Strategic Report,

Report of the Directors and

Financial Statements

for the Year Ended 31 December 2020

for

SAFE WORLD INSURANCE GROUP (UK) LTD

SAFE WORLD INSURANCE GROUP (UK) LTD

Contents of the Financial Statements for the Year Ended 31 December 2020

Company Information
for the Year Ended 31 December 2020

Directors:	J R Christie D J Bond S J Payne
Registered office:	Centurion House Leyland Business Park Centurion Way Farington Leyland England PR25 3GR
Registered number:	10628388 (England and Wales)
Auditors:	BDO LLP 55 Baker Street London W1U 7EU

Strategic Report
for the Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

Safe World Insurance Group (UK) Ltd is a small Non-Solvency II Directive Firm, operating in the niche market of Deposit Protection Insurance and Insurance Backed Guarantees in the Home Improvement Industry. The company is authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and Financial Conduct Authority.

Review of business
Our Niche Insurance Products
2020 will be remembered for some time for the Covid-19 pandemic. It has been a year where remote working became the norm and the investment we had made in our infrastructure, systems and controls allowed us to continue to work effectively with a homebased workforce, for the majority of 2020 and into 2021. The commitment of our staff during this period has been incredible.

As a niche underwriter of Deposit Protection Insurance and Insurance Backed Guarantees for the Home Improvement Industry, we have and will continue to monitor the impact of the pandemic. The Home Improvement Industry remained functional, despite an initial period following the first lockdown in Quarter 2, where home installation numbers and the policies we underwrite dropped significantly. Installers subsequently adopted working practices allowing them to safely meet consumer demand for home improvements during the pandemic. As consumers became accustomed to spending more time at home, there was a 'bounce' with investments in home improvements from the end of Quarter 2. This coupled with a regulatory change in one of the markets that required the provision of financial protection in the event an installer ceases to trade resulted in an increased number of home improvements and policies purchased through the insurance intermediary and schemes we underwrite in the second half of 2020, that exceeded our original forecast.

Our policies cover policyholders who have an underlying defect in an installation, where their installer has ceased to trade. Total insolvency numbers in the UK in 2020 were lower than previous years and we have seen this in the Home Improvement Industry. Support provided by the Government to installers both in terms of furlough and access to finance, or consumer demand for home improvements are all likely to have assisted Home Improvement installers to continue to trade. However, we are mindful of the longer-term impact on the economy, which could result in insolvencies in future years.

2020 Financial Review
Despite the pandemic we exceeded our forecast for written premium and new policies. The requirements in some sectors for installers to provide a minimum of two years financial protection in the event of them ceasing to trade resulted in an increase in the number of two-year policies we underwrite. We effectively managed expenses and costs during this uncertain period, which also assisted the positive year end results.

	31 December 2020	31 December 2019
Gross Written Premium	£2,386,257	£1,640,040
Loss Ratio	14.1%	-0.5%
Expense Ratio	63.8%	81.1%
In force Policies	369,910	162,720
Profit after tax	£629,182	£218,545

Total assets were £7,215,092 (2019 - £3,804,262) at the year end, with cash at bank of £6,734,660 (2019 - £3,724,030) and shareholders' funds of £2,644,180 (2019 - £1,241,998). We consider this to be a good performance and provides a solid base on which to develop our business in accordance with the strategy and business plan.

Principal risks and uncertainties

Underwriting Risk

The company underwrites general insurance policies with terms from 1 to 25 years. The principal underwriting risks facing the company arise from a deterioration of claims experience or increased expenses. Claims performance and loss ratios are reviewed regularly in line with our Risk Management Framework and monitored by the Board.

Market Risk

Monies are currently held in cash and fixed interest bonds with two separate UK Banks, rated A+ by Standard and Poor. As monies held further increase in 2021 and interest rates are at a record low, we will reassess our investment strategy and may consider investments in longer term Bonds and Gilts, whilst ensuring we hold an appropriate level of liquid cash and managing any potential increase in market risk via our Risk Management Framework.

The impact of the Brexit agreement or the Covid-19 pandemic could result in an economic downturn, which could lead to a reduction in home improvement activity to which our products are linked. The directors have considered the potential impact and are confident that the company remains well placed to grow but continue to monitor risks including any post Brexit impact and the Covid-19 pandemic, and their associated market risks.

Regulatory Risk

We operate in a highly regulated environment. We are fully aware of the negative impact both financially and reputationally from failures to meet regulatory requirements. We are open with the regulator and maintain ongoing dialogue. The systems and controls we have adopted are designed to ensure compliance with regulatory requirements.

