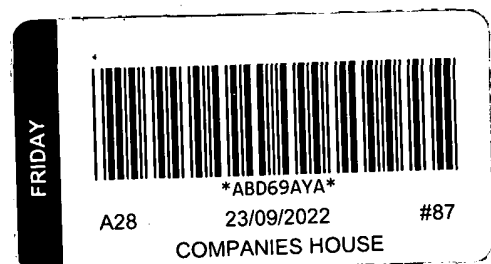




Registered number 05114385

Lifestyle Services Group Limited
Annual report and financial statements
for the year ended 31 December 2021



Lifestyle Services Group Limited

Annual report and financial statements 2021

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Company information

Registered Number: 05114385

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

Company secretary: N Paddock

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

Independent auditors: Deloitte LLP
The Hanover Building
Corporation Street
Manchester
M4 4AH

Strategic report

The directors present their strategic report for Lifestyle Services Group Limited (“the Company”) for the year ended 31 December 2021.

Principal activities

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

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

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

Overseas branches

The Company operates a foreign branch in Netherlands only.

Review of the Business

Strategy

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

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

Results and dividends

The profit after tax for the year was £2,933,000 (2020: £11,020,000), increasing reserves. Dividends of £33,675,000 were paid during the year (2020: Nil). The Directors do not recommend the proposal of any final dividend in respect of the year ended 31 December 2021.

Financial performance

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

	2021 £'000	2020 £'000 (restated)
Turnover	149,284	199,991
Administrative expenses	59,157	61,864
Operating profit	3,632	13,266
Total shareholder’s fund	53,079	83,821
Average employees	728	746

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

Strategic report (continued)

Review of the Business (continued)

Turnover reduced 25% in the year to £149,284,000 from £199,991,000 (restated) compared to 2020. This decrease is due to reduced claims costs driven by a lower volume of claims in the insurance entities and due to the impacts of COVID-19 restrictions on global travel. Administrative expenses have reduced to £59,157,000 (2020 restated: £61,864,000) due to foreign exchange movements and changes to the intergroup expense recharging methodology. The Company made an operating profit of £3,632,000 (2020: £13,266,000).

Financial position

The Company holds investments in subsidiaries of £36,949,000 (2020: £36,949,000). No investment impairment charge (2020: £nil) was recognised during the year. The directors are satisfied with the performance of each of the subsidiary entities.

A decrease in cash at bank and in hand of £2,722,000 to £832,000 (2020: £3,554,000) is driven by dividend payments, working capital movements on debtors and creditors and Intragroup settlements during the year. The Company is in a net current asset position of £13,838,000 (2020: £35,605,000), which represents a fall upon the prior year due to intercompany payable settlements and dividend payments.

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

Principal risks and uncertainties

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

Towards the end of 2021, increased levels of inflation were recorded, mainly in relation to increased energy prices and pressures on supply chains. It remains to be seen whether the higher rates of inflation are temporary or will continue longer term. Higher cost levels could reflect in higher costs of sales as well as overheads.

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 diminution in value is recognised in the profit and loss account.

COVID-19

COVID-19 has remained an ongoing area for monitoring, as new variants and restrictions emerged in concurrence with significant impacts upon the labour market, auto and hospitality sectors. As a global organisation, Assurant has actively monitored the developments and has acted swiftly and deliberately to safeguard employees, customers and business operations in line with Assurant values. The Company has demonstrated resilience, both operationally and financially, throughout the COVID-19 crisis.

Whilst the COVID-19 crisis has severely affected the workforce, the Company has responded to the challenges in terms of its ability to provide ongoing customer policy and claims administration services through itself and other third-party providers. Work from home protocols have been in place for the majority of staff and at third party contact centre providers. For those employees that need to work in Assurant facilities, Assurant continues to enforce safety and hygiene protocols, such as social distancing, per UK Government requirements and the guidelines of the Center for Disease Control and the World Health Organisation, to safeguard its employees.

As COVID-19 restrictions continued during 2021, the Company's traveller business reduced due to reduction in global travel. Lifestyle product claims cost continued to increase where repair options were restricted and the AEG insurance carrier had to settle more claims by replacement or in cash. The Management made assessments about the impact of COVID-19 on the financial position and cash flows of the Company and is satisfied that the Company will be financially resilient.

