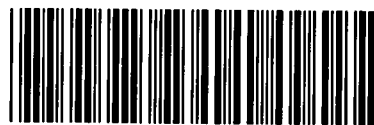


Lifestyle Services Group Limited
Annual report and financial statements
for the year ended 31 December 2020

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Lifestyle Services Group Limited

Annual report and financial statements 2020

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Company information

Registered Number: 05114385

Directors: M Carter
C Formby Hernandez
C Kersley
R Morales-Gomez
S Purdy
C Sarfo-Agyare

Company secretary: N Paddock

Registered office: Emerald Buildings
Westmere Drive
Crewe
CW1 6UN
United Kingdom

Independent auditors: PricewaterhouseCoopers LLP
Chartered accountants and statutory auditors
1 Hardman Square
Manchester
M3 3EB

Strategic report

The directors present their strategic report for Lifestyle Services Group Limited (“the Company”) for the year ended 31 December 2020.

Principal activities

The Company has a number of different operating activities. The foremost activity is the supply of insurance administration for connected living device insurance and a wide range of other products to the customers of the major UK banks as part of their added value account offering. The business also supplies insurance administration services for connected living device insurance to other providers.

The Company together with its fellow group undertakings in the United Kingdom and European Union (“EU”) is part of Assurant Europe Group (“AEG”). AEG is a leading provider of automotive protection and mobile device solutions, with a focus on helping connected customers keep their lives running smoothly.

AEG is part of the International business unit of Assurant, Inc. (“AIZ”), a fortune 500 company listed on New York Stock Exchange. AIZ is a leading global provider of housing and lifestyle solutions that support, protect and connect major consumer purchases. Anticipating the evolving needs of consumers, Assurant partners with the world’s leading brands to develop innovative products and services and to deliver an enhanced customer experience. Via such brands, Assurant provides consumers with a range of protection products and services, and is among the market leaders in mobile device solutions; extended service contracts; vehicle protection services; renters insurance and lender placed homeowners insurance.

During the year the Company established a new branch in the Netherlands. The Company has no other foreign branches.

Review of the Business

Strategy

The Company, as part of AEG, aims to create solutions that increase customer loyalty and value, pursue organic and acquisitive growth, build credibility and reputation in the industry, leverage industry best practice to maximise cost-leadership and pursue a compliance-led culture as a competitive advantage.

The Company plans to deliver growth in earnings and profit by continuing to grow its insurance client relationships by executing a strategy of developing capability in product areas. In all areas of business, performance will be supported by operational excellence driven by flat organisational structures, real accountability at all levels and speed of decision making.

Results and dividends

The profit after tax for the year was £11,020,000 (2019: £14,939,000), increasing reserves. No dividends were paid during the year (2019: £nil). The Directors do not recommend any final dividend in respect of the year ended 31 December 2020. Subsequent to the year end the Company declared and paid a dividend of £12,000,000 to its immediate parent, Assurant Group Limited.

Strategic report (continued)

Review of the Business (continued)

Financial performance

The board of directors (the Board) monitors the financial performance of the Company by reference to the following key performance indicators (KPIs):

	2020 £'000	2019 £'000
Turnover	178,673	196,685
Administrative expenses	40,546	45,037
Operating profit	13,266	15,792
Total shareholder's funds	83,821	72,801
Average employees	746	782

Operating profit is defined as turnover less cost of sales less administrative expenses.

Turnover reduced 9% in the year to £178,673,000 from £196,685,000 compared to 2019. This decrease is due to reduced claims costs driven by a lower volume of claims in the insurance entities due to impact of COVID-19 lockdowns in the year. Administrative expenses have fallen to £40,546,000 (2019: £45,037,000) due to foreign exchange gains and an increase in revenue received from the intergroup management charge in the year. The Company made an operating profit of £13,266,000 (2019: £15,792,000).

Financial position

The Company holds investments in subsidiaries of £36,949,000 (2019: £36,949,000). No investment impairment charge (2019: £nil) was recognised during the year. The directors are satisfied with the performance of each of the subsidiary entities.

A decrease in cash at bank and in hand of £13,478,000 to £3,554,000 (2019: cash at bank and in hand £17,032,000) is driven by working capital movements on debtors and creditors. The Company is in a net current asset position of £45,166,000 (2019: £37,188,000) which represents an increase upon the prior year due to larger intergroup receivables at year-end. Included within net current assets is a long-term loan for receivable balances with other group companies of £9,561,000 (2019: £11,205,000) and amounts owed to group undertakings includes a loan due to other group companies of £2,671,000 (2019: £2,602,000).

Further to the going concern considerations, discussed in the Directors' report, the directors are satisfied with the financial position of the Company and its ability to meet its liabilities as they fall due.

Principal risks and uncertainties

The principal risks faced by the Company are credit and liquidity risk, which are managed as part of AEG's risk management framework and are disclosed within the Directors' report in the Financial instruments section. Additional risks for the Company are:

Investment impairment

The Company holds material investments in other group companies at the lower of historical cost or net realisable value on the balance sheet. There is uncertainty in respect of the value of these assets that may be realisable in the future. Investment valuations are assessed for impairment at least annually and where necessary diminution in value is recognised in the profit and loss account.

Strategic report (continued)

Principal risks and uncertainties (continued)

UK exit from the European Union (Brexit)

Currently the Company conducts a small amount of business outside of the UK in EU countries utilising freedom of service passporting regulations. During the year the Company established a new branch in the Netherlands to support AEG's EU operations.

In readiness for the Brexit, AEG established new European non-life and life insurers to underwrite new policies and renew existing policies for both existing EU and new EU clients of AEG. In 2020, AEG completed a Part VII transfer to move existing EU business out of its UK insurers and into the new European insurers.

COVID-19

As a global organisation, Assurant has actively monitored the developments of the evolving situation resulting from COVID-19. Throughout this period of uncertainty, Assurant has acted swiftly and deliberately to safeguard employees, customers and business operations in line with Assurant values.

The Company has demonstrated resilience, both operationally and financially, throughout the COVID-19 crisis.

The COVID-19 crisis has severely affected the UK and EU workforce. The Company faced an unprecedented challenge in terms of its ability to provide ongoing customer policy and claims administration services to AEG related undertakings and other third-party clients. Work from home protocols were quickly established for the majority of staff and at third party contact centre providers and remain in place. For those employees that need to work in Assurant facilities, Assurant continues to enforce safety and hygiene protocols, such as social distancing, per UK Government requirements and the guidelines of the Center for Disease Control and the World Health Organisation, to safeguard its employees.

