ASSURANT®

Registered number 06917014

TWG Europe Limited

Annual report and financial statements

for the year ended 31 December 2019

ASSURANT®

TWG Europe Limited

Annual report and financial statements

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Company information

Registered Number:	06917014
Directors:	M Carter C Formby Hernandez C Kersley R Morales-Gomez S Purdy C Sarfo-Agyare
Company secretary:	N Paddock
Registered office:	TWENTY Kingston Road Kingston Road Staines-upon-Thames Surrey TW18 4LG United Kingdom
Independent auditors:	PricewaterhouseCoopers LLP Chartered accountants and statutory auditors 7 More London Riverside London SE1 2RT

Strategic report

The directors present their strategic report for TWG Europe Limited (the Company) for the year ended 31 December 2019.

Principal activities

The principal activities of the Company is to act as holding company for insurance and non-insurance subsidiaries in the United Kingdom. Details of subsidiaries is given in note 6 to the financial statements.

The Company is part of Assurant in the UK and Europe ("Assurant Europe group" or "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. Serving 46 million European customers, AEG protects customers in the UK, France, Spain, Germany, the Netherlands, Romania, Hungary, Ireland and Italy and primarily operates with distribution partners by meeting their customer needs.

AEG is part of the International business unit of Assurant, Inc. ("AIZ"). AIZ is a leading global provider of housing, lifestyle and preneed 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. As a group headed globally by a Fortune 500 company, Assurant partners with clients who are leaders in their industries to provide 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; pre-funded funeral insurance; renters insurance and lender placed homeowners insurance.

Review of the Business

Results and dividends
The profit before tax for the year is £20,281,000 (2018: £19,088,000). No dividends were declared and paid during the year (2018: £19,500,000). The Directors do not recommend the proposal of any dividend in respect of the year ended 31 December 2019.

Financial performance
Profits of the Company are mainly derived from dividends paid by its subsidiaries.

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. The Company is exposed to currency risk due to holding assets and liabilities in currencies other than the reporting currency. Additional risks to 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 impairment in value is recognised.

UK's exit from the European Union (Brexit)
The UK exited the EU on 31 January 2020 with a transition period until 31 December 2020. The future relationship between the UK and the EU beyond 31 December 2020 is currently unknown and this may impact on the AEG's regulated and non-UK subsidiaries. The Company has established insurance and intermediary businesses in the Netherlands which will manage future non-UK regulated business and a "Part VII transfer" process is due to be completed in 2020 to move non-EU insurance liabilities from the UK insurers to the new companies which are subsidiaries of the Company.

Strategic report (continued)

Principal risks and uncertainties (continued)

COVID-19

The Company has been actively monitoring the developments of the rapidly evolving situation resulting from COVID-19. Throughout this period of uncertainty, the Company acted swiftly and deliberately to safeguard AEG related employees and business operations in line with Assurant values.

The Company believes that it must continue to do its part to stem the spread of the virus, while also minimising any disruptions to its operations. To that end, as the virus moved from east to west across the world, the Company and AEG related undertakings implemented a ban on business travel and established work-from-home protocols for employees that are able to do so. For those employees that need to work on site to keep supply chain running, the Company continues to enforce safety and hygiene protocols, such as social distancing, per the guidelines of the Center for Disease Control and the World Health Organisation, to safeguard its employees.

Communication throughout this time of uncertainty has been paramount. In addition to communicating with its employees, the Company's subsidiaries have been in direct and regular contact with clients, who also are experiencing the challenges of COVID-19, to ensure that the subsidiaries do the utmost to support them and their end-consumers.

Beyond the needs of its employees and customers, the Company and its subsidiaries also have been active in maintaining its support within local communities by delivering on its charitable contributions and commitments.

The Company will continue to evaluate additional actions as the situation evolves.

It remains too early to quantify the impact of COVID-19 on the Company's future performance, which will depend on a number of factors including the extent and duration of the period of disruption and the impact on the UK and European economy. At this point the Company remains focused on supporting its fellow group undertakings' employees and its customers through these challenges whilst maintaining its operational and financial resilience.

The Company is not directly impacted by COVID-19 crisis. However, its investment in subsidiaries may be adversely affected due to effects of COVID-19 on those subsidiaries' operations. Although the UK and EU economy has seen wider adverse effects of COVID-19, the insurance industry and device manufacturing and repairing industry has been affected to varying degrees. Business volumes of subsidiaries may reduce as a direct result of declining economic activity. Those subsidiaries may experience challenges in servicing customer claims if business partners are forced to close down and claims cost may increase if replacements stocks are not replenished on time or more claims are settled in cash rather than being able to offer repair options.

