

Company registration number 04013396

BUDDIES ENTERPRISES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
2019

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Buddies Enterprises Limited

Contents

Page

2	Strategic Report
4	Directors' Report
6	Independent Auditors' Report to the Members of Buddies Enterprises Limited
8	Statement of Comprehensive Income
9	Statement of Financial Position
10	Statement of Changes in Equity
11	Notes to Financial Statements

Registered office

57 Ladymead, Guildford
Surrey GU1 1DB

Registered in England and Wales No. 04013396

Buddies Enterprises Limited
Strategic Report
For the year ended 31 December 2019

Principal activities

The principal activity of Buddies Enterprises Limited (the "Company"), which is authorised and regulated within the United Kingdom ("UK") by the Financial Conduct Authority, is providing intermediary services for the provision of pet insurance solutions to individuals via breeders and other third parties. All such insurance solutions are underwritten by the immediate parent company Fairmead Insurance Limited (formerly Legal & General Insurance Limited) (the "parent Company") and are provided within the UK and Channel Islands.

Review of the Business

The Company continued to focus on the development of its strategy to increase the number of breeders in its network. This year has been another challenging year given the competition from other pet insurance providers in the market although commission revenue increased by 20% from 2018.

The Company announced the closure of the Corby office at the end of the year. All operations have transferred to the Birmingham location of the parent Company.

Significant event in the year

On 31 December 2019, the Company's immediate parent was acquired by Allianz Holdings Plc and ownership was subsequently transferred to a subsidiary of Allianz Holdings Plc, Liverpool Victoria General Insurance Group ("LVGIG") on 1 January 2020. The Company is now part of the wider Allianz Group of companies, whose ultimate parent is Allianz SE.

Result for the year

The result of the Company for the year was a loss before tax of £316,047 (2018: £508,924 loss), details of which are set out on page 8.

Financial key performance indicators

In addition to the pre-tax performance noted above, other key financial measures monitored by the Board of Directors (the 'Board') are as follows:

	2019	2018
Policies Sold	8,562	8,120
Commission Revenue (£)	1,040,105	865,038

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are noted below.

Market and Economic Conditions

Competitor activity and changes in customer buying patterns could have an impact on the achievement of sales targets.

Confidence in the Financial Services sector and specifically Buddies Enterprises Limited

Events in the financial services sector outside the control of the Company and the Group may have an impact on earnings and profitability. Historically such events have included:

- Failings by competitors;
- Actions by regulators within the industry; and
- Adverse media coverage.

Buddies Enterprises Limited
Strategic Report (continued)
For the year ended 31 December 2019

Regulation and Legislation

There are a number of aspects to the way in which legislation and regulation impacts the Company's business. These include:

- Government fiscal policy; and
- Regulation of product design, marketing, sales and administration.

The Company's activities and strategies are always based upon prevailing legislation and regulation. However, significant changes in legislation, and differing interpretation and application of regulation over time, may have a detrimental effect on the Company's strategy and profitability.

COVID-19

The Company is an intermediary in the pet market place. Given that COVID-19 is not expected to impact patterns of pet ownership or pet morbidity, we do not envisage any immediate disruption to the business, albeit appreciate that consumer behaviour may change should the level of economic uncertainty increase. As set out in the Going Concern disclosure below, the Company's immediate parent Company has committed to providing additional financial support if required.

Going Concern

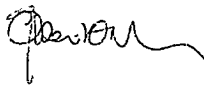
The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, including the potential impact of the measures currently being implemented by the Government to deal with the Covid-19 pandemic, the Company will have sufficient funds, including through funding from its parent Company if required, to meet its liabilities as they fall due for that period.

The parent Company has committed to providing additional financial support if required during that period. Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and consequently have prepared the financial statements on a going concern basis. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on these indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

By Order of the Board



C. J. Wren-Kirkham
Director
26 March 2020

Buddies Enterprises Limited
Directors' Report
For the year ended 31 December 2019

The directors present their annual report together with the audited financial statements of Buddies Enterprises Limited ("the Company") for the year ended 31 December 2019.

Result for the year and dividend

The result of the Company for the year was a loss before tax of £316,047 (2018: £508,924 loss), details of which are set out on page 8. The directors do not recommend any dividend payment in 2019 (2018: £nil).

Going concern

During the year, the Company has made a loss after tax of £265,457 (2018: £412,543 loss). The Company's parent has indicated that it is committed to providing continued financial support to the Company, to ensure that the Company's liabilities can be met as they fall due and ensure regulatory capital requirements are met. The directors of the Company therefore consider the going concern basis of accounting to be appropriate.