Business volumes reduced as a direct result of declining economic activity in 2020. The Company also experienced challenges in servicing customer claims through certain channels as business partners were forced to close down and lifestyle product claims cost increased where repair options were restricted and the AEG insurance carrier had to settle more claims by replacement or in cash. With further lockdowns expected during 2021, these risks to performance are expected to continue.

Future outlook

The directors aim to continue to build market share and expand the product range by developing the Assurant brand in the UK. The Company is expected to maintain strong income and will continue to invest in its supply chain capability and focus on expansion in the mobile protection business and ongoing efficiency improvements.

Capital management

Capital requirements for the Company are 2.5% of annualised income as set by the FCA. The capital requirement is based on the income of the Company. The Company has met all externally imposed capital requirements in the year (2019: met).

Strategic report (continued)

Section 172 statement

The individual directors are aware and mindful of their duty under s.172(1) of the Companies Act 2006 to act in the way which 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 regard (amongst other matters) to the likely consequences of any decision in the long term, the interests of the Company's employees, the need to foster the Company's business relationships with suppliers, customers and others, the impact of the Company's operations on the community and the environment, the desirability of the Company in maintaining a reputation for high standards of business conduct and the need to act fairly as between members of the Company (together, the "S.172(1) Matters").

Induction materials provided to directors on appointment include an explanation of directors' duties, including the S.172(1) Matters, and the Board is periodically reminded of the S.172(1) Matters, particularly when a strategic decision is due to be taken by the Board.

The Board recognises that difficult decisions must sometimes be taken which require each director to exercise independent judgment and apply reasonable care, skill and diligence in the decision-making process. In doing so, the Board recognises its responsibilities to the Company's different, but mainly interrelated, stakeholder groups.

The Board has determined the Company's key stakeholder groups to be: Customers, Business Partners (including clients, suppliers and others in a business relationship with the Company), People, Regulators, Shareholders and the Community (together, the "Stakeholder Groups"). Each Stakeholder Group plays an important role in the ability of the Company to execute its strategy and deliver on its unwavering purpose; to protect what matters most in accordance with Assurant's uncompromising values.

The Company has processes in place to capture and consider the views of its Stakeholder Groups and share their views at relevant levels within the business, including with the Board, to ensure that regard is given to these views in decision-making processes. Examples are provided below of typical methods of engagement with the Stakeholder Groups and how the Board stays apprised of their views to inform its decision-making.

Customers

The Company prides itself on anticipating the needs of the people it serves so it can deliver a differentiated customer experience. Various methods are utilised to understand customer needs and feedback including Net Promoter Scores, Customer Effort Scores, complaints information and feedback shared by customers directly with contact centre operatives.

Views gathered from customers are reported, discussed and utilised at all levels of the governance framework. Within the Customer Experience Forum, Management reviews product performance, key customer metrics and root cause analysis of complaints and claims. The Customer Services Director reports directly to a Board-level committee as to these matters on at least a quarterly basis, ensuring the Board takes customer interests into account in its decision-making.

In 2020, the Company implemented a number of enhancements to the customer experience as a direct result of customer feedback, including further improvements to the online claims journey, allowing customers to complete claims online, and the introduction of additional claims fulfilment options, providing customers with increased choice. The Company made significant advances in its digital first initiative by shifting from traditional to digital claims channels. During the year, a major project was completed to enhance the online customer journeys for two main financial institution clients, as a result of customer feedback about claims journey. This resulted in simplification of the claims process by, allowing customers to self-serve through the claims journey and enabling customers to view claims status updates online throughout the claim cycle.

Strategic report (continued)

Section 172 statement (continued)

Throughout the period when the COVID-19 pandemic severely affected the business environment, the Company acted quickly in response to changing circumstances for its customers. The Company constantly kept in touch with customers to inform them about closure of walk-in repair stores replacing with door stop exchange process for vulnerable customers, increased timescales for fulfilment of claims and offering alternative fulfilment options.

Business partners

The Board recognises the need to foster the Company's business relationships with suppliers, clients and others and ensures that the Company has processes in place to engage and consult with its business partners on a regular basis to develop and maintain lasting and meaningful relationships.

The Company conducts regular strategic reviews with key clients to understand their strategic agenda, key strategic initiatives and identify opportunities for collaboration. Agreed opportunities are documented in a joint annual plan with key initiatives, milestones and dependencies. Progress against the plan is reported and discussed at appropriate levels of the governance framework, including key strategic updates to the Board by the President, Europe (Chief Executive).

Regular market and customer insight events are held with clients to identify key trends that may impact the business over the medium term. Ongoing research is undertaken with our clients' customers via a variety of methodologies to understand the evolving needs of customers. This is supplemented with proprietary market research to develop and refine the Company's product strategy with a detailed roadmap for delivery.

The Company proactively engages and consults with its suppliers as required to understand their views and needs. The Company is mindful of its payment policies, practices and performance with respect to its suppliers and takes steps to ensure that agreed payment terms are adhered to so as not to adversely affect supplier cash flows and ability to trade. The Board receives periodic reporting from the Chief financial officer in this area, ensuring that appropriate controls and processes remain in place. Prior to making internal process improvements, consideration is given to the potential impact of proposed changes upon suppliers and other business partners.

People

The Company employs various tools to seek and utilise the views of its people including informal feedback, Employee Forums, periodic Employee Surveys and formal reporting through the governance framework.

The Company's HR Director serves on the Board as an executive director and keeps the Board directly informed as to people and culture matters via a standing agenda item at quarterly Board meetings. During 2020, such reporting and related decision-making focused heavily on the impact of the COVID-19 pandemic upon the workforce and actions taken, or to be taken, by the business to support the workforce.

To inform the Board's decision-making with respect to supporting the workforce throughout the COVID-19 pandemic, feedback was sought from the workforce through various channels. The key themes that emerged related to anxiety around the pandemic, challenges adapting to different ways of working and wellbeing affected by work life balance, lack of physical activity and changes in sleep and nutrition habits.