The COVID-19 crisis has seen increasing credit spreads which adversely affects the market valuation of the subsidiaries' corporate bond portfolio. The subsidiaries are working with their investment advisors, including reviewing the impact of various stresses on the portfolio, to determine the impact and ensure they remain within AEG's risk buffers. Investment advisors have not identified any holdings as being at specific risk of default however they have identified a number of sectors, including for example transport/leisure, as being at risk of downgrade and this continues to be monitored.

Currency exchange rate fluctuations may adversely impact the foreign currency denominated net assets of the subsidiaries and the Company's cash balances, the majority of which are held in Euros.

Strategic report (continued)

Principal risks and uncertainties (continued)

The subsidiaries' receivables may be adversely affected if EU retail clients and third parties default. Reinsurance exposures are mostly covered by appropriate collateral in place and hence the risk is not considered material.

The COVID-19 crisis has severely affected the UK and EU workforce. The subsidiaries faces an unprecedented challenge in terms of their ability to provide ongoing customer policy and claims administration services. Work from home protocols have been established for the majority of staff. Contact has been made with third party providers to understand their situation and mitigation plans for the current events and ensure that they can continue to support the firm. A number of providers have implemented work from home mitigations, like most companies globally.

Future outlook

The Company will continue to operate as a group holding company, providing management oversight to its subsidiaries. As the underlying subsidiaries continue to be profitable over the next few years the Company will continue to receive income in the form of dividends or management fees.

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: 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 our 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 had 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.

Strategic report (continued)

Section 172 statement (continued)

Regulators
The Company proactively participates in periodic meetings and interactions 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 which are aligned with regulatory objectives and views and the Company's Senior Managers and Certification Regime framework.

In 2019, the Board took Brexit-related decisions which had potential to affect all of the Company's Stakeholder Groups. Although all of the S172(1) Matters were taken into account in the Board's decision-making processes, regulatory considerations were key given the Company's loss of regulatory permissions to operate in Europe post-Brexit. The Company heavily engaged with regulators in the UK and Europe to stay informed as to each regulator's views and responses to Brexit, including as to any transitional arrangements. Information such as this was shared regularly with the Board to ensure the directors had all relevant information available when deciding on the Company's Brexit strategy.

Shareholders
AIZ, the Company's ultimate parent company, has ongoing engagement with its stockholders on the enterprise's corporate governance practices, executive compensation program and environmental and social topics. 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.

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 2019, social responsibility and sustainability matters were discussed at Board meetings which were informed by both internal briefings and emerging regulatory views, particularly relating to climate change considerations.

By Order of the Board

E-SIGNED by Claude Sarfo-Agyare
on 2020-06-17 11:29:02 GMT

C Sarfo-Agyare,
Chief Financial Officer
17 June 2020

Directors' report

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

As permitted by section 414C (11) of the Companies Act 2006, certain information is not included in the Directors' report because it has instead been shown 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 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 2019 to the date of this report unless otherwise stated.

M Carter	
C Formby Hernandez	(Appointed 4 November 2019)
C Kersley	
R Morales-Gomez	(Appointed 21 January 2019)
S Purdy	(Appointed 1 November 2019)
C Sarfo-Agyare	
G Bartlett	(Resigned 31 December 2019)
A Morris	(Resigned 4 November 2019)

Directors' qualifying third party and pension indemnity provisions

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

Political contributions

During the year no donations were made by the Company for charitable or political purposes (2018: £nil).

Financial instruments

Credit risk
The Company's principal financial assets are cash at bank and receivables from other group companies. The Company's credit risk is primarily attributable to amounts due from group undertakings. The amounts presented in the balance sheet are net of any provision for doubtful debts. A provision is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Liquidity risk
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.

Directors' report (continued)

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 determining whether the Company's financial statements can be prepared on a going concern basis the directors have considered the Company's business activities together with factors likely to affect its future development, performance and its financial position and cash flows and the principal risks and uncertainties relating to its business activities. The Directors have also considered the impact of COVID-19 on the operations and going concern assertion for the financial statements.

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. For information on the impact of Brexit and COVID-19 (non-adjusting post balance sheet event) on the Company refer to the Strategic report.

Directors' report (continued)

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.