Operational Risk

We understand that all companies have an exposure to operational risk. We operate a Risk Management Framework to ensure that we understand, monitor and mitigate our exposure to operational risk and identify new and emerging risks as well as monitoring changes in existing risks.

We will continue to monitor and develop our systems and controls to underpin our Risk Management Framework.

Liquidity Risk

We retain adequate levels of liquid cash, which is regularly monitored, in line with our Risk Management Framework.

Currency, Credit and Interest Rate Risks

These do not represent significant risks, but we monitor these in line with our Risk Management Framework. Further information on each of these risks is detailed in Note 24.

Solvency directive

We are authorised as a Non-Solvency II Directive firm and fully understand the requirements, limitations and restrictions as detailed in the Prudential Regulation Authorities Rulebook for Non-Solvency II Directive firm and the Financial Conduct Authority rules.

Future developments

In 2021 and beyond, we aim to continue building on our unique footprint within the Home Improvement Industry. The provision of a stable UK insurer assists the schemes and firms who utilise us as their Underwriter to further grow their brands and their standing in this market, providing a trusted brand for the end consumer.

Whilst remaining cautious of the impact of both the Brexit agreement and the Covid-19 pandemic, we are optimistic 2021 can be another positive year and one where we see further premium growth, both from the existing schemes who have chosen us as their Underwriter and potential new business opportunities.

The Government announced its 'Green Industrial Revolution' in November 2020 with the aim of turning the UK into the world's number one centre for Green Technology. New plans for 600,000 Air Source Heat Pump installations per year by 2028; and the move to Electric Vehicles by 2030, requiring significant increases in Electric Vehicle Charging points in the coming years as drivers switch to these vehicles. As we underwrite policies for these products and other energy efficient Home Improvement products that could benefit from further Government incentives or policies, this could result in the need for additional Insurance Backed Guarantees.

Section 172 (1) statement

The likely consequences of any decision in the long term (our long-term strategy)

A key reason for our initial establishment, was to ensure the provision of a stable UK insurer to several consumer protection schemes alongside a specialist insurance intermediary, who several of our shareholders were involved with. This was intended to provide those businesses, their members and the end consumers (our policyholders) with the confidence of dealing with a UK insurer who understood the market, whereas most other Underwriters of Insurance Backed Guarantees were based outside the UK and whose main markets were not the provision of Insurance Backed Guarantees.

As we enter in to our third year of underwriting policies, we are considering business opportunities from parties where we do not have a personal connection. Longer term we may also consider alternative lines of business, should the right opportunity arise. We will be mindful of balancing future growth opportunities against the needs of the existing businesses for whom we underwrite policies and the end consumer. Our long-term strategy remains to deliver long-term protection at competitive premiums, with clear and fair policies, all backed up by a quality service to our policyholders.

The Interests of our employees

We operate with a relatively small number of employees, supported by a small number of firms who provide some outsourced functions (our 'team'). As a small niche insurer, our team is fundamental to our success and we provide an environment that inspires and encourages them to learn and develop, to enable their growth, benefiting both them and us. Staff are encouraged to highlight ways of working smarter and as a small team they get to see the results of this. Board Members know every member of our team and regularly interact with them. The wellbeing of our Team is paramount, and this was never more so, during the pandemic. Our Team successfully worked from home for the majority of 2020 and in to 2021 and have done so admirably. Our headcount has grown modestly year on year and in we anticipate a further modest increase in 2021 and beyond.

Fostering our business relationships with suppliers, customers and others

We have highlighted under our opening paragraph in the Section 172 (1) statement, the importance of our relationships with the businesses who have chosen us as their Underwriter and our continuing relationship with these firms is as important to us as the quality of our service and relationship is to them. Whilst there is some commonality with some of the shareholders in our businesses, all parties work collaboratively to ensure our relationship continues to be successful.

As highlighted under the interests of our employees, we have a small number of firms, who provide some outsourced functions. They form part of our team and our relationship with them is important and one we regularly ensure is effective from both perspectives. Whilst it is strong, it is not taken for granted. These firms know that longer term as we grow some outsourced functions may eventually become in-house ones and they acknowledge and will support this. The skillset they provide, such as accounting and actuarial services is important, but is something that is available through other suppliers and whilst we do not anticipate a need to do so, should we need to identify an alternative, there are options available.

We also utilise a panel of Approved Installers for claims remedial work. These are independent contractors, of varying sizes and skillsets for the home improvement installation types we cover. Our panel can change, although some of the panel have worked with some of the Board for many years. All panel contractors provide quality services to claimants and to us, whilst allowing us to control and mitigate our claims costs. This relationship is mutually beneficial and one that we continually monitor from a service quality, performance and cost management perspective.