Strategic report (continued)

Future outlook

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

Capital management

Capital requirements for the Company are 2.5% of annualised income as set by the FCA. The capital requirement is based on the income of the Company. The Company has met all externally imposed capital requirements in the year (2020: met).

Section 172 statement

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

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

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

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

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

Customers

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

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

In 2021, the Company implemented a number of enhancements to customer experience as a direct result of customer feedback, including real time call resolutions for fraud referrals and complaints handling.

Strategic report (continued)

Section 172 statement (continued)

Business Partners

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

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

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

The Company proactively engages and consults with its suppliers as required to understand their views and needs. The Company is mindful of its payment policies, practices and performance with respect to its suppliers and takes steps to ensure that agreed payment terms are adhered to so as not to adversely affect supplier cash flows and ability to trade.

People

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

During the year, the Company's HR Director served on the Board as an executive director and kept the Board directly informed as to people and culture matters via a standing agenda item at quarterly Board meetings. During 2021, such reporting and related decision-making focused heavily on the continuing impact of the COVID-19 pandemic upon the workforce as well as the related challenges around future ways of working and what actions should be taken by the business to support the workforce.

To inform the Board's decision-making throughout 2021, feedback was sought from the workforce through various channels. The key themes that emerged related to continued anxiety around COVID-19 as well as the challenges and uncertainty regarding a return to an office environment; workload and work life balance challenges were also highlighted. As a consequence of the feedback from the workforce, the business continued to provide a wide range of initiatives and activities designed to support wellbeing including:

- Continuance of the "Boost" wellbeing programme designed to support mental, physical, financial, and social wellbeing in the workplace by providing a suite of resources and activities designed to improve resilience, strength and the ability to cope during the COVID-19 pandemic.
- A dedicated week of activities to reduce the stigma of mental health in the workplace.
- Holding of a 5K event to encourage physical wellbeing, social interaction, and community support by raising funds for MIND.
- Provision of an additional day of annual leave to celebrate diversity in the workplace.
- A "Ways to Work" programme was created to give all employees a voice in deciding what their future way of working looks like.
- A quarterly "pulse" survey was launched so the business can regularly check-in with the workforce to see how they are feeling.
- A new employee benefits platform was introduced giving the workforce greater choice, flexibility and visibility of their benefits entitlement and total rewards.

Further information on this Stakeholder Group is included in the Directors' report on pages 7 and 8.

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 that are aligned with regulatory objectives and views and the Company’s Senior Managers and Certification Regime framework.

Shareholders

AIZ, the Company’s ultimate parent company, has ongoing engagement with its stockholders on the Enterprise’s environmental, social and governance (ESG) policies, practices and initiatives, including, but not limited to, executive compensation, diversity, equity and inclusion and climate risks. 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 2021, the Board continued to oversee the development of a local Enterprise, Social and Governance Framework, aligned to that of the ultimate parent company, AIZ. The Framework includes specific oversight of Impact on Society, which will focus on the Company’s involvement in responsible investing, climate action, environmental matters and giving and volunteering.

Approved by the Board of Directors and signed on its behalf by:

E-SIGNED by Claude Sarfo-Agyare
on 2022-09-20 12:30:09 GMT

C Sarfo-Agyare,
Chief Financial Officer
20 September 2022

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2021.

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 2021 to the date of this report unless otherwise stated.

M Carter (Resigned: 31 December 2021)
C Formby Hernandez
C Kersley
R Morales-Gomez
S Purdy
C Sarfo-Agyare

Directors' qualifying third party indemnity provisions

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

Political contributions

During the year £6,370 in donations were made by the Company for charitable or political purposes (2020: £2,450).

Research and development

The Company has incurred costs of £625,000 (2020: £745,000) in respect of developing software for the use in servicing the Company's client contracts.

People

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

During the last year average employee numbers were 728 (2020: 746).

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

Directors' report (continued)

People (continued)

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

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

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

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

Quality management

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

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

Financial instruments

Credit risk

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

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

Directors' report (continued)

Financial instruments (continued)

Liquidity risk

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

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

Streamline energy and carbon reporting (SECR)

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 mandate SECR disclosures. This disclosure covers all sources of greenhouse gas (GHG) emissions in accordance with the requirements of these regulations. The Company is directly responsible for any energy consumption for services it provides to AEG related group undertakings. As such these disclosures cover the Company's portion of energy usage and GHG emissions using a reasonable basis of allocation to other AEG related undertakings.