By Order of the Board

E-SIGNED by Claude Sarfo-Agyare
on 2020-06-17 11:26:45 GMT

C Sarfo-Agyare,
Chief Financial Officer
17 June 2020

Independent auditors' report to the member of TWG Europe Limited

Report on the audit of the financial statements

Opinion

In our opinion, TWG Europe Limited 's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit 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 2019; the profit and loss account and statement of total comprehensive income, the statement of changes in equity for the year the ended 31 December 2019; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

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

Independent auditors' report to the member of TWG Europe Limited (continued)

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

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

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

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

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

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

We have no exceptions to report arising from this responsibility.

Gary Shaw (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
17 June 2020

Profit and loss account and statement of total comprehensive income

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover		-	-
Other expenses		(47)	(60)
Operating loss	3	(47)	(60)
Impairment of investment in subsidiaries		-	(852)
Investment income		20,300	20,000
Foreign exchange gain		28	-
Profit before taxation		20,281	19,088
Taxation on profit	5	40	11
Profit and total comprehensive income for the financial year		20,321	19,099

All profit and loss account transactions relate to continuing operations.

The notes on pages 15 to 23 form an integral part of these financial statements.

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Balance sheet

As at 31 December 2019

Registered Number 06917014

	Note	2019 £'000	2018 £'000
Assets			
Fixed assets			
Investments - unlisted			
Shares in group undertakings	6	39,763	38,463
		39,763	38,463
Deferred tax asset	7	10	11
Current assets			
Other debtors	7	124	174
Current tax recoverable		41	-
Cash at bank and in hand		19,024	-
Net current assets		19,189	174
Total assets less current liabilities		58,962	38,648
Creditors: amounts falling due after more than one year			
Other creditors		(40)	(47)
Net assets		58,922	38,601
Capital and reserves			
Called up share capital	8	49,550	49,550
Capital contribution		3,000	3,000
Profit and loss account		6,372	(13,949)
Total shareholder's funds		58,922	38,601

The notes on pages 15 to 23 form an integral part of these financial statements.

The financial statements on pages 12 to 23 were approved and authorised for issue by the Board of Directors on 17 June 2020 and were signed on its behalf by:

E-SIGNED by Claude Sarfo-Agyare
on 2020-06-17 11:26:59 GMT

C Sarfo-Agyare,
Chief Financial Officer

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Statement of changes in equity

For the year ended 31 December 2019

	Share capital £'000	Capital Contribution £'000	Profit and loss account £'000	Total £'000
At 1 January 2018	49,550	3,000	(13,548)	39,002
Profit and total comprehensive income for the financial year	-	-	19,099	19,099
Dividend paid	-	-	(19,500)	(19,500)
At 31 December 2018	49,550	3,000	(13,949)	38,601
Profit and total comprehensive income for the financial year	-	-	**20,321**	**20,321**
At 31 December 2019	**49,550**	**3,000**	**6,372**	**58,922**

The notes on pages 15 to 23 form an integral part of these financial statements.

Notes to the financial statements

TWG Europe Limited is a private company, limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given under the 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 5.

1. Accounting policies

a. Basis of preparation and statement of compliance

The 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 and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

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. 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 and financial instruments 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 11.

b. Functional and presentation currency

The functional currency of the Company is considered to be pounds sterling (GBP) since it 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 in GBP 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 the financial statements.

d. Investment income

Investment income comprises of interest and dividends received from the Company's subsidiaries during the year.

e. 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.

f. 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.

Notes to the financial statements

1. Accounting policies (continued)

f. Financial instruments

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 the Company after deducting all of its liabilities.

All financial assets are initially measured at transaction price (including transaction costs). The Company holds only basic financial assets that comprise of other debtors. 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.

The Company holds only basic financial liabilities that include other payables that are classified as payable within one year on initial recognition 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.

g. 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.

Notes to the financial statements

1. Accounting policies (continued)

g. Impairment of assets

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 the 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.

h. 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.

Notes to the financial statements

1. Accounting policies (continued)

i. 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.

Assets and liabilities of the overseas branches denominated in foreign currencies are translated into the reporting currency at the rates of exchange ruling at the end of the financial year. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in 'Other comprehensive income'.

j. 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

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of 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.
Critical judgements in applying the Company's accounting policies

The critical judgements the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

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 6.5% (2018: 8.5%) 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 and growth rate. In an unlikely extreme scenario of reduction in growth rate by 4% and an increase of discount rate to 8.5%, the impairment charge arising would be £876,000.