The impact of our operations on the community and the environment

The Board are aware of the regulatory consultations and policy statements for insurers and understand the importance. Whilst the impact on our operation is not currently significant, we will continue to monitor this as we grow. We are committed to reducing our travel commitments and utilising digital communication methods, such as video, telephone conferencing and digital media rather than paper. A significant number of our staff are from the local community area, which reduces commuting and we will continue to build on this where possible with future recruitment.

Our desire to maintain a reputation for high standards of business conduct

As an authorised insurer, the Board are fully committed to maintaining high standards of business conduct and the fair treatment of customers.

How we act fairly between members of the company
Our Board has a full time Managing Director and an Independent Non-Executive Chairman. Our third Board Member represents the largest shareholder and we ensure that there is appropriate communication with the minority shareholders who are not represented on the Board.

On behalf of the board:

....

D J Bond – Managing Director

Date: 22nd March 2021

....

S J Payne – Independent Non–Executive Chairman

Date: 22nd March 2021

Report of the Directors
for the Year Ended 31 December 2020

The directors present their report with the financial statements of the company for the year ended 31 December 2020.

The company has chosen, in accordance with S414c (ii) of the Companies Act, to disclose the information relating to principal risks and uncertainties, review of business and key performance indicators in the company's Strategic Report.

Principal activities
The principal activities of the company in the year under review were those of underwriting insurance business. A review of the year is included within the strategic report.

Dividends
No dividends will be distributed for the year ended 31 December 2020.

Going concern basis
The company has considered budgets and forecasts to determine financial resources and, as a consequence, the Directors believe that the company is well placed to manage its business risks and continue in operational existence for the foreseeable future. Accordingly they have adopted the going concern basis in preparing these financial statements.

Directors
The directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

J R Christie
D J Bond
S J Payne

Other changes in directors holding office are as follows:

J W Pilkington - resigned 4 December 2020

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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. They 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.

Statement as to disclosure of information to auditors
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board:

....

D J Bond - Managing Director

S J Payne – Independent Non–Executive Chairman

Date: 22nd March 2021

Date: 22nd March 2021

Opinion on the financial statements

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Safe World Insurance Group (UK) Ltd (the 'company') for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the Financial Statements, including a summary of significant accounting policies. 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' and Financial Reporting Standard 103 ‘Insurance Contracts’ (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 Auditors' 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 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 directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor’s report thereon. 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.

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 Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and 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 material misstatements in the Strategic Report or the Directors’ Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors
As explained more fully in the Statement of Directors' Responsibilities set out on page six 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 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 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.

Extent to which the audit was 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:

- Obtaining an understanding of the legal and regulatory framework applicable to the company's operations and the control environment in monitoring compliance with the laws and regulations;
- Review of correspondence with the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA);
- Our responses to significant audit risks (technical provisions and management override of controls) are intended to sufficiently address the risk of fraudulent manipulation. Specially we engaged an independent internal actuary as auditor's expert to review the assumptions and methodology applied by the company in the valuation of technical provisions to check the methods utilised are appropriate. Manipulation of the valuation of technical provisions is considered the key area in which management override of controls may manifest;
- Review of minutes of board meetings throughout the period; and
- Agreement of the financial statement disclosures to underlying supporting documentation.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

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.

BDO LLP

Rupert Livingstone (Senior Statutory Auditor)
for and on behalf of BDO LLP, Statutory Auditor
London, UK
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Date: 24 March 2021

SAFE WORLD INSURANCE GROUP (UK) LTD

Statement of Comprehensive Income
for the Year Ended 31 December 2020

	Notes	2020 £	2019 £
TECHNICAL ACCOUNT – GENERAL BUSINESS			
Earned premiums, net of reinsurance			
Gross premiums written	4	**2,386,257**	1,640,040
Outward reinsurance premiums			
Total technical income		**2,386,257**	1,640,040
Changes in the gross provision for unearned premiums	16	(1,686,936)	(1,185,555)
Earned premiums, net of reinsurance		**699,321**	454,485
Other technical income	5	484,124	171,522
Total technical income		**1,183,445**	626,007
Earned premiums, net of reinsurance			
Claims paid:			
- Gross amount		**(29,157)**	(16,479)
Change in the provision for claims:			
- Gross amount	16	**(69,582)**	18,772
Claims incurred, net of reinsurance		**(98,739)**	2,293
Net operating expenses	10	**(445,849)**	**(368,703)**
Balance on technical account for general business		**638,857**	259,597
NON TECHNICAL ACCOUNT – GENERAL BUSINESS			
Balance on technical account for general business		**638,857**	259,597
Other income	7	**126,410**	-
Interest receivable	7	**13,142**	8,914
Profit before taxation	8	**778,409**	268,511
Tax on profit	9	**(149,227)**	(49,966)
Profit for the financial year		**629,182**	218,545