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

Energy consumption used to calculate emissions (kWh):

	2021	2020
Electricity	980,838	1,266,644
Transport	18,540	68,477
Total	999,378	1,335,121

Emissions in metric tonnes CO₂e

	2021	2020
Scope 1	5	17
Scope 2	396	547
Total gross tonnes CO ₂ e	401	564
Gross tonnes CO ₂ e per Full Time Equivalent (FTE) employees	0.55	0.76

The Company's energy consumption is reported to its ultimate parent, Assurant, Inc., who as a whole monitors energy use under Scope 1 and Scope 2 emissions and has set a goal to reduce energy consumption at all facilities by a minimum of 2% annually for the next 10 years.

Assurant Inc., has climate objectives as pivotal part its corporate social responsibility strategic objectives for 2020 to 2025. The enterprise has introduced the following climate goals:

- Developing a infrastructure to monitor emission globally.
- Strengthen climate resiliency and adaptation planning to identify vulnerabilities, measure readiness and quantify impacts.
- Improve energy efficiency in owned facilities and reduce global real estate footprint were appropriate
- Fully integrate environmental commitment with our investment portfolio through oversight by the insurance committee.

Directors' report (continued)

Streamline energy and carbon reporting (SECR) (continued)

In 2021 as the company continued to respond to Covid-19, the consumption and the metric has fallen, due to reduction in facility usage and travel. This is expected to increase as the COVID-19 situation further improves in the UK.

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' confirmations

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

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

Going concern

In assessing whether the company is a going concern, the Directors have considered the following:

- the Company's financial position as at 31 December 2021, noting that it has net assets of £53,079,000 and current assets of £13,838,000;
- the Company has headroom above its externally imposed capital requirements and Board-approved appetite levels, as at 31 December 2021, and is forecast to retain appropriate levels of headroom against such requirements for a period of at least twelve months;
- forecasts of the Company's results for the following three years indicating that the Company will continue to be profitable and generate net cash inflows in each year of the plan period;
- the results of AEG's Own Risk Self Assessment ('ORSA'), which includes consideration of the financial impacts that reasonably possible volatility in the Company's external environment, arising from future known and contingent events in general, and the impact of inflation and COVID-19 in particular, which was assessed to be within the financial absorption capacity of the Company.
- the results of adverse scenario testing, incorporating the impacts that the principal risk and uncertainties disclosed in Strategic report, could have on the Company's/ group's financial (solvency) position and determined it could withstand such scenarios.

Directors' report (continued)

Going concern (continued)

Following the above stated considerations, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for a period of at least twelve months from the date the financial statements were approved and accordingly that application of the going concern basis of preparation is appropriate.

Post balance sheet events

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

Independent auditors

The Company has elected, in accordance with Section 487 of the Companies Act 2006, to dispense with the obligation to appoint auditors annually. In 2021 PricewaterhouseCoopers LLP resigned as auditors and Deloitte were appointed. Deloitte LLP has indicated their willingness to remain in office.

By Order of the Board

E-SIGNED by Claude Sarfo-Agyare
on 2022-09-20 12:30:17 GMT

C Sarfo-Agyare,
Chief Financial Officer
20 September 2022

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Lifestyle Services Group Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and applicable tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- accuracy and occurrence of revenue recognition: in order to address the specific risk of fraud identified, we assessed the design and implementation of controls in place over the company's financial reporting process and increased the extent of sample testing performed over revenue transactions recorded during the period.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

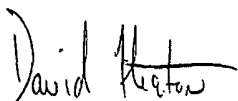
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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.



David Heaton (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom
20 September 2022

Profit and loss account

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000 (restated)
Turnover	3	149,284	199,991
Cost of sales		(86,495)	(124,861)
Gross profit		<u>62,789</u>	<u>75,130</u>
Administrative expenses		(59,157)	(61,864)
Operating profit	6	<u>3,632</u>	<u>13,266</u>
Interest receivable and similar income	4	93	199
Interest payable and similar charges	5	(59)	(69)
Profit on ordinary activities before taxation	6	<u>3,666</u>	<u>13,396</u>
Tax on profit on ordinary activities	10	(733)	(2,376)
Profit for the financial year		<u><u>2,933</u></u>	<u><u>11,020</u></u>

All profit and loss account transactions relate to continuing operations.