Notes to the financial statements

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

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.

3. Operating loss

Operating loss is stated after charging independent auditors' remuneration. The remuneration of the auditors or its associates is further analysed as follows:

	2019 £'000	2018 £'000
Fees payable to current auditor for audit of annual financial statements	43	51
Fees payable to previous auditor for audit of annual financial statements	-	36
	43	87

Auditors' remuneration is included as part of other expenses in the profit and loss account.

4. Directors' remuneration

The directors of the Company are currently paid by a fellow group undertaking, Lifestyle Services Group Limited (LSG). In 2019 and prior year some of the previous directors were paid by TWG Services Limited (TWGSL), a fellow group undertaking. During the year the aggregate amount of remuneration paid to directors by TWGSL was £656,000 (2018: £5,076,000). No costs (2018: £Nil) were recharged to the Company in respect of Directors' services to the Company as it is currently not possible to apportion these costs to the Company. Further information in respect of directors' remuneration paid by LSG is disclosed in the annual financial statements of LSG.

The number of directors, including the highest paid director, who are entitled to receive shares in the ultimate parent undertaking, Assurant, Inc., under long-term incentive schemes in the year was 2 (2018: none).

The number of directors to whom retirement benefits are accruing under the portable defined contribution pension scheme during the year was 3 (2018: 1).

5. Taxation on profit

a) Analysis of credit for the year	**2019 £'000**	2018 £'000
UK Corporation tax at 19% (2018: 19%)		
Group relief receivable	**(41)**	-
Total current tax	**(41)**	-
Origination and reversal of timing differences	1	(11)
Total deferred tax	1	(11)
Tax on profit on ordinary activities	(40)	(11)

Notes to the financial statements

5. Taxation on profit (continued)

b) Factors affecting the tax credit for the year

The total tax assessed for the year is lower (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	**20,281**	19,088
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	**3,853**	3,627
Effects of:		
Non taxable dividend income	**(3,894)**	(3,800)
Inadmissible expenses	**-**	162
Rate difference on deferred tax	**1**	-
Total tax (credit) for the year	**(40)**	(11)

c) Factors affecting current and future tax charges

The legislation as currently enacted states that the corporation tax rate will reduce to 17% effective from 1 April 2020 onwards. However, the UK Government announced that it plans to remove the tax rate reduction in next Finance Bill, as such the future tax rate would remain at 19%. This change was substantively enacted on 17 March 2020 and will have the impact of increasing the tax charge in the future.

6. Investments - unlisted

Shares in subsidiary undertakings	**2019** Cost £'000	 Accumulated impairment £'000	 Net book value £'000
As at 1 January	55,630	(17,167)	38,463
Additions / (impairment charges)	**1,300**	**-**	**1,300**
As at 31 December	**56,930**	**(17,167)**	**39,763**

The net book value the of above investments as at 31 December 2018 was £38,463,000.

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

During the year ordinary share of £1 each were issued to the Company by its subsidiaries as follows:

London General Life Company Limited	29 August 2019	300,000 shares
TWG Services Limited	16 December 2019	1,000,000 shares

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.

Notes to the financial statements

6. Investments - unlisted (continued)

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 2019 (2018: impairment of £852,000).

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

Subsidiary	Principle activity	Info
London General Insurance Company Limited	Non-life insurance	a.
London General Life Company Limited	Life insurance	a.
TWG Services Limited	Insurance administration	a.
Assurant Europe Insurance N.V.	Non-life insurance*	b.
Assurant Europe Life Insurance N.V.	Life insurance*	b.
Assurant Europe Services B.V.	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.

* Pending authorisation from the regulator in Netherlands
a. Incorporated in England and Wales with registered address: TWENTY Kingston Road, Kingston Road, Staines-upon-Thames, TW18 4LG, United Kingdom.
b. Incorporated in Netherlands with registered address: Paasheuvelweg 1, 1105BE Amsterdam, Netherlands.

7. Other debtors and deferred tax asset

	2019 £'000	2018 £'000
Amounts due from fellow group undertakings	124	174
Deferred tax asset	10	11
	134	185

Amounts due from fellow group undertakings are unsecured, non-interest bearing and repayable on demand.

A deferred tax asset of £10,000 (2018: £11,000) has been recognised to the extent that it is considered more likely than not that there will be suitable taxable profits against which they can be utilised. This deferred tax arises on losses incurred by the Company.