Strategic report (continued)

Section 172 statement (continued)

As a direct consequence of that feedback, the business introduced a wide range of initiatives and activities designed to support the workforce, including:

- Launch of a comprehensive wellbeing programme “Boost” to support wellbeing in the workplace by providing a suite of resources and activities designed to improve resilience, strength and the ability to cope during the COVID-19 pandemic.
- Ethical use of the Furlough Scheme with all employees receiving 100% of their salary whilst on leave.
- Provision of a one-off financial payment to assist with working from home expenses.
- Provision of additional days of annual leave to encourage employees to take time off.
- Provision of additional days of dependency leave to support employees with childcare and home-schooling.
- Launch of a fund to financially support certain employees during the pandemic.
- Provision of new/additional IT equipment to support employees working from home.

Further information on this Stakeholder Group is included in the Directors’ report on pages 8 and 9.

Regulators

The Company proactively interacts with its regulators as appropriate to fully understand regulatory views and feedback, including full and active participation in industry thematic reviews and application of any resulting learnings to drive business improvements.

The Company operates a horizon-scanning process to ensure that upcoming regulatory change, consultations, guidance and “hot topics” are known and understood by the business, enabling any resulting internal actions to be taken.

Regulatory matters are reported, discussed and actioned at all levels within the Company’s governance framework. The Chief Compliance Officer reports regulatory matters directly to a Board-level committee on at least a quarterly basis and Board-level deep dives and briefings into regulatory topics are held as and when required. This ensures that directors are kept informed of regulatory views and matters to enable the Board to make decisions that are aligned with regulatory objectives and views and the Company’s Senior Managers and Certification Regime framework.

Shareholders

AIZ, the Company’s ultimate parent company, has ongoing engagement with its stockholders on the Enterprise’s environmental, social and governance (ESG) policies, practices and initiatives, including, but not limited to, executive compensation, diversity and climate change. A senior employee of AIZ serves on the Board as a group non-executive director with a specific mandate to keep the Board informed as to shareholder (AIZ) views and provide alignment with AIZ. This is facilitated via a standing agenda item at quarterly Board meetings.

Strategic report (continued)

Section 172 statement (continued)

Community

Assurant's core values - common sense, common decency, uncommon thinking, uncommon results - guide the Company's actions and inspire its commitment to be a responsible corporate citizen. As part of Assurant's Social Responsibility Framework, the Company actively engages in strengthening its local community, while operating its business with a meaningful environmental commitment.

For example, the Company participates in local business community groups to better understand what matters to those in its community and how the Company can utilise its expertise and support to add value.

In 2020, the Board oversaw the development of a local Enterprise, Social and Governance Framework, aligned to that of the ultimate parent company, AIZ. The Framework includes specific oversight of Impact on Society, which will focus on the Company's involvement in responsible investing, climate action, environmental matters and giving and volunteering.

On behalf of the Board

E-SIGNED by Claude Sarfo-Agyare
on 2021-05-20 08:17:32 GMT

C Sarfo-Agyare
Chief Financial Officer
20 May 2021

Directors' report

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

As permitted by section 414C (11) of the Companies Act 2006, certain information is not included in the Directors' report due to its inclusion in the Strategic report. This information is:

- Principal activities of the Company
- Information about overseas branches
- Business review and outlook
- Results and dividends
- Principal risks and uncertainties
- Statement on engagement with suppliers, customers and others in a business relationship with the Company (included as part of the section 172 statement in the Strategic report)

Directors

The directors set out below have held office during the whole of the year from 1 January 2020 to the date of this report unless otherwise stated.

M Carter
C Formby Hernandez
C Kersley
R Morales-Gomez
S Purdy
C Sarfo-Agyare

Directors' qualifying third party and pension indemnity provisions

There are no qualifying indemnity provisions for the benefit of any of existing or previous directors of the Company.

Political contributions

During the year £2,450 in donations were made by the Company for charitable or political purposes (2019: £5,945).

Research and development

The Company has incurred costs of £745,000 (2019: £683,000) in respect of developing software for the use in servicing the Company's client contracts.

People

It is the people that have driven the success of the business to date. The Company works hard to create a culture that gives clear accountability and responsibility and rewards performance.

During the last year average employee numbers were 746 (2019: 782).

The Company continuously listens to the views of its people through both informal feedback and more formal confidential employee opinion surveys. The Directors value the ability to listen to, and act on, this feedback.

Directors' report (continued)

People (continued)

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

The Company's policy is to consult and discuss with employees matters likely to affect their interests. Information on matters affecting them as employees is given through a variety of communication channels including but not limited to: team briefings, internal publications, Employee Voice forums, annual Employee Opinion Surveys, ad-hoc focus groups, Town Hall briefings and notice boards which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance. Most notably, the Company uses Employee representative groups; utilising the Works Council in France and the Employee Forums in the UK, to cascade business messages to the forum representatives on a bi-monthly basis. The forum representatives then cascade this information to their respective departments. The forums are also used to gather feedback from employees and their views are considered by the Company when making business decisions. Further, A bi-annual Employee Opinion Survey is used to gather feedback and to measure progress against a number of themes including, but not limited to; engagement, alignment, and diversity and inclusion.

Assurant Cares is a community portal which allows employees to make donations to their favourite charities as well as log any volunteer hours. The Assurant fund matches up to \$1,000 per employee per year and allows for 8 hours paid volunteering time per employee per year.

Employees are encouraged to participate in the Company's performance through involvement in an employee share scheme provided by the ultimate parent undertaking.

Quality management

The business is founded on great people who are well trained delivering robust processes. This produces high customer satisfaction and thus repeat business. The Company continues to strive to develop leading edge quality management systems across all business activities to maximise the opportunity. The Company operates to ISO27001.

The business is regulated by the Financial Conduct Authority (FCA) and the Company works continuously to improve its business processes. As a regulated business, the Company has continued to put "Treating Customers Fairly" at the core of its activities and continually manages and reviews the performance of the business itself, its customers' policies and its client performance, leading to improved customer loyalty and satisfaction resulting in a more sustainable business.

Financial instruments

Credit risk

The Company's principal financial assets are cash at bank, trade debtors and receivables from other group companies.

The Company's credit risk is primarily attributable to its trade debtors. Debtors are monitored by the debt management team who review ageing analysis and chase payments as they fall due. The amounts presented in the balance sheet are net of any provision for doubtful debts.

Directors' report (continued)

Financial instruments (continued)

Liquidity risk

The Company holds significant cash balances with a number of banks and diversifies its exposure to ensure that any bank failures do not materially impact liquidity. AEG's significant cash exposures are invested in short-term highly liquid money market funds in order to maintain liquidity but diversify risk of counterparty default.