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

The restatement of the 2020 comparative information is explained in note 20.

The notes on pages 18 to 33 are an integral part of these financial statements.

Balance sheet

As at 31 December 2021

Registered number 05114385

	Note	2021 £'000	2020 £'000
Assets			
Fixed assets			
Tangible assets	11	2,292	1,706
Investments	12	36,949	36,949
		<u>39,241</u>	<u>38,655</u>
Non-Current assets			
Debtors - amounts falling due after more than one year	13	—	9,561
		<u>—</u>	<u>9,561</u>
Current assets			
Debtors - amounts falling due within one year	13	61,305	62,180
Cash at bank and in hand		832	3,554
		<u>62,137</u>	<u>65,734</u>
Creditors: amounts falling due within one year	15	(48,299)	(30,129)
Net current assets		<u>13,838</u>	<u>35,605</u>
Total assets less current liabilities		<u>53,079</u>	<u>83,821</u>
Net assets		<u>53,079</u>	<u>83,821</u>
Capital and reserves			
Called up share capital	16	48,239	48,239
Profit and loss account		4,840	35,582
Total shareholder's funds		<u>53,079</u>	<u>83,821</u>

The notes on pages 18 to 33 form an integral part of these financial statements.

The financial statements on pages 15 to 33 were approved and authorised for issue by the Board of Directors on 20 September 2022 and were signed on its behalf by:

E-SIGNED by Claude Sarfo-Agyare
on 2022-09-20 12:30:50 GMT

C Sarfo-Agyare,
Chief Financial Officer

Statement of changes in equity

For the year ended 31 December 2021

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2020	48,239	24,562	72,801
Profit and total comprehensive income for the financial year	–	11,020	11,020
At 31 December 2020	<u>48,239</u>	<u>35,582</u>	<u>83,821</u>
Profit and total comprehensive income for the financial year	–	2,933	2,933
Dividends Paid	–	(33,675)	(33,675)
At 31 December 2021	<u><u>48,239</u></u>	<u><u>4,840</u></u>	<u><u>53,079</u></u>

The notes on pages 18 to 33 form an integral part of these financial statements.

Notes to the financial statements

Lifestyle Services Group 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 on 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 6.

1. Accounting policies

a. Basis of preparation and statement of compliance

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

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its ultimate parent, Assurant, Inc., which may be obtained from the address given in note 19. As permitted by section 1.12 of FRS 102, exemptions have been taken in these financial statements in relation to presentation of a cash flow statements and remuneration of key management personnel, financial instruments and certain share-based payments disclosures. As the Company is a wholly owned subsidiary it has taken advantage of the exemption permitted in FRS 102 Section 33 Related Party Disclosures, not to disclose transactions or balances with other wholly owned members of the same group.

The Company has taken advantage of the exemption from preparing consolidated financial statements, under the Companies Act 2006 Part 15 Section 401, as the results of the Company and all of its subsidiaries are consolidated in the financial statements of the ultimate parent undertaking, which are publicly available, as referred to in note 19.

Accounting policies have been consistently applied year on year other than the restatement of certain items in the profit and loss account that affected the prior period. For more details see note 20

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

As disclosed in the Directors' report, having assessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

d. Turnover

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

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

Notes to the financial statements

1. Accounting policies (continued)

e. Cost of sales

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

f. Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

Current tax

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

Deferred tax

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

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

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

g. Tangible assets

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

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

Repairs and maintenance costs are expensed as incurred.

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

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

Notes to the financial statements

1. Accounting policies (continued)

g. Tangible assets (continued)

Tangible assets are derecognised on disposal or when no further economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit and loss account and included in other operating (losses)/gains.

h. Investments (unlisted)

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

i. Cash and cash equivalents

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

j. Employee benefits

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

k. Provision for liabilities

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

l. Financial instruments

Financial assets and liabilities

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

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

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

Notes to the financial statements

1. Accounting policies (continued)

l. financial Instruments (continued)

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.