The notes on pages 14 to 27 form part of these financial statements

Statement of Financial Position
31 December 2020

	Notes	2020 £	2020 £	2019 £	2019 £
ASSETS					
Fixed assets					
Intangible assets	11		**3,687**		7,374
Tangible assets	12		**11,192**		11,321
			14,879		18,695
Current assets					
Debtors arising out of direct insurance operations	13		**465,553**		61,537
Other assets					
Cash at bank			**6,734,660**		3,724,030
			7,215,092		3,804,262
LIABILITIES					
Capital and reserves					
Called up share capital	14	**1,773,001**		1,000,001	
Retained earnings	15	**871,179**		241,997	
Total Shareholders' funds			**2,644,180**		1,241,998
Technical provisions					
Provisions for unearned premiums	16	**3,982,315**		2,295,379	
Provisions for claims	16	**179,982**		110,400	
			4,162,297		2,405,779
Creditors					
Creditors arising out of direct Insurance operations	17	**24,693**		1,363	
Other creditors including taxation and social security	18	**329,944**		135,002	
			354,637		136,365
Accruals and deferred income			**53,978**		20,120
			7,215,092		3,804,262

The financial statements were approved by the Board of Directors and authorised for issue on 22nd March 2021 and were signed on its behalf by:

.... D J Bond - Managing Director

.... S J Payne – Independent Non–Executive Chairman

The notes on pages 14 to 27 form part of these financial statements

Statement of Changes in Equity
for the Year Ended 31 December 2020

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2019	750,001	23,452	773,453
Changes in equity			
Issue of share capital	250,000	-	250,000
Total comprehensive income	-	218,545	218,545
Balance at 31 December 2019	1,000,001	241,997	1,241,998
Changes in equity			
Issue of share capital	773,000	-	773,000
Total comprehensive income	-	629,182	629,182
Balance at 31 December 2020	1,773,001	871,179	2,644,180

The notes on pages 14 to 27 form part of these financial statements

Statement of Cash Flows
for the Year Ended 31 December 2020

	Notes	2020 £	2019 £
Cash flows from operating activities			
Cash generated from operations	21	**2,277,613**	1,494,937
Tax paid		**(49,966)**	(2,907)
Net cash from operating activities		**2,227,647**	1,492,030
Cash flows from investing activities			
Purchase of tangible fixed assets		**(3,159)**	(13,008)
Interest received		**13,142**	8,914
Net cash from investing activities		**9,983**	(4,094)
Cash flows from financing activities			
Share issue		**773,000**	250,000
Net cash from financing activities		**773,000**	250,000
Increase in cash and cash equivalents		**3,010,630**	1,737,936
Cash and cash equivalents at beginning of year	22	**3,724,030**	1,986,094
Cash and cash equivalents at end of year	22	**6,734,660**	3,724,030

1. **Statutory information**

Safe World Insurance Group (UK) Ltd is a private company, limited by shares, incorporated and registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. **Accounting policies**

Basis of preparing the financial statements
The financial statements have been prepared under the historical cost convention. They are prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), FRS 103 "Insurance Contracts: Consolidated accounting and reporting requirements for entities in the UK and Republic of Ireland issuing insurance contracts" ("FRS 103") and the Companies Act 2006.

The preparation of financial statements in conformity with FRS102 and FRS103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies selected for use by the company. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates.

The financial statements are prepared in pound Sterling which is the functional and presentational currency of the company.

Going concern
The financial statements have been prepared on a going concern basis. The Directors have satisfied themselves that this basis is appropriate as the company is well placed to manage its business risks and continue in operational existence in line with the regulatory solvency requirements. The Directors have reviewed the cash flow and projected income and expenses over the next twelve months and deemed that the company has adequate financial resources to meet its obligations as they fall due.

2. **Accounting policies - continued**

Insurance contracts
i) Classification
The company issues contracts that transfer insurance risk which are classified as insurance contracts. As a general guideline, the company defines significant insurance risk as the possibility of having to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. These contracts remain insurance contracts until such time as all rights and obligations under the contract are extinguished or expire.

ii) Gross written premiums
Gross written premiums comprise premiums on contracts incepted during the period, together with any adjustments arising in the reporting period to such premiums. Gross written premiums are accounted for at the date of inception of the policy to which they relate. Premiums are shown gross of commissions but excluding taxes and duties levied on them, other than whereby policies are issued to intermediaries on a wholesale basis and they themselves are responsible for setting the final amount payable by the insured without reference to the insurer, in this scenario grossing up will be inappropriate.

iii) Unearned premiums
Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the Statement of Financial Position date, calculated on a combination of time apportionment and risk profile of the policy.

iv) Commissions
Commissions arise from the conclusion of insurance contracts and are expensed in the same period as the premiums to which they relate.

v) Claims incurred
Claims incurred comprise claims and related expenses paid in the period, and the change in provision for claims payable. Where applicable, deductions are made for salvage and other recoveries. Claims paid are calculated in accordance with the terms of each insurance agreement and are recognised as an expense when due for payment to the insured.