In order to maintain liquidity to ensure that sufficient funds are available for on-going operations and future developments, the Company uses a mixture of long-term loans with other group companies and short-term intercompany trading facilities.

Streamline energy and carbon reporting

On 1 April 2019, the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 came into force. As the regulations took effect in respect of financial years beginning on or after 1 April 2019, this is the first time the Company has presented these disclosures and covers all sources of greenhouse gas (GHG) emissions in accordance with the requirements of these regulations. The Company is directly responsible for energy consumption for services it provides to AEG related group companies. As such these disclosures cover the Company's portion of energy usage and GHG emissions using a reasonable basis of allocation to other AEG related undertakings.

The methodology for calculating GHG emissions is based on the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard developed by the World Resources Institute and World Business Council for Sustainable Development. All conversion factors have been sourced from recognised public sources, including the UK's Department for business, energy and industrial strategy, the International Energy Agency and the GHG protocol's stationary combustion tool.

Energy consumption used to calculate emissions (kWh):

	2020	2019
Electricity	1,266,644	1,580,498
Transport	68,477	244,616
Total	<u>1,335,121</u>	<u>1,825,115</u>

Emissions in metric tonnes CO₂e

	2020	2019
Scope 1	17	63
Scope 2	547	683
Total gross tonnes CO ₂ e	<u>564</u>	<u>746</u>

Gross tonnes CO₂e per Full Time Equivalent (FTE) employees

0.76	<u>0.95</u>
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The Company's energy consumption is reported to its ultimate parent, Assurant, Inc., who as a whole monitors energy use under Scope 1 and Scope 2 emissions and has set a goal to reduce energy consumption at all facilities by a minimum of 2% annually for the past 10 years. A new climate related energy reduction goal is in the process of being finalised.

In 2019 an enterprise-wide initiative called 'Go Green' was launched to accelerate the Enterprise's sustainability and increase employer education and engagement, actively encouraging employees worldwide to recommend additional ways to further strengthen the Company's environmental commitment.

Directors' report (continued)

Streamline energy and carbon reporting (continued)

As a direct result of COVID-19 pandemic the intensity metric during the year ended 31 December 2020 reduced. This is expected to return to normal levels in future as COVID-19 situation has started to improve in the UK.

Statement of Directors' responsibilities in respect of 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company 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 United Kingdom Accounting Standards, comprising FRS 102, 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 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 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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going concern

In preparing these financial statements on a going concern basis the directors have prepared forecasts, taking into account the impact of reasonably possible fluctuations arising from future events in general and the impact of Brexit and COVID-19 in particular.

As a result of the assessments made, the directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future and accordingly that the going concern basis of preparation is appropriate.

Directors' report (continued)

Going concern (continued)

After making appropriate enquiries and as a result of assessments made, the directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the preparation of the financial statements.

Post balance sheet events

The Company has no post balance sheet events requiring adjustments to the financial statements.

Independent auditors

The Company has elected, in accordance with Section 487 of the Companies Act 2006, to dispense with the obligation to appoint auditors annually. PricewaterhouseCoopers LLP has indicated their willingness to remain in office.

On behalf of the Board

E-SIGNED by Claude Sarfo-Agyare
on 2021-05-20 08:17:43 GMT

C Sarfo-Agyare,
Chief Financial Officer
20 May 2021

Independent auditors' report to the member of Lifestyle Services Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, Lifestyle Services Group 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 for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); 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 profit and loss account, 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.

Independent auditors' report to the member of Lifestyle Services Group Limited (continued)

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, 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.

Independent auditors' report to the member of Lifestyle Services Group Limited (continued)

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 failure to comply with UK tax regulations and breaches of UK regulatory principles, such as those governed 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 to manipulate financial performance and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Reviewing relevant meeting minutes of the Board; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

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.

Independent auditors' report to the member of Lifestyle Services Group Limited (continued)

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.



Gary Shaw (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
20 May 2021

Profit and loss account

For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Turnover	3	178,673	196,685
Cost of sales		(124,861)	(135,856)
Gross profit		<u>53,812</u>	<u>60,829</u>
Administrative expenses		<u>(40,546)</u>	<u>(45,037)</u>
Operating profit	6	13,266	15,792
Income from shares in group undertakings		-	1,831
Interest receivable and similar income	4	199	327
Interest payable and similar expense	5	(69)	(79)
Profit before taxation	6	<u>13,396</u>	<u>17,871</u>
Taxation on profit	10	(2,376)	(2,932)
Profit for the financial year		<u><u>11,020</u></u>	<u><u>14,939</u></u>

All results for the years shown relate to continuing operations.

The Company has no items of other comprehensive income in either the current year or preceding years other than those included in the profit and loss account above, and therefore no separate statement of comprehensive income has been presented.

The notes on pages 21 to 36 are an integral part of these financial statements.

Balance sheet

As at 31 December 2020

Registered Number 05114385

	Note	2020 £'000	2019 £'000
Assets			
Fixed assets			
Tangible assets	11	1,706	1,266
Investments (unlisted)	12	36,949	36,949
		<u>38,655</u>	<u>38,215</u>
Current assets			
Debtors - amounts falling due within one year	13	62,180	34,185
- amounts falling due after more than one year	13	9,561	11,205
Cash at bank and in hand		3,554	17,032
		<u>75,295</u>	<u>62,422</u>
Creditors: amounts falling due within one year	15	<u>(30,129)</u>	<u>(25,234)</u>
Net current assets		<u>45,166</u>	<u>37,188</u>
Total assets less current liabilities		<u>83,821</u>	<u>75,403</u>
Creditors: amounts falling due after more than one year	16	-	(2,602)
Net assets		<u>83,821</u>	<u>72,801</u>
Capital and reserves			
Called up share capital	17	48,239	48,239
Profit and loss account		35,582	24,562
Total shareholder's funds		<u>83,821</u>	<u>72,801</u>

The notes on pages 21 to 36 are an integral part of these financial statements.