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.

m. Impairment of assets

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

Non-financial assets

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

Financial assets

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

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

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

Notes to the financial statements

1. Accounting policies (continued)

n. Foreign currencies

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

o. Leases

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

Finance lease

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

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

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

Operating lease

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

p. Research and development

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

q. Share based payment

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

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

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

Notes to the financial statements

1. Accounting policies (continued)

r. Dividends

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

2. Critical accounting judgements and key sources of estimation uncertainty

Accounting judgements

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

Leases

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

Accounting estimates

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

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

Investments (unlisted)

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

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

No impairment charge has been recognised in the year in respect of the Company's investment. The investment valuation was assessed based on discounted cash flows arising from the activities of the subsidiary companies. A discount rate of 18.5% (2020: 7.6%) was applied, being the weighted average cost of capital of the relevant lines of business of the ultimate parent undertaking, Assurant, Inc. The investment value is materially sensitive to the discount rate and growth rate. The discount rate would need to rise to 50.3% or the growth rate fall to 1.5% to lead to a impairment loss, which the based on directors understanding of the investments is consider to be unlikely.

Impairment of financial assets

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

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

Notes to the financial statements

3. Turnover

	2021 £'000	2020 £'000 (restated)
Service fee and other income	69,909	109,843
Sale of goods to external parties	630	861
Rendering of services to fellow group undertakings	66,020	70,972
Rendering of services to external parties	12,725	18,315
	<u>149,284</u>	<u>199,991</u>

Analysis by geographic area

	2021 £'000	2020 £'000
United Kingdom	149,284	199,925
Rest of Europe	–	66
	<u>149,284</u>	<u>199,991</u>

4. Interest receivable and similar income

	2021 £'000	2020 £'000
Interest receivable on group loans	96	164
Other interest	(3)	35
	<u>93</u>	<u>199</u>

5. Interest payable and similar expense

	2021 £'000	2020 £'000
Interest payable on group loans	59	69

6. Operating profit before taxation

	2021 £'000	2020 £'000
Depreciation of tangible fixed assets	1,057	902
Foreign exchange loss/ (gain)	388	(987)
Research and development expenditure	625	745
Operating lease rentals - land and buildings	718	692
Operating lease rentals - Plant and machinery (including short-term hire plant and	133	110
The analysis of independent auditors' remuneration is as follows:		
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	97	87

Notes to the financial statements

7. Directors' Remuneration

The aggregate amount of Directors' remuneration was £170,000 for the year to 31 December 2021 (2020: £1,414,000). The decrease in amounts compared with 2020 is mainly due to allocating more of directors time to other group companies. Directors' remuneration was as follows:

	2021		2020	
	All directors £'000	Highest paid director £'000	All directors £'000	Highest paid director £'000
Emoluments	140	51	1,099	421
Contributions to defined contribution pension schemes	4	—	47	12
Long-term incentive schemes (see note 8)	26	7	268	157
Total	170	58	1,414	590

The number of directors who are entitled to receive shares in the ultimate parent undertaking, Assurant, Inc., under long-term incentive schemes in the year was 3 (2020: 3).

The number of directors to whom retirement benefits are accruing under the portable defined contribution pension scheme during the year was 4 (2020: 4).

8. Staff costs

	2021 £'000	2020 £'000
Wages and salaries	27,126	28,820
Social security costs	3,279	2,632
Other Pension costs	1,132	1,197
Share based payments	1,066	941
	32,603	33,590

	2021 number	2020 number
Average number of employees during the year		
Management and supervision	94	164
Other	634	582
	728	746

Staff costs are included in Administrative expenses.

Share based payments

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

These disclosures are:

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

Notes to the financial statements

8. Staff costs (continued)

Employee Stock Purchase Plan (ESPP)

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

The ESPP operates under the following rules:

Contribution periods

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

Contribution/saving rules

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

Purchase price

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

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

Other

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

The costs of administering the plan are borne by the ultimate parent Company, Assurant, Inc. with the Company incurring the cost of the Employee Share Savings Plan for its UK based employees only. At 31 December 2021, the total charge to the Company for the ESPP was £146,000 (2020: £164,000).