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

Claims provision
The provision for reported claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the Statement of Financial Position date.

The claims provision also includes the estimated cost of claims incurred but not reported ("IBNR") at the Statement of Financial Position date based on statistical methods.

These methods generally involve projections of historical claims development patterns to form a view of the likely ultimate amounts to be paid after the Statement of Financial Position date for undeveloped accident periods. Where there is a low volume of historical claims, additional sources of data may be used including that relating to similar insurance products. The IBNR provision for the company has been set using a combination of a loss ratio approach, which is common for new lines of business where historical loss experience is not available or where the number of reported claims is low, and the results from a standard actuarial claims development investigation.

The most critical assumption underlying the calculation of the claims provisions is that past claims development patterns are a reasonable predictor of future patterns.

No reinsurance is in place and so there are no reinsurance recoveries on any claims.

The Directors consider that the provision for gross claims and IBNR is fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

2. **Accounting policies - continued**

Other income
Administration fees
Administration fees are recognised at the point of receipt and, although attracting Insurance Premium Tax (IPT), do not form part of Premiums received.

Administration fees are charged to the schemes for administrative services related to the policies written and are not related to the insurance risk arising on individual policies. The administration fees are not refundable after receipt, in accordance with the contracts with the schemes.

The attracted IPT is declared and paid every quarter to HMRC.

High risk fees are included in administration fees and are recognised over the period the risk is estimated to exist. A higher percentage is recognised in the initial period of the contract when the risk is considered to be the greatest.

Other income – non technical
Ancillary income
Ancillary fees are recognised when the service has been performed.

Government grants
Government grants are recognised in income when the grant proceeds are received or receivable.

Intangible assets
Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Computer software is being amortised evenly over its estimated useful life of four years.

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	-	20% straight line
Computer equipment	-	33% straight line

Tangible fixed assets are stated at cost (or deemed cost) or valuation less accumulated depreciation and accumulated impairment losses.

Financial instruments
Financial assets and financial 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 and liabilities are initially measured at transaction price, adjusted for transaction costs except for those financial instruments subsequently measured at fair value through profit or loss, unless the arrangement constitutes a financing transaction.

Financial assets are derecognised when, and only when, a) the contractual rights to the cash flows from the financial asset expire or are settled or b) the company transfers to another party substantially all the risks and rewards of ownership of the financial asset. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Taxation
Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income - non technical account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

2. **Accounting policies - continued**

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Functional and presentational currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Pounds Sterling ('GBP' or '£') which is the company's functional and presentation currency.

Foreign currency transactions are translated using spot rates for profit and loss items. Monetary assets and liabilities have been translated into GBP at the rate of exchange prevailing at the reporting date. Resulting exchange gains and losses are recognised in the statement of comprehensive income – non technical account in the period in which they arise. Figures are rounded to the nearest £1.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Insurance receivables and payables

Receivables and payables arising under insurance contracts are recognised when due and measured at amortised costs, using the effective interest rate model. Those payables and receivable within one year are measured at the undiscounted amount of the cash or other consideration expected to be paid or received as long as the arrangement does not constitute a financing arrangement. A provision for impairment is established when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been impaired.

Other debtors and creditors

Short term debtors are measured at transaction price less any impairment. Short term creditors are measured at the transaction price.

Cash and cash equivalents

Cash and cash equivalents are highly liquid investments that are subject to insignificant risk of changes in value and consist of deposits held with banks with original maturities of three months or less.

Impairment of financial assets

At the end of each reporting period, financial assets are assessed for objective evidence of impairment. An impairment loss is recognised in the statement of comprehensive income – non technical account where the carrying amount of the financial asset is greater than its fair value. If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed to the extent that the carrying amount of the asset does not exceed the amount which would have been reported had the impairment not previously been recognised. The reversal is recognised in the statement of comprehensive income - non-technical.

3. **Critical accounting judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, which are described in Note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities which are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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 following are the critical judgments, apart from those involving estimations (which are dealt with separately below), that 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.