The financial statements on pages 18 to 36 were approved and authorised for issue by the Board of Directors on 20 May 2021 and were signed on its behalf by:

E-SIGNED by Claude Sarfo-Agyare
on 2021-05-20 08:17:53 GMT

C Sarfo-Agyare,
Chief Financial Officer

Statement of changes in equity

For the year ended 31 December 2020

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2019	48,239	9,623	57,862
Profit and total comprehensive income for the financial year	-	14,939	14,939
At 31 December 2019	<u>48,239</u>	<u>24,562</u>	<u>72,801</u>
Profit and total comprehensive income for the financial year	-	11,020	11,020
At 31 December 2020	<u>48,239</u>	<u>35,582</u>	<u>83,821</u>

The notes on pages 21 to 36 form an integral part of these financial statements.

Notes to the financial statements

Lifestyle Services Group Limited is a private company limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given under company information on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic report on pages 2 to 8.

1. Accounting policies

a. Basis of preparation and statement of compliance

These financial statements have been prepared under the provisions of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI 2008/410") and the provisions of Companies Act 2006. The financial statements have been prepared on the historical cost basis, except for the measurement at fair value of certain financial instruments, and in accordance with Financial Reporting Standard 102 (FRS 102) and Financial Reporting Standard 103 (FRS 103) issued by the Financial Reporting Council (FRC).

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its ultimate parent, Assurant, Inc., which may be obtained from the address given in note 20. As permitted by section 1.12 of FRS 102, exemptions have been taken in these financial statements in relation to presentation of a cash flow statements and remuneration of key management personnel, financial instruments and certain share-based payments disclosures. As the Company is a wholly owned subsidiary it has taken advantage of the exemption permitted in FRS 102 Section 33 Related Party Disclosures, not to disclose transactions or balances with other wholly owned members of the same group.

The Company has taken advantage of the exemption from preparing consolidated financial statements, under the Companies Act 2006 Part 15 Section 401, as the results of the Company and all of its subsidiaries are consolidated in the financial statements of the ultimate parent undertaking, which are publicly available, as referred to in note 20.

b. Functional and presentation currency

The functional currency of the Company is considered to be pounds sterling (GBP) since that is the currency of the primary economic environment in which the Company operates. The presentational currency of the financial statements is also pounds sterling. Except as otherwise indicated, all financial information presented is in GBP and has been rounded to the nearest thousand (£'000).

c. Going concern

Having assessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

d. Turnover

Turnover represents amounts derived from the provision of goods and services falling within the Company's ordinary activities after deduction of value added tax and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the client.

Turnover is measured at the fair value of the consideration received or receivable. Turnover from goods relates to the sale of handsets and similar items and is recognised when the goods are delivered to the buyer. Turnover from services relates to the provision of management services to group companies and is recognised as earned.

Notes to the financial statements

1. Accounting policies (continued)

e. Cost of sales

Cost of sales represents the value of the inventory as recharged from a group undertaking that is used in servicing customer claims and cost incurred to provide services offered by the Company. Cost of sales is recognised in the profit and loss account when revenue is recognised in accordance with the revenue recognition policy. The Company does not hold any inventory on its balance sheet.

f. Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of corporation tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

g. Tangible Assets

Tangible fixed assets are stated at their purchase cost, together with any incidental expenses of acquisition. Depreciation is provided on all tangible fixed assets as well as accumulated impairment losses, so as to write off the cost and impairment, if any, less the expected residual value over the expected useful life of the assets concerned.

The Company has only one category of tangible assets; IT hardware and software. Depreciation is provided for on these assets over 3 to 4 years using straight-line method.

Repairs and maintenance costs are expensed as incurred.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Tangible assets are derecognised on disposal or when no further economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit and loss account.

Notes to the financial statements

1. Accounting policies (continued)

h. Investments (unlisted)

Investments in subsidiary undertakings are included in the balance sheet at cost, unless their value has been impaired, in which case they are valued at the higher of their realisable value or value in use.

i. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

j. Employee benefits

The Company contributes to a group-wide defined contribution scheme. The assets of the scheme are held separately from the Company in an independently administered fund. Pensions costs are accounted for on the basis of contributions payable during the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

k. Provision for liabilities

Provisions are recognised when the Company has a legal or constructive obligation as the result of a past act and it is probable that an outflow of resources will occur. Provisions are only recognised when a reliable estimate of the size of any outflow can be made.

l. Financial instruments

Financial assets and liabilities

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

All financial assets are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the profit and loss account, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. The Company holds only basic financial assets that include trade and other receivables, cash and bank balances. Such assets are subsequently carried at amortised cost using the effective interest method

Financial assets and liabilities are only offset in the balance sheet when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Notes to the financial statements

1. Accounting policies (continued)

l. Financial instruments (continued)

The Company holds only basic financial liabilities that include loans and payables that are classified as payable within one year on initial recognition and are measured at the undiscounted amount of the cash or other consideration expected to be paid. Financial liabilities are subsequently measured at amortised cost using effective interest rate method.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

m. Impairment of assets

Assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the profit and loss account as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. The recoverable amount 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 or cash generating unit (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the profit and loss account. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit and loss account.

Financial assets

At each reporting date the Company assesses whether financial assets are impaired. A financial asset is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably. For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. All such impairment losses are recognised in profit and loss account.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset only to the extent that the revised recoverable value does not exceed the carrying value had no impairment been recognised.

Notes to the financial statements

n. Foreign currencies

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the rates of exchange ruling at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the rates of exchange ruling at the time of the transaction and no subsequent retranslations of the assets or liabilities are made. Revenue transactions in foreign currencies are translated to the functional currency at an average rate for the year. Exchange gains and losses on retranslation or settlement of foreign currency balances are recognised in the profit and loss account.

The Company itself has no overseas operations.

o. Leases

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Finance lease

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Such assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Operating lease

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals due under operating leases are charged to the profit and loss account for the period to which the lease term relates.

p. Research and development

Research and development expenditure is written off as incurred, except for projects that meet the capitalisation criteria of the Company.

q. Share based payment

The Company's employees participate in a number of equity-settled and cash-settled share-based compensation plans run by the Company's ultimate parent.

Equity-settled arrangements are measured at fair value (excluding the effect on non-market based vesting conditions) at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares that will vest.

Notes to the financial statements

1. Accounting policies (continued)

q. Share based payment (continued)

Where equity-settled arrangements are modified, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of modification to date of vesting. Where a modification is not beneficial to the employee there is no change to the charge for share-based payment. Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the profit and loss account.

r. Dividends

Dividends unpaid at the Balance Sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2. Critical accounting judgements and key sources of estimation uncertainty

Accounting judgements

In the course of preparing the financial statements, following material judgements have been made in the process of applying the Company's accounting policies, other than those involving estimations that have had a significant effect on the amounts recognised in the financial statements.