The Assurant Long-Term Equity Incentive Plan (ALTEIP)

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

The ALTEIP operates under the following rules:

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

Notes to the financial statements

8. Staff costs (continued)

The Assurant Long-Term Equity Incentive Plan (ALTEIP) (continued)

The RSUs granted to employees under the ALTEIP are based on salary grade and performance. RSUs are generally vest equally over a three-year period. RSUs receive dividend equivalents in cash during the restricted period and do not have voting rights during the restricted period. RSUs granted to non-employee directors also vest evenly over a three-year period, however, issuance of vested shares and payment of dividend equivalents are deferred until the director no longer serves on the Board.

RSUs granted to an employee is based on an individual's performance, their role in and contributions to the organisation and overall compensation level. RSUs generally vest over a three-year period on the anniversary of the grant date, with a third of the award vesting each year participants are employed by Assurant over the three-year award cycle. RSUs receive dividend equivalents in cash during the restricted period and do not have voting rights during the restricted period.

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

For the PSU portion of the award, Assurant, Inc., performance is measured against specific metrics, with a performance target established for each metric. The payout levels for 2021, 2020 and 2019 awards can vary between 0% and 200% (maximum) of the target (100%) ALTEIP award amount, based on the Company's level of performance against the selected metrics.

The metrics for 2021, 2020 and 2019 awards are based on total shareholder return and net operating earnings per diluted share ("EPS") excluding catastrophes, as two equally weighted performance measures. Total shareholder return is defined as appreciation in AIZ's common stock plus dividend yield to stockholders and will be measured by the performance of the Company relative to the S&P 500 Index over the three year performance period. EPS is an absolute metric that is measured against a three-year cumulative target established by the AIZ Compensation Committee at the award date and is not tied to the performance of peer companies.

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

For the year ended 31 December 2021 the Company recognised total expenses of £1,066,000 (2020: £615,000) in respect to the ALTEIP.

9. Pension costs

The Company participates in a group-wide defined contribution pension scheme. The pensions cost for the year represents contributions payable by the Company to the scheme and amounted to £1,132,000 (2020: £1,197,000). There were total contributions payables at the year-end of £207,000 (2020: £206,000).

Notes to the financial statements

10. Tax on profit on ordinary activities

a) Analysis of credit for the year

	2021 £'000	2020 £'000
UK Corporation tax at 19% (2020: 19%)	429	1,381
Group relief payment	563	1,260
Adjustments in respect of previous periods	73	(62)
Total current tax	1,065	2,525
Deferred tax (note 14)	–	–
Origination and reversal of timing differences	(248)	(46)
Effect of change in tax rate	(84)	(29)
Adjustment in respect of prior years	–	(74)
Total deferred tax (credit)	(332)	(149)
Tax on profit on ordinary activities	733	2,376

b) Factors affecting the tax credit for the year

The total tax assessed for the year is higher (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £'000	2020 £'000
Profit on ordinary activities before tax	3,666	13,396
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	697	2,545
Effects of:		
Expenses not deductible for tax purposes	325	5
Reduction in tax rate	(136)	(29)
Timing differences not recognised in prior years	–	(75)
Group Relief not paid	–	(9)
Adjustment in respect of prior years	73	(61)
Deferred tax not recognised	(226)	–
Total tax charge for the year	733	2,376

c) Factors affecting current and future tax charges

The UK corporation tax rate for the year was 19% (2020:19%). The current UK corporation tax rate will rise to 25% from 1 April 2023. This will have the impact of increasing the tax charge in the future and has not had a material impact on the Companies financial performance in the year.

Notes to the financial statements

11. Tangible assets

	2021		
	Cost	Accumulated Depreciation	Net book value
	£'000	£'000	£'000
IT hardware and software			
As at 1 January	4,752	(3,046)	1,706
Additions/(depreciation charge for the year)	1,643	(1,057)	586
As at 31 December	6,395	(4,103)	2,292

Net book value of above assets as at 31 December 2021 was £2,292,000 (2020: £1,706,000).

Depreciation on these tangible assets is included in Administrative expenses.

The Company has leased printers on leases which are considered to meet the definition of finance leases and are accounted for accordingly. The net book value of leased assets capitalised in tangible assets as at 31 December 2021 was £nil (2020: £nil).