Unearned premium reserves
The directors use their judgement in selecting appropriate earnings patterns for the business underwritten and associated acquisition costs and the pattern used is predominantly straight-line pattern over the life of the policy. To reflect the period of risk these patterns are calculated with reference to the inception and expiry dates of the policies concerned. At the reporting date the carrying amount for the unearned premium reserve (UPR) is £3,982,315 (2019: £2,295,379).

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Valuation of liabilities of non-life insurance contracts
Estimates are made for both the expected ultimate cost of claims reported and claims incurred but not reported at the reporting date. The estimate of incurred but not reported (IBNR) claims is generally subject to a greater degree of uncertainty than that for reported claims. The outcome of claims can significantly deviate from both the initial estimates and the estimates as disclosed in the financial statements. In calculating the estimated liability, the company uses a variety of estimation techniques based upon statistical analyses of historical experience, from other Group entities and other market sources, which assumes past trends can be used to project future developments. The gross amount for non-life insurance contract liabilities, the summation of the claims reserve for reported claims, IBNR and UPR, at the Statement of Financial Position date is £4,162,297 (2019: £2,405,779).

4. **Gross premiums written**

The gross premiums written and profit before taxation are attributable to the principal activities of the company.

An analysis of gross premiums written by class of business is given below:

	2020 £	2019 £
Gross written premiums	**2,386,257**	1,640,040

An analysis of gross premiums written by geographical market is given below:

	2020 £	2019 £
United Kingdom	**2,386,257**	1,640,040

5. **Other income**

	2020	2019
	£	£
Administration fees	**484,124**	171,522

6. **Employees and directors**

	2020	2019
	£	£
Wages and salaries	**202,233**	125,461
Social security costs	**19,821**	12,071
Other pension costs	**6,671**	4,526
	228,725	142,058

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

	2020	2019
Administrative	**6**	4

Key management personnel
The directors are considered to be the key management personnel of the company.

	2020	2019
	£	£
Directors' remuneration	**110,000**	74,777
Directors' pension contributions to money purchase schemes	**4,800**	3,732

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	**1**	2

7. **Other income and interest receivable**

	2020	2019
	£	£
Interest receivable		
Bank interest	**13,142**	8,914
Other income		
Ancillary services	**66,410**	-
Grant income	**10,000**	-
Sundry Income	**50,000**	-
	126,410	-

8. **Profit before taxation**

The profit is stated after charging:

	2020	2019
	£	£
Depreciation - owned assets	**3,288**	1,687
Computer software amortisation	**3,687**	3,687
Audit fees	**32,400**	29,000

9. **Taxation**

Analysis of the tax charge
The tax charge on the profit for the year was as follows:

	2020 £	2019 £
Current tax:		
UK corporation tax	**149,227**	49,966
Tax on profit	**149,227**	49,966

Reconciliation of total tax charge included in profit and loss
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £	2019 £
Profit before tax	**778,409**	268,511
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	**147,898**	51,017
Effects of:		
Expenses not deductible for tax purposes	**604**	399
Capital allowances in excess of depreciation	**-**	(1,450)
Depreciation in excess of capital allowances	**725**	-
Total tax charge	**149,227**	49,966

10. **Net operating expenses - technical account**

	2020 £	2019 £
Administrative expenses	**413,449**	339,703
Auditor's remuneration	**32,400**	29,000
Net operating expenses	**445,849**	368,703

Premium is agreed with intermediaries on a wholesale basis and the company has no control over the level of commission, which is determined by the intermediary. Accordingly, acquisition costs are not recognised in the financial statements.

11. **Intangible fixed assets**

	Computer software £
Cost	
At 1 January 2020 and 31 December 2020	**14,748**
Amortisation	
At 1 January 2020	**7,374**
Amortisation for year	**3,687**
At 31 December 2020	**11,061**
Net book value	
At 31 December 2020	**3,687**
At 31 December 2019	7,374

12. **Tangible fixed assets**

	Fixtures and fittings £	Computer equipment £	Totals £
Cost			
At 1 January 2020	**11,761**	**1,247**	**13,008**
Additions	**236**	**2,923**	**3,159**
At 31 December 2020	**11,997**	**4,170**	**16,167**
Depreciation			
At 1 January 2020	**1,375**	**312**	**1,687**
Charge for year	**2,368**	**920**	**3,288**
At 31 December 2020	**3,743**	**1,232**	**4,975**
Net book value			
At 31 December 2020	**8,254**	**2,938**	**11,192**
At 31 December 2019	10,386	935	11,321

13. **Debtors: arising out of direct insurance operations**

	2020 £	2019 £
Trade debtors	**436,535**	51,744
Prepayments and accrued income	**29,018**	9,793
	465,553	61,537

All amounts fall due for payment within one year.