Leases

The Company determined based on the criteria in section 20 of FRS 102, that the lease of office buildings in Crewe and lease of vehicles do not constitute a finance lease. Management believes that these arrangements do not transfers substantially all the risks and rewards incidental to ownership of the underlying asset. These arrangements have been classified and accounted for in these financial statements as operating leases.

Accounting estimates

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make estimates and assumptions in relation to the carrying amounts of material assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors, including expectations of future events that are considered to be reasonable and relevant under the circumstances. Actual results may differ from these estimates.

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

Investments (unlisted)

At each reporting date a review is performed to assess whether there is any indication that any of the investments may be impaired. If an indication of impairment is identified the Company calculates the recoverable amount of the investment. Where the recoverable amount of the investment is lower than the carrying amount an impairment charge is recognised.

A level of judgement is required in the assessment of whether indicators of impairment exist in relation to each investment and consequently whether the recoverable amount of the investment should be reviewed. Judgement is also required in the selection of an appropriate discount rate to adjust for risk and the time value of money when calculating the investment's recoverable amount.

No impairment charge has been recognised in the year in respect of the Company's investment. The investment valuation was assessed based on discounted cash flows arising from the activities of the subsidiary companies. A discount rate of 7.6% (2019: 6.5%) was applied, being the weighted average cost of capital of the ultimate parent undertaking, Assurant, Inc. The investment value is materially sensitive to the discount rate

Notes to the financial statements

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

and growth rate. In an unlikely extreme scenario of reduction in business volumes and increase of discount rate to 10.6% would not give rise to any impairment (2019: impairment £881,000).

Impairment of financial assets

At each reporting date a review is performed to assess whether there is any indication that any financial assets are not recoverable. If any balances are not recoverable then a provision is made for the non-recoverable proportion. To assess recoverability of the trade debtors the following are reviewed; aging of the balances, customer payment history, the creditworthiness of the customer and the contract life.

Share based payments

Estimating the fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. Fair values of grants are estimated using Black-Scholes option-pricing model and Monte Carlo simulation model using appropriate assumptions.

3. Turnover

	2020 £'000	2019 £'000
Sale of goods to fellow group undertakings	109,843	101,526
Sale of goods to external parties	861	874
Rendering of services to fellow group undertakings	49,654	53,007
Rendering of services to external parties	18,315	41,278
	<u>178,673</u>	<u>196,685</u>

Analysis by geographic area

	2020 £'000	2019 £'000
United Kingdom and Republic of Ireland	178,673	196,619
Rest of Europe	-	-
Rest of the world (excluding Europe)	-	66
	<u>178,673</u>	<u>196,685</u>

4. Interest receivable and similar income

	2020 £'000	2019 £'000
Interest receivable on group loans	164	259
Other interest	35	68
	<u>199</u>	<u>327</u>

5. Interest payable and similar expense

	2020 £'000	2019 £'000
Interest payable on group loans	69	77
Finance lease and hire purchase contracts	-	2
	<u>69</u>	<u>79</u>

Notes to the financial statements

6. Operating profit before taxation

Operating profit is stated after charging/(crediting):

	2020 £'000	2019 £'000
Depreciation of tangible fixed assets	902	711
Foreign exchange (gain)/loss	(987)	463
Research and development expenditure	745	683
Operating lease rentals - land and buildings	692	752
- Plant and machinery (including short-term hire plant and machinery)	110	180

The analysis of independent auditors' remuneration is as follows:

Fees payable to the Company's auditors for the audit of the Company's annual financial statements	87	80
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There are no amounts paid to the Company's auditors and their associates in respect of services to the Company and its subsidiaries, other than the audit of financial statements disclosed above.

7. Directors' Remuneration

The aggregate amount of Directors' remuneration was £1,414,000 for the year to 31 December 2020 (2019: £1,588,000). Directors' remuneration was as follows:

	2020		2019	
	All directors £'000	Highest paid director £'000	All directors £'000	Highest paid director £'000
Emoluments	1,099	421	1,275	568
Contributions to defined contribution pension schemes	47	12	28	-
Loss of office	-	-	-	-
Long-term incentive schemes (see note 8)	268	157	285	242
Total	1,414	590	1,588	810

The number of directors who are entitled to receive shares in the ultimate parent undertaking, Assurant, Inc., under long-term incentive schemes in the year was 3 (2019: 2).

The number of directors to whom retirement benefits are accruing under the portable defined contribution pension scheme during the year was 4 (2019: 3).

8. Staff costs

	2020 £'000	2019 £'000
Wages and salaries	28,820	24,273
Social security costs	2,632	2,160
Other pension costs	1,197	966
Share based payments	941	100
	33,590	27,499

Notes to the financial statements

8. Staff costs (continued)

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

	2020 number	2019 number
Average number of employees during the year		
Management and supervision	164	174
Other	582	608
	746	782

Staff costs are included in Administrative expenses.

Share based payments

The Company has taken advantage of certain share based payment disclosure exemptions available under FRS 102 as these disclosures are included in the published consolidated financial statements of its ultimate parent.

These disclosures are:

- Reconciliation of number and weighted average exercise prices of share options;
- Valuation methodology (including reasons) to measure the fair value of services received under equity-settled share based payment arrangements; and
- Modifications to share based payment arrangements during the year.

Employee Stock Purchase Plan (ESPP)

The Company provides an Employee Stock Purchase Plan to all employees. This allows employees of the Company to purchase shares in the ultimate parent Company, Assurant, Inc..

The ESPP operates under the following rules:

Contribution periods

Each calendar year there are two six-month offering periods (1 January to 30 June and 1 July to 31 December) and the shares are purchased at the end of each offering period.

Contribution/saving rules

For each pay period, an employee of the Company can contribute between 1% and 15% of base salary toward the purchase of Assurant, Inc., stock. The maximum contribution amount is US \$7,500 per offering period, for a total of US \$15,000 per year. The maximum number of shares that can be purchased, per employee, in any one offering period is 5,000. Contributions are deducted from pay on a post-tax basis.

Purchase price

The purchase price of the shares will be 90% of the lower of:

- The closing price of Assurant, Inc. stock on the offering date - the first day of trading of the offering period; and
- The closing price of Assurant, Inc. stock on the purchase date - the last day of trading of the offering period.