Financial Risk Management

The Company's exposure to financial risk through its financial assets and liabilities is not considered material to the assessment of the Company's assets, liabilities, financial position and the profit and loss of the Company.

Political Donations

The Company made no political donations and incurred no political expenditure during the year.

Directors

The directors of the Company in office during the year and up to the date of the signing of the financial statements were:

C. Hurley
C. J. Wren-Kirkham
N. J. Thornhill
C. M. Agius (resigned 31 July 2019)
A. Levine (resigned 5 September 2019)
M. B. Metaxas (resigned 5 September 2019)

Secretary

R. C. Jack-Kee

On 1 January 2020, R. C. Jack-Kee was appointed to replace Legal & General Co Sec Limited as Company Secretary following the change in ownership of the parent Company.

Directors' Indemnities and Insurance

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year, and an indemnity is currently in force and since the change in ownership. The ultimate parent company, Allianz SE, maintains an appropriate level of Directors' and Officers' liability insurance which is reviewed annually.

Modern Slavery Statement

Allianz Holdings Plc Group of companies ("Allianz UK") recognise that companies have an obligation to ensure that their business and supporting supply chains are slavery free.

Allianz UK's full modern slavery statement can be found at www.allianz.co.uk.

Independent Auditors

In 2018, KPMG LLP were appointed as the Company's external auditor. There is no requirement under the Companies Act or the Company's Articles of Association to hold an Annual Meeting or lay the Company's Report and Financial Statements before the shareholders.

KPMG LLP will resign as auditors after the completion of their audit in respect of financial year ended 31 December 2019. The Company is currently in the process of appointing a new auditor.

Buddies Enterprises Limited
Directors' Report (continued)
For the year ended 31 December 2019

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

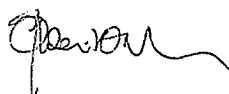
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By Order of the Board



C. J. Wren-Kirkham
Director
26 March 2020

Independent Auditors' Report to the Members of Buddies Enterprises Limited For the year ended 31 December 2019

Report on the financial statements

Opinion

We have audited the financial statements of Buddies Enterprises Limited ("the Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the director's report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditors' Report to the Members of Buddies Enterprises Limited (continued)
For the year ended 31 December 2019

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.


Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Salim Tharani (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
27 March 2020

Buddies Enterprises Limited
Statement of Comprehensive Income
For the year ended 31 December 2019

	Note	2019	2018
		£	£
Revenue		1,213,692	865,038
Cost of sales		(741,386)	(373,324)
Gross profit		<u>472,306</u>	<u>491,714</u>
Administrative expenses		(2,013,955)	(1,001,900)
Interest receivable and similar income		7,710	1,262
Other income		1,217,892	-
Loss before taxation		<u>(316,047)</u>	<u>(508,924)</u>
Tax on loss	7	50,590	96,381
Loss for the year and total comprehensive expense		<u>(265,457)</u>	<u>(412,543)</u>

The activities of the Company relate entirely to continuing operations.

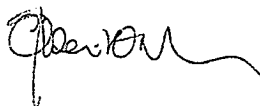
The notes on pages 11 to 19 are an integral part of the financial statements.

Buddies Enterprises Limited
Statement of Financial Position
For the year ended 31 December 2019

	Note	2019 £	2018 £
Assets			
Intangible assets	8	-	74,474
Tangible assets	9	-	125,047
Right-of-use assets	15	-	-
Deferred tax assets	13	15,214	-
Trade and other receivables	10	101,316	292,180
Cash and cash equivalents	11	13,259,447	916,434
Total assets		13,375,977	1,408,135
Liabilities			
Trade and other payables	12	12,619,337	849,848
Provisions	16	164,574	-
Other financial liabilities	14	448,392	448,392
Deferred tax liabilities	13	-	764
Total liabilities		13,232,303	1,299,004
Net assets		143,674	109,131
Equity			
Called up share capital	17	6,000	5,813
Share premium account	17	611,249	311,436
Other reserves		102,751	102,751
Retained earnings		(576,326)	(310,869)
Total equity		143,674	109,131

The notes on pages 11 to 19 form an integral part of these financial statements.