14. **Called up share capital**

Allotted, issued and fully paid:

	Ordinary £	A Ordinary £
As at 1 January 2020	750,001	250,000
A Ordinary shares issued on 11 March 2020	-	330,000
Ordinary shares issued on 23 September 2020	443,000	-
A Ordinary shares converted to Ordinary shares on 23 September 2020	580,000	(580,000)
As at 31 December 2020	**1,773,001**	-

All shares issues were allotted and fully paid for cash at par.

Ordinary shares confer on the holders thereof the following rights and restrictions:
(1) the right to receive any dividend in respect of Ordinary Shares as may be declared by the directors;
(2) the right to receive notice of, attend at and vote at any general meeting or on any written resolution of the company; and
(3) on a winding up of the company or otherwise, the right to a repayment of the amount paid up per share and the further right to participate in any surplus assets of the company. The Ordinary Shares do not confer any rights of redemption.

A Ordinary shares confer on the holders thereof the following rights and restrictions:
(1) the right to receive any dividend in respect of A Ordinary Shares as may be declared by the directors;
(2) the right to receive notice of, attend at and vote at any general meeting or on any written resolution of the company; and
(3) on a winding up of the company or otherwise, the right to a repayment of the amount paid up per share and the further right to participate in any surplus assets of the company.

15. **Reserves**

	Retained earnings £
At 1 January 2020	**241,997**
Profit for the year	**629,182**
At 31 December 2020	**871,179**

16. **Technical provisions**

2020	Provision for unearned premiums £	Provision for claims £	Total £
Brought forward	2,295,379	110,400	2,405,779
Movement in provision	1,686,936	69,582	1,756,518
Carried forward	3,982,315	179,982	4,162,297

2019	Provision for unearned premiums £	Provision for claims £	Total £
Brought forward	1,109,824	129,172	1,238,996
Movement in provision	1,185,555	(18,772)	1,166,783
Carried forward	2,295,379	110,400	2,405,779

There are no reinsurance arrangements in place for either period.

17. **Creditors: arising out of direct insurance operations**

	2020 £	2019 £
Trade creditors	**24,693**	1,363

18. **Other creditors including taxes and social security**

	2020 £	2019 £
Corporation tax	**149,227**	49,966
Social security and other taxes	**7,257**	5,855
Other creditors	**172,097**	77,981
Pension control	**1,363**	1,200
	329,944	135,002

19. **Leasing agreements**

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2020 £	2019 £
Land and buildings:		
Within one year	**3,840**	3,840
Other:		
Within one year	**720**	720
Between one and five years	**480**	1,020
	1,200	1,740

20. Capital commitments

There were no agreed commitments contracted for but not provided for at 31 December 2020.

21. Reconciliation of profit before taxation to cash generated from operations

	2020	2019
	£	£
Profit before taxation	**778,409**	268,511
Amortisation charges	**3,687**	3,687
Depreciation charges	**3,288**	1,687
Increase in technical provisions	**1,756,518**	1,166,783
Finance income	**(13,142)**	(8,914)
	2,528,760	1,431,754
(Increase)/decrease in trade and other debtors	**(404,016)**	49,987
Increase in trade and other creditors	**152,869**	13,196
Cash generated from operations	**2,277,613**	1,494,937

22. Cash and cash equivalents

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2020

	31/12/20	1/1/20
	£	£
Cash and cash equivalents	**6,734,660**	**3,724,030**

Year ended 31 December 2019

	31/12/19	1/1/19
	£	£
Cash and cash equivalents	3,724,030	1,986,094

23. Analysis of changes in net funds

	At 1/1/20	Cash flow	At 31/12/20
	£	£	£
Net cash			
Cash at bank	**3,724,030**	**3,010,630**	**6,734,660**
Total	**3,724,030**	**3,010,630**	**6,734,660**

24. **Insurance and financial risk management**

The company's activities expose it to a variety of insurance and financial risks. The Board of Directors has overall responsibility for the establishment and oversight of the Risk Management Framework. The aim of the framework is to achieve the appropriate balance between risk and return and minimise potential adverse effects on the company's financial performance.

The Board of Directors has implemented policies to assist with the management and monitoring of insurance risks, with ultimate responsibility for risk management residing with the Board.

The significant risks facing the company are insurance risk; market risk which includes currency risk and interest rate risk; liquidity risk; credit risk; and operational risk, which is managed through the Risk Management Framework.

Insurance risk
The company issues contracts that transfer insurance risk or financial risk or both.

