

16. RISK MANAGEMENT POLICIES (continued)

% of policies adjusted	Contract liability £'000
+10%	1,075
+5%	990
Base	911
-5%	818
-10%	733

% of revenue allocated to new business & renewals	Contract liability £'000
+4%	846
+2%	875
Base	911
-2%	933
-4%	962

17. ULTIMATE PARENT UNDERTAKING

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

The ultimate parent undertaking, 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 SE, Königinstrasse 28, 80802 München, Germany.

Notes to the Financial Statements

For the year ended December 31, 2020

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:

	2020	<i>Restated</i> 2019
	£'000	£'000
Commission received	5,355	5,036
Administration service fees	4,819	5,136
Dividend paid	2,000	12,300
	<u> </u>	<u> </u>

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

	2020	2019
	£'000	£'000
Due from related parties at December 31		
Other related parties	7,172	6,609
Total	<u>7,172</u>	<u>6,609</u>

	2020	<i>Restated</i> 2019
	£'000	£'000
Due to related parties at December 31		
Other related parties	6,291	4,877
	<u> </u>	<u> </u>

Prior year commission received has been restated to include related party transactions of £4,783k which were omitted in error. This does not affect any other balances in these financial statements.

Prior year amounts due to related parties has been restated to include a balance of £4,385k which was omitted in error. This balance is included in trade payables, note 15, but does not affect trade payables or any other balances in these financial statements.

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

19. SUBSEQUENT EVENTS

There have been no subsequent events after the balance sheet date.