The financial statements on pages 8 to 19 were approved by the directors on 26 March 2020 and were signed on their behalf by



C. J. Wren-Kirkham
 Director

Registered Company No. 04013396

Buddies Enterprises Limited
Statement of Changes in Equity
For the year ended 31 December 2019

	Called up share capital	Share Premium Account	Other reserves	Profit and Loss Account	Total Equity
	£	£	£	£	£
Balance at 1 January 2019	5,813	311,436	102,751	(310,869)	109,131
Issue of share capital	187	299,813	-	-	300,000
Loss for the year and total comprehensive expense	-	-	-	(265,457)	(265,457)
Balance at 31 December 2019	6,000	611,249	102,751	(576,326)	143,674

	Called up share capital	Share Premium Account	Other reserves	Profit and Loss Account	Total Equity
	£	£	£	£	£
Balance at 1 January 2018	5,750	61,499	102,751	101,674	271,674
Issue of share capital	63	249,937	-	-	250,000
Loss for the year and total comprehensive expense	-	-	-	(412,543)	(412,543)
Balance at 31 December 2018	5,813	311,436	102,751	(310,869)	109,131

The notes on pages 11 to 19 form an integral part of these financial statements.

Buddies Enterprises Limited
Notes to the Financial Statements
For the year ended 31 December 2019

1 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

The financial statements of Buddies Enterprises Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS101). The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006 as applicable to companies using FRS101. Buddies Enterprises Limited is a private limited company incorporated in the United Kingdom.

The preparation of financial statements in conformity with FRS101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience & other factors, including expectations of future events that are believed to be reasonable under the circumstances. This is particularly relevant to the estimation of the trade receivable impairment provision; the calculation of which applies the historical non-collection rates to the current amount receivable unless there are specific circumstances that indicate this is not appropriate.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS101:

- IFRS 7, 'Financial Statements: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1;
The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows)
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
 - 16 (a statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 40A-D (requirements for a third statement of financial position)
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases'. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

The Company has adopted IFRS 16 'Leases' retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. Disclosures relating to leases are in note 15.

Buddies Enterprises Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2019

1 Summary of significant accounting policies (continued)

(a) Basis of Preparation (continued)

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.95%.

Right of use assets are measured at an amount equal to the lease liability, adjusted by the amount of any pre-paid or accrued lease payments.

(b) Going Concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, including the potential impact of the measures currently being implemented by the Government to deal with the Covid-19 pandemic, the Company will have sufficient funds, including through funding from its parent Company if required, to meet its liabilities as they fall due for that period.

The parent Company has committed to providing additional financial support if required during that period. Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and consequently have prepared the financial statements on a going concern basis. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on these indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

(c) Revenue recognition

Revenue is stated excluding recoverable value added tax and represents retained commissions receivable. Commission receivable in respect of the Company's insurance broking services is brought into account at the later of the policy inception date or when the policy placement has been completed and confirmed. Where there is an expectation of future servicing requirements an element of income relating to the policy is deferred to cover the associated future obligation. A provision is also made for income received which is expected to be returned to the insurance provider as a result of policy cancellations. Revenue includes charges for the servicing of policies sold by the parent Company, incurred by the Company on behalf of the parent Company.

(d) 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.

(e) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Buddies Enterprises Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2019

1 Summary of significant accounting policies (continued)

(e) Income tax (continued)

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(f) Dividend recognition

A dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are authorised and are no longer at the discretion of the Company.

(g) Intangible assets

Purchased software and costs directly associated with the internal development of computer software are capitalised as intangible assets where the software is an identifiable asset controlled by the Company which will generate future economic benefits and where costs can be reliably measured. Costs incurred to establish technological feasibility or to maintain existing levels of performance are recognised as an expense as incurred.

Such intangible assets are stated at cost less cumulative amortisation and impairment losses. Amortisation begins when the asset becomes available for operational use and is charged to the income statement within administrative expenses on a straight-line basis over the estimated useful life of the software, which is considered to be 10 years. The amortisation periods used are reviewed annually.

Assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell, and its value in use.

(h) Tangible assets - plant and equipment

The initial cost of an item of plant or equipment is capitalised where it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The cost is then depreciated on a straight line basis over the item's estimated useful working life over 3 to 10 years.

The Company reviews the carrying value of plant & equipment at each statement of financial position date where there has been an indication that impairment has occurred. If the carrying value of an item of plant & equipment is impaired, the carrying value is reduced through a charge to the income statement.

(i) Debtors receivable and creditors payable

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in profit and loss account in other administrative expenses.

Buddies Enterprises Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2019

1 Summary of significant accounting policies (continued)

(j) Lease

At the inception of a contract, the Company assesses whether a 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. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: the contract involves the use of an identified asset; the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the Company has the right to direct the use of the asset. This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following: the amount of the initial measurement of lease liability; any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs; and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2 Auditors' remuneration

The auditors' remuneration in respect of the audit of the financial statements of the Company of £10,290 (2018: £10,000) was borne by the parent Company. There were no non-audit fees in the current year.