Other

The employee must be employed by the Company on the last day of the offering period in order to purchase Assurant, Inc. stock under the ESPP.

Notes to the financial statements

8. Staff costs (continued)

Share based payments (continued)

Employee Stock Purchase Plan (ESPP) (Continued)

The costs of administering the plan are borne by the ultimate parent Company, Assurant, Inc. with the Company incurring the cost of the Employee Share Savings Plan for its UK based employees only. At 31 December 2020, the total charge to the Company for the ESPP was £164,000 (2019: £64,000).

The Assurant Long-Term Equity Incentive Plan

The Company provides a Long-Term Incentive Plan (ALTEIP) to directors of the Company to share in the Group's success and the value created over the long-term. Awards are granted to employees within the plan to provide Restricted Share Units (RSU) and Performance Share Units (PSU) to provide shares in the Company's ultimate parent, Assurant, Inc. Issue of actual shares occurs at the end of vesting period or performance period. Under ALTEIP, Assurant, Inc.'s CEO is authorised to grant RSUs to employees other than directors.

The ALTEIP operates under the following rules:

Each year, participants will receive an incentive award from the plan. The award is in the form of RSUs and PSUs.

The RSUs granted to employees is based on an individual's performance, their role in and contributions to the organisation and overall compensation level. RSUs vest over a three-year period on the anniversary of the grant date, with a third of the award vesting each year participants are employed by Assurant over the three-year award cycle. RSUs receive dividend equivalents in cash during the restricted period and do not have voting rights during the restricted period. RSUs granted to non-employee directors also vest one-third each year over a three-year period; however, issuance of vested shares and payment of dividend equivalents is deferred until separation from Board service.

PSUs accrue dividend equivalents during the performance period based on a target pay-out and are paid in cash at the end of the performance period based on the actual number of shares issued.

For the PSU portion of the award, Assurant, Inc., performance is measured against specific metrics, with a performance target established for each metric.

The metrics for 2020 and 2019 awards are based on total shareholder return and net operating earnings per diluted share ("EPS") excluding catastrophes, as two equally weighted performance measures. Total shareholder return is defined as appreciation in AIZ's common stock plus dividend yield to stockholders and will be measured by the performance of the Company relative to the S&P 500 Index over the three year performance period. EPS is an absolute metric that is measured against a three-year cumulative target established by the AIZ Compensation Committee at the award date and is not tied to the performance of peer companies.

Notes to the financial statements

8. Staff costs (continued)

Share based payments (continued)

The Assurant Long-Term Equity Incentive Plan (continued)

At the end of the three-year performance period, the number of shares a participant will receive from their PSUs will depend on how Assurant, Inc. performs against these pre-established metric goals and by measuring performance against the average performance of companies included in the S&P Total Market Index.

If a participant leaves the Company before the end of the vesting period for RSUs or the third anniversary of the PSU grant date, they will forfeit all unvested units or those units for which the employment or performance period has not been completed, subject to termination provisions within the scheme.

The costs of administering the plan are borne by the ultimate parent Company, Assurant, Inc., with the Company indirectly incurring the cost of the awards, as the cost of the rights are included in the management fees charged to it by a related undertaking.

For the year ended 31 December 2020 the Company recognised total expenses of £941,000 (2019: £615,000) in respect to the ALTEIP.

9. Pension costs

The Company participates in a group-wide defined contribution pension scheme. The pensions cost for the year represents contributions payable by the Company to the scheme and amounted to £1,197,000 (2019: £966,000). There were total contributions payables at the year-end of £206,000 (2019: £188,000).

10. Taxation on profit

a) Analysis of charge for the year

	2020 £'000	2019 £'000
UK Corporation tax at 19% (2019: 19%)	1,381	1,504
Group relief payment	1,206	1,510
Adjustments in respect of prior years	(62)	(189)
Total current tax charge	<u>2,525</u>	<u>2,825</u>
Deferred tax (note 14)		
Current	(46)	50
Effect of change in tax rate	(29)	-
Adjustment in respect of prior years	(74)	57
Total deferred tax (credit)/charge	<u>(149)</u>	<u>107</u>
Total taxation charge	<u><u>2,376</u></u>	<u><u>2,932</u></u>

Within the tax charge for the financial year is a credit of £136,000 (2019: £132,000) relating to adjustments to prior years.

Notes to the financial statements

10. Taxation on profit (continued)

b) Factors affecting the tax charge for the year

The tax charge for the year is lower (2019: lower) than the standard rate of corporation tax of 19% (2019: 19%). The differences are explained below:

	2020 £'000	2019 £'000
Profit on ordinary activities before tax	<u>13,396</u>	<u>17,871</u>
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	2,545	3,395
Effects of:		
Expenses not deductible for tax purposes	5	24
Reduction in tax rate	(29)	(6)
Timing differences not recognised in prior years	(75)	57
Group Relief not paid	(9)	-
Adjustment in respect of prior years	(61)	(190)
Non-taxable dividends	-	(348)
Total tax charge for the year	<u>2,376</u>	<u>2,932</u>

c) Factors affecting current and future tax charges

The UK corporation tax rate for the year was 19% (2019: 19%). No changes to the corporation tax rate for future periods have been substantively enacted, however, the UK Government has announced its intention to increase the UK corporation tax rate to 25% from 1 April 2023. This will have the impact of increasing the tax charge in the future.

11. Tangible assets

IT hardware and software	2020		Net book value £'000
	Cost £'000	Accumulated Depreciation £'000	
As at 1 January	3,410	(2,144)	1,266
Additions/(depreciation charge for the year)	1,342	(902)	440
As at 31 December	<u>4,752</u>	<u>(3,046)</u>	<u>1,706</u>

Net book value of above assets as at 31 December 2019 was £1,266,000.

Depreciation on these tangible assets is included in Administrative expenses.

The Company has leased printers on leases which are considered to meet the definition of finance leases and are accounted for accordingly. The net book value of leased assets capitalised in tangible assets as at 31 December 2020 was £nil (2019: £nil).

Notes to the financial statements

12. Investments - unlisted

Shares in subsidiary undertaking	2020		
	Cost £'000	Accumulated Impairment £'000	Net book value £'000
As at 1 January	49,108	12,159	36,949
Additions/charges	-	-	-
As at 31 December	49,108	12,159	36,949

The net book value of above assets as at 31 December 2019 was £36,949,000.

All of the interests in subsidiary undertakings are of unlisted equity instruments.