12. Investments- Unlisted

	2021		
	Cost	Accumulated Impairment	Net book value
	£'000	£'000	£'000
Shares in subsidiary undertaking			
As at 1 January	49,108	(12,159)	36,949
Additions/charges	-	-	-
As at 31 December	49,108	(12,159)	36,949

The net book value of above assets as at 31 December 2020 was £36,949,000.

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

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

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

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

Management are satisfied that the judgements and estimates made in relation to investment impairment reviews are reasonable. No impairment was determined and recorded in the profit and loss account for the year ended 31 December 2021 (2020: £nil).

Notes to the financial statements

12. Investments- Unlisted (continued)

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

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

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

* indirectly held

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

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

13. Debtors

	2021 £'000	2020 £'000
Trade debtors	9,830	17,699
Amounts due from fellow group undertakings	24,718	45,202
Deferred tax asset (see note 14)	651	319
Corporation tax recoverable	6,029	3,973
Other taxes and social security	1,700	1,668
Prepayments and accrued income	18,281	2,778
Other debtors	96	102
	<u>61,305</u>	<u>71,741</u>

All amounts owed by group undertakings are non-interest bearing and repayable on demand. None of the above financial assets have been determined to be impaired based on the impairment factors used by the Company.

Notes to the financial statements

14 Deferred tax asset

	2021 £'000	2020 £'000
Accelerated capital allowances	500	283
Other timing differences	151	36
Undiscounted deferred tax asset	<u>651</u>	<u>319</u>
At 1 January	319	170
Credit to the profit and loss account	332	149
At 31 December	<u>651</u>	<u>319</u>

The current UK corporation tax rate of 19% will rise to 25% from 1 April 2023. Accordingly, a hybrid rate of 24% has been used as the deferred tax rate in these financial statements to calculate the Company's deferred tax assets/liabilities as at 31 December 2021.

15. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	3,347	487
Amounts due to fellow group undertakings	29,905	13,695
Accruals and deferred income	15,047	15,936
Other creditors	–	11
	<u>48,299</u>	<u>30,129</u>

Amounts owed to group undertakings include an unsecured group loan of £2,730,000 (2020: £2,671,000), with interest was charged at a rate of 2.6% (2020: 2.8%) and a loan of £4,318,000 (2020: £4,610,000), with interest charged at 1.5% (2020: 1.9%). All other amounts owed to group undertakings are unsecured and non-interest bearing. These amounts are fully repayable on demand.

16. Called up share capital

	2021 £'000	2020 £'000
Allotted, called up and fully paid: 48,238,850 (2020: 48,238,850) ordinary shares of £1 each	<u>48,239</u>	<u>48,239</u>

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

Capital requirements for the Company are 2.5% of annualised income as set by the FCA. The capital requirement is based on the income of the Company. The Company has met all externally imposed capital requirements in the year (2020: met).

Notes to the financial statements

17. Dividends

The company declared and paid dividends of £33,675,000 respect of the year ended 31 December 2021 (2020: £ nil).

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

18. Other financial commitments

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

	Land and buildings		Other	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Operating leases which expire:				
within one year	692	692	73	77
between two and five years	183	927	33	86
after five years	–	–	–	–
	<u>875</u>	<u>1,619</u>	<u>106</u>	<u>163</u>

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

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

19. Immediate and ultimate parent undertakings

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

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

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

Notes to the financial statements

20. Prior period restatement

During the current year, the Company reassessed the intercompany service arrangement between Lifestyle Service Group Limited and the rest of the Assurant Group. As the company is acting as a principal in such relationships, turnover and expenditure should have been recognised on a gross rather than net basis, as previously reported. The impact of this change increases both administrative expenses and turnover by £21,318,000. This adjustment has no impact on tax or net assets.

The restatement has impacted the 2020 financial statements as follows:

Profit and Loss account	2020 before restatement £'000	Impact of restatement £'000	Revised 2020 balance £'000
Turnover	178,673	21,318	199,991
Administrative expenses	(40,546)	(21,318)	(61,864)

The restatement has had the following impact on previously published notes:

3 Turnover	2020 before restatement £'000	Impact of restatement £'000	Revised 2020 balance £'000
Rendering of services to fellow group undertakings	49,654	21,318	70,972