Buddies Enterprises Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2019

3 Segmental disclosure

All revenue, and related loss before tax, is derived from the principal trading activity of the Company, which is providing intermediary services for the provision of pet insurance solutions to individuals. All revenue derives from the UK and Channel Islands. Included within revenue is £173,587 (2018: £nil) relating to recharges made to the immediate parent Company for servicing policies.

4 Loss before tax

This is stated after (charging)/crediting:

	2019	2018
	£	£
Amortisation and impairment of intangible assets	(83,474)	(5,679)
Depreciation and impairment of tangible assets	(133,888)	(12,886)
Depreciation and impairment of right-of-use assets	(166,963)	0
Interest on lease liability	(6,595)	0
Operating lease payments	0	(25,808)
Management recharges	1,391,479	0

The right-of-use asset had been fully impaired during the year due to the planned closure of the Corby office.

Management recharges during the year include recharges for expenses incurred to service the immediate parent Company's policies, costs relating to the planned closure of the Corby office and impairment costs. These recharges are recognised either within revenue (£173,587) or as other income (£1,217,892) within the Statement of Comprehensive Income.

5 Employee information

The Company employed 24 employees during the year (2018: 18).

6 Directors' emoluments

Directors contracted directly with the Company received a remuneration package as outlined below. Directors whose primary employment is with the parent Group, have received remuneration for their directorship with the Company as part of their overall remuneration from that Group.

	2019	2018
	£	£
Aggregate emoluments	181,036	189,859
Aggregate money purchase contributions	4,567	1,405

7 Tax on loss

	2019	2018
	£	£
Current tax		
- Current tax for the year	(35,313)	(96,664)
- Adjustments in respect of prior years	701	-
Total current tax	<u>(34,612)</u>	<u>(96,664)</u>
Deferred tax		
- Movement in temporary differences	(15,587)	373
- Impact of reduction in UK corporate tax rate to 17% by 1 April 2020	(391)	(90)
Total deferred tax	<u>(15,978)</u>	<u>283</u>
Total tax credit	<u>(50,590)</u>	<u>(96,381)</u>

Buddies Enterprises Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2019

7 Tax on loss (continued)

The tax credit differs from the tax calculated at the standard UK corporation tax rate as follows:

	2019	2018
	£	£
Loss before tax	<u>(316,047)</u>	<u>(508,924)</u>
Corporation tax at 19% (2018: 19%)	(60,049)	(96,696)
Effects of:		
Expenses not deductible for tax purposes	8,486	405
Adjustment in respect of prior year current tax	701	-
Adjustment in respect of prior year deferred tax	663	-
Impact of reduction in UK corporate tax rate to 17% by 1 April 2020 on deferred tax balances	(391)	(90)
Total tax credit	<u>(50,590)</u>	<u>(96,381)</u>

8 Intangible Assets

	2019	2018
	£	£
Cost		
At 1 January	80,153	-
Additions	9,000	80,153
At 31 December	<u>89,153</u>	<u>80,153</u>
Accumulated amortisation		
At 1 January	5,679	-
Amortisation charge for the year	17,707	5,679
Impairment	65,767	-
At 31 December	<u>89,153</u>	<u>5,679</u>
Closing net book value	<u>-</u>	<u>74,474</u>
Opening net book value	<u>74,474</u>	<u>-</u>

Intangible assets have been fully impaired during the year due to the closure of the Corby office and transfer of all operations to the Birmingham office.

Buddies Enterprises Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2019

9 Tangible Assets

	Leasehold	Office	Motor	Total
	£	£	£	£
Cost				
At 1 January 2019	77,939	62,135	12,097	152,171
Additions	-	18,480	-	18,480
Disposals	-	-	(12,097)	(12,097)
At 31 December 2019	<u>77,939</u>	<u>80,615</u>	<u>-</u>	<u>158,554</u>
Accumulated depreciation				
At 1 January 2019	7,220	19,904	-	27,124
Depreciation charge for the year	7,794	12,266	2,458	22,518
Disposals	-	-	(2,458)	(2,458)
Impairment	62,925	48,445	-	111,370
At 31 December 2019	<u>77,939</u>	<u>80,615</u>	<u>-</u>	<u>158,554</u>
Closing net book value	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Opening net book value	<u>70,719</u>	<u>42,231</u>	<u>12,097</u>	<u>125,047</u>

Tangible assets have been fully impaired during the year due to the closure of the Corby office and transfer of all operations to the Birmingham office.