Deferred tax asset	2019 £'000	2018 £'000
As at 1 January	11	-
Deferred tax (charge)/credit to the profit and loss account	(1)	11
At 31 December	10	11

A reduction in the UK corporation tax to 17% from 1 April 2020 has been legislated for and, accordingly used as the deferred tax rate in these financial statements to calculate the Company's deferred tax assets/liabilities as at 31 December 2019 and 31 December 2018. However, the UK Government announced that it plans to remove the tax rate reduction in next the Finance Bill, as such the future tax rate would remain at 19%. This change was substantively enacted on 17 March 2020. The impact of the change in tax rate on the deferred tax asset is not expected to be material.

Notes to the financial statements

8. Called up share capital

	2019 £'000	2018 £'000
Allotted, called up and fully paid:		
49,550,000 (2018: 49,550,000) ordinary shares of £1 each	49,550	49,550

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.

9. Dividends

No dividend was declared and paid in respect of the year ended 31 December 2019 (2018: dividend of £19,500,000).

10. Other financial commitments

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

11. Immediate and ultimate parent undertakings

The immediate parent undertaking is TWG Holdings, Inc., a company registered in the United States of America.

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.

12. Subsequent events

Other than COVID-19, there were no 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.

COVID-19

The Company has been actively monitoring the developments of the rapidly evolving situation resulting from COVID-19. Throughout this period of uncertainty, the Company acted swiftly and deliberately to safeguard AEG related employees and business operations in line with Assurant values.

The Company believes that it must continue to do its part to stem the spread of the virus, while also minimising any disruptions to its operations. To that end, as the virus moved from east to west across the world, the Company and AEG related undertakings implemented a ban on business travel and established work-from-home protocols for employees that are able to do so. For those employees that need to work on site to keep supply chain running, the Company continues to enforce safety and hygiene protocols, such as social distancing, per the guidelines of the Center for Disease Control and the World Health Organisation, to safeguard its employees.

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Notes to the financial statements

12. Subsequent events (continued)

Communication throughout this time of uncertainty has been paramount. In addition to communicating with its employees, the Company's subsidiaries have been in direct and regular contact with clients, who also are experiencing the challenges of COVID-19, to ensure that the subsidiaries do the utmost to support them and their end-consumers.

Beyond the needs of its employees and customers, the Company and its subsidiaries also have been active in maintaining its support within local communities by delivering on its charitable contributions and commitments.

The Company will continue to evaluate additional actions as the situation evolves.

It remains too early to quantify the impact of COVID-19 on the Company's future performance, which will depend on a number of factors including the extent and duration of the period of disruption and the impact on the UK and European economy. At this point the Company remains focused on supporting its fellow group undertakings' employees and its customers through these challenges whilst maintaining its operational and financial resilience.

The Company is not directly impacted by COVID-19 crisis. However, its investment in subsidiaries may be adversely affected due to effects of COVID-19 on those subsidiaries' operations. Although the UK and EU economy has seen wider adverse effects of COVID-19, the insurance industry and device manufacturing and repairing industry has been affected to varying degrees. Business volumes of subsidiaries may reduce as a direct result of declining economic activity. Those subsidiaries may experience challenges in servicing customer claims if business partners are forced to close down and claims cost may increase if replacements stocks are not replenished on time or more claims are settled in cash rather than being able to offer repair options.

The COVID-19 crisis has seen increasing credit spreads which adversely affects the market valuation of the subsidiaries' corporate bond portfolio. The subsidiaries are working with their investment advisors, including reviewing the impact of various stresses on the portfolio, to determine the impact and ensure they remain within AEG's risk buffers. Investment advisors have not identified any holdings as being at specific risk of default however they have identified a number of sectors, including for example transport/leisure, as being at risk of downgrade and this continues to be monitored.

Currency exchange rate fluctuations may adversely impact the foreign currency denominated net assets of the subsidiaries and the Company's cash balances, the majority of which are held in Euros.

The subsidiaries' receivables may be adversely affected if EU retail clients and third parties default. Reinsurance exposures are mostly covered by appropriate collateral in place and hence the risk is not considered material.

The COVID-19 crisis has severely affected the UK and EU workforce. The subsidiaries faces an unprecedented challenge in terms of their ability to provide ongoing customer policy and claims administration services. Work from home protocols have been established for the majority of staff. Contact has been made with third party providers to understand their situation and mitigation plans for the current events and ensure that they can continue to support the firm. A number of providers have implemented work from home mitigations, like most companies globally.