At each reporting date a review is performed to assess whether there is any indication that any of the investments may be impaired. If an indication of impairment is identified the Company calculates the recoverable amount of the investment. Where the recoverable amount of the investment is lower than the carrying amount an impairment charge is recognised.

A level of judgement is required in the assessment of whether indicators of impairment exist in relation to each investment and consequently whether the recoverable amount of the investment should be reviewed. Judgement is also required in the selection of an appropriate discount rate to adjust for risk and the time value of money when calculating the investment's recoverable amount.

The calculation of the recoverable amount includes an estimation of future cash flows and there is inevitably a degree of uncertainty inherent in these estimates.

Management are satisfied that the judgements and estimates made in relation to investment impairment reviews are reasonable. No impairment was determined and recorded in the profit and loss account for the year ended 31 December 2020 (2019: £nil).

Undertakings in which the Company holds 100% of the nominal value of ordinary shares and voting rights are as follows:

Subsidiary	Principle activity	Info
STAMS Limited	Ceased trading	a.
Digital Services (UK) Limited	Insurance administration	a.
Assurant Device Care Limited	Stock management	a.
Assurant Holdings France SAS	Holding company	b.
CWI Group SAS*	Holding company	b.
Assurant France SAS*	Insurance administration	b.
CWI Distribution SAS*	Insurance administration	b.

Ordinary shares entitle the owner to participate in dividends and to share in the proceeds of winding up of the Company in proportion to the number of shares and the amounts paid on the shares held.

* indirectly held

a. Incorporated in England and Wales with registered address: Emerald Buildings, Westmere Drive, Crewe, Cheshire, CW1 6UN, United Kingdom.

b. Incorporated in France with registered address: 45 Rue Denis Papin, Lotissement le Tourillon Les Milles, 13000, Aix-en-Provence, France.

Notes to the financial statements

13. Debtors

	2020 £'000	2019 £'000
Trade debtors	17,699	3,505
Amounts owed by group undertakings	45,202	28,819
Deferred tax asset (see note 14)	319	170
Corporation tax recoverable	3,973	1,983
Other taxes and social security	1,668	1,144
Prepayments and accrued income	2,778	9,616
Other debtors	102	153
	<u>71,741</u>	<u>45,390</u>

Debtors include amounts owed by group undertakings of £9,561,000 (2019: £11,205,000) which are due after more than one year. Amounts owed by group undertakings include interest bearing loans of £9,561,000 (2019: £11,205,000). Interest is charged at a rate of 2.79% (2019: 2.79%) on these loans. All other amounts owed by group undertakings are non-interest bearing and repayable on demand. None of the above financial assets have been determined to be impaired based on the impairment factors used by the Company.

14. Deferred tax asset

	2020 £'000	2019 £'000
Accelerated capital allowances	283	138
Other timing differences	36	32
Undiscounted deferred tax asset	<u>319</u>	<u>170</u>
At 1 January	170	277
Credited/(charged) to the profit and loss account	149	(107)
At 31 December	<u>319</u>	<u>170</u>

The UK corporation tax is currently 19% and, accordingly, has been used as the deferred tax rate in these financial statements to calculate the Company's deferred tax assets/liabilities as at 31 December 2020. As announced in the Budget recently, the corporation tax rate will rise to 25% from 1 April 2023, however this has not been substantively enacted. This will have the impact of increasing the deferred tax asset/ liability in the future.

15. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	487	3,722
Amounts owed to group undertakings	13,695	4,529
Obligations under finance leases and hire purchase contracts	-	-
Accruals and deferred income	15,936	16,983
Other creditors	11	-
	<u>30,129</u>	<u>25,234</u>

Amounts owed to group undertakings includes an unsecured group loan of £2,671,000 (2019: £2,602,000). Interest was charged at a rate of 2.84% (2019: 3.05%) throughout the loan, this loan was disclosed in amounts falling due after one year in 2019. All amounts owed to group undertakings are unsecured and non-interest bearing. These amounts are fully repayable on demand.

Notes to the financial statements

16. Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Amounts owed to group undertakings	-	2,602

The 2019 balance includes an unsecured group loan that is included in amounts falling due within one year in 2020.

17. Called up share capital

	2020 £'000	2019 £'000
Allotted, called up and fully paid:		
48,238,850 (2019: 48,238,850) ordinary shares of £1 each	48,239	48,239

The Company has one class of ordinary shares which carry no right to fixed income. Ordinary shares entitle the holder to participate in dividends and to share in the proceeds of the winding up of the Company, in proportion to the number of and amounts paid on the shares held.

Capital requirements for the Company are 2.5% of annualised income as set by the FCA. The capital requirement is based on the income of the Company. The Company has met all externally imposed capital requirements in the year (2019: met).

18. Dividends

No dividends were declared and paid in respect of the year ended 31 December 2020 (2019: £nil).

The Company's subsidiaries may be subject to restrictions on the amount of dividend they can pay to shareholders as a result of local regulatory requirements. However, based on the information currently available, the Company does not believe that such restrictions materially impact the ability to meet obligations or pay dividends.

19. Other financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Operating leases which expire:				
within one year	692	692	77	43
between two and five years	927	2,702	86	54
after five years	-	2,987	-	-
	<u>1,619</u>	<u>6,381</u>	<u>163</u>	<u>97</u>

The Company has issued two guarantees on behalf of one of its subsidiaries, Assurant Device Care Limited (ADC). The Company is liable to indemnify the lessor should ADC fail to meet its obligation under a lease agreement. A call on these guarantees is improbable, therefore no provision has been recognised in the financial statements.

The Company had no other off-balance sheet arrangements or financial commitments.

Notes to the financial statements

20. Immediate and ultimate parent undertakings

The immediate parent undertaking is Assurant Group Limited, a company registered in England and Wales.

The ultimate parent undertaking is Assurant, Inc., a publicly listed company on the New York Stock Exchange, registered in Delaware, United States of America. Assurant, Inc., is the smallest and largest group to consolidate these financial statements.

Copies of the consolidated financial statements can be obtained from the Company Secretary, Assurant, Emerald Buildings, Westmere Drive, Crewe, Cheshire, CW1 6UN.

21. Subsequent events

Subsequent to the year end the Company declared and paid a dividend of £12,000,000 to its immediate parent, Assurant Group Limited.

There were no other significant events occurring after the balance sheet date that would have a material impact on the Company's results of operations, financial position and cash flows.