10 Trade and other receivables

	2019	2018
	£	£
Trade receivables	54,152	79,382
Amounts due from parent undertaking	-	100,163
Prepayments and other income	16,728	16,054
Corporation taxation receivable	30,436	96,581
	<u>101,316</u>	<u>292,180</u>

11 Cash and cash equivalents

2019	2018
£	£
13,259,447	916,434

Included within the cash and cash equivalents are amounts held on behalf of insurers of £12,869,169 (2018: £694,739).

12 Trade and other payables

	2019	2018
	£	£
Trade payables	44,659	50,866
Other tax and social security	18,400	16,865
Accruals and other payables	114,548	79,878
Deferred Income	52,184	71,272
Amount due to parent undertaking	12,235,986	630,967
Lease liability (note 15)	153,560	-
	<u>12,619,337</u>	<u>849,848</u>

Buddies Enterprises Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2019

13 Deferred tax asset/(liability)

	2019	2018
	£	£
At 1 January	(764)	(688)
Tax credited/(charged) to the income statement	15,978	(76)
At 31 December	<u>15,214</u>	<u>(764)</u>

Deferred taxation relates to depreciation in excess of capital allowances.

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the deferred tax asset as at 31 December 2019 has been calculated based on this rate.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the Company's future current tax charge accordingly and increase the deferred tax asset by £1,790.

14 Other financial liabilities

The loan of £448,392 (2018: £448,392) is due to the immediate parent Company. No interest is payable on the loan. The final repayment date is 18 January 2028.

15 Leases

Right-of-use assets - Building	2019
	£
At 1 January	-
Additions	166,963
Depreciation	(18,551)
Impairment	(148,412)
At 31 December	<u>-</u>

The Company leases an office building, where the contract is fixed until December 2027.

The right-of-use asset has been fully impaired during the year due to the closure of the Corby office.

Lease liability	2019	2018
	£	£
Maturity analysis - contractual undiscounted cash flow		
Not later than one year	20,600	24,000
After one year but not more than five years	88,768	96,000
After five years	73,814	95,342
Total undiscounted cash flow at 31 December	<u>183,182</u>	<u>215,342</u>

Lease liabilities included in the statement of financial position as at 31 December:

	2019
	£
Current	19,786
Non-current	133,774
	<u>153,560</u>

16 Provisions

	2019	2018
	£	£
Corby office closure costs	164,574	-

Provisions relate to costs associated with the planned closure of the Corby office.

Buddies Enterprises Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2019

17 Called up share capital and share premium account

	2019	2019	2018	2018
	No. of shares	£	No. of shares	£
Authorised share capital				
At 31 December: ordinary shares of £0.25 each	<u>24,000</u>	<u>6,000</u>	23,250	5,813
Issued share capital, fully paid	24,000	6,000	23,250	5,813

	No. of shares	Called up Share Capital £	Share Premium account £
As at 1 January 2019	250	5,813	311,436
Shares issued during the year	750	187	299,813
As at 31 December 2019	<u>1,000</u>	<u>6,000</u>	<u>611,249</u>

In 2019, the Company issued 750 £0.25 ordinary shares to its parent Company for a total consideration of £300,000.

18 Ultimate parent undertaking

The immediate parent company is Fairmead Insurance Limited (formerly Legal & General Insurance Limited).

On 31 December 2019, the Company's immediate parent was acquired by Allianz Holdings Plc and ownership was subsequently transferred to a subsidiary of Allianz Holdings Plc, Liverpool Victoria General Insurance Group ("LVGIG") on 1 January 2020. The Company is now part of the wider Allianz Group of companies, whose ultimate parent company is Allianz SE.

The ultimate parent company is Allianz Societas Europaea ("Allianz SE"), a company incorporated in Germany - the controlling party. Allianz SE is the largest group of undertakings for which group financial statements are drawn up and of which the company is a member. These financial statements therefore provide information about the Company as an individual undertaking. Copies of the financial statements of the ultimate holding company, Allianz SE, are available on request from Allianz SE, Koniginstrasse 28, 80802, Munchen, Germany.

The smallest group of undertakings for which group financial statements are drawn up and of which the Company is a member is Allianz Holdings Plc.

19 Cash flow statement

The Company has taken advantage of the exemption under paragraph 8 (h) of FRS 101 from the requirements of IAS 7 Statement of Cash flows, and hence has not presented a cash flow statement.

20 Related party transactions

The Company has taken advantage of the exemption under paragraph 8 (j) and (k) of FRS 101 from certain requirements under IAS 24 Related party disclosures. These include the requirement to disclose transactions entered into by the Company with other wholly owned members of Legal & General Group Plc or Allianz SE, and the requirement to present disclosures on compensation arrangements for key management personnel. See note 6 for disclosure of Directors' remuneration.