Insurance risks relate to the risks involved in underwriting the business. This comprises pricing (the risk that underlying business is under-priced) as well as the risk of a greater number of large losses than assumed. This risk category also includes reserving risk, which is the risk that actual claims payments are significantly higher than the amounts included within the technical provisions. This could occur because the frequency or severity of claims are greater than estimated. Insurance events are uncertain and the actual number and amount of claims may vary from year to year from the estimate established.

Other factors which influence insurance risk relate to concentration, including the quantum of a particular risk type underwritten and exposure split based on the geographical location and type of home improvement the insured is protecting.

The company manages these risks through an underwriting strategy that is approved by the Board after having considered experts' advice. The contracts issued by the company are issued with limits on event or aggregate liability towards the policyholder. The company seeks professional advice to support the directors' view on the adequacy of its loss reserves for its business.

The estimated cost of claims includes direct expenses to be incurred in settling claims. The company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is possible that the final outcome will prove to be different from the original liability established.

Due to the low level of claims in the year, the company has estimated the required claims provisions using a combination of an estimated loss ratio as calculated by the actuary and the historical claims development experience of the company and other insurer's underwriting similar products.

Sensitivities
The claim liabilities are sensitive to the claim frequency and the average cost per claim, which combine to result in a change in the loss ratio. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

31 December 2020 Loss Ratio
As part of the firm’s regular sensitivity testing, the impact of a 10% movement in key results on the technical account and solvency position is monitored. A movement in the loss ratio is broadly equivalent to the increase which would result from increased claims from a large installer. The impact of a 10% movement in the loss ratio on the technical account is £9,874 (2019: £12,688).

Financial instruments
The following table outlines the company's exposure to financial assets by credit quality:

	S&P Rating	2020	2019
		£	£
Financial assets			
Debtors arising out of insurance operations	unrated	465,553	61,537
Cash at bank and in hand	AA-	-	1,855,440
Cash at bank and in hand	A+	6,734,660	1,868,590
		7,200,213	3,785,567

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices driven by factors such as movements in currency and exchange rates, interest rates and other price changes.

The following policies and procedures are in place to mitigate the exposure to market risk:
a) Market risk is considered in the Risk Appetite Framework. Compliance is monitored and exposures and breaches are reported to the Board. The policy is reviewed regularly for pertinence and for changes in the risk environment.
b) Strict control over nature, quality and type of investments.
c) For assets backing outstanding claims provisions, market risk is managed by matching the duration and profile of assets to the technical provisions they are backing. This helps manage market risk to the extent that changes in the values of assets are matched by a corresponding movement in the values of the technical provisions.

Currency risk
Currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The company is not exposed to foreign exchange risk as it transacts business and holds amounts in its functional currency.

Interest rate risk
Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of differences in market interest rates.

Interest rate risk is managed by investment guidelines set out by the company. The company's investments as at year end comprises cash and short-term Bonds with A+ Rated UK Banks and are not materially sensitive to interest rate risk due to the low interest rate regime in the market.

Liquidity Risk
Liquidity risk is the risk that the company, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can secure them only at excessive cost. The company retains enough liquid cash in line with its Risk Management Framework and this is regularly monitored.

Credit Risk
Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Areas where the company is exposed to credit risk are: trade debtors and cash and cash equivalents. Trade debtors are considered fully receivable and ongoing monitoring is undertaken. No balances are past due or impaired. Cash balances are held with Lloyds Bank and HSBC Bank.

Cash and cash equivalents
The risk is managed within the company's Risk Management Framework, which is regularly reviewed by the Board of the company. The company's cash is held with Lloyds Bank and HSBC Bank, both of which have a credit rating of A+ with Standard & Poor's.

Capital management
Capital management includes the assessment of capital required to support the company's plans and objectives, the structure of its shareholder's funds, arrangements to secure capital, and the ongoing monitoring of capital against business requirements. The company is regulated by the Financial Conduct Authority (FCA) and Prudential Regulation Authorities ("PRA"). As a result, the company must maintain capital resources as prescribed by its regulators.

We were authorised as a Non-Solvency II Directive firm and fully understand the requirements, limitations and restrictions as detailed in the Prudential Regulation Authorities Rulebook for Non-Solvency II Directive firm and the Financial Conduct Authority rules.

The company's objectives when managing capital are:
i) to comply with legal and statutory obligations and maintain capital resources commensurate with the nature, scale and risk profile of its business;
ii) to provide a framework for monitoring the financial and capital position of the company, including the procedures to be followed during period of general financial distress, either due to internal or external events; and
iii) to safeguard the company's ability to continue as a going concern.

Management information to monitor the company's capital requirements and solvency position is produced and presented to the Board on a regular basis ensuring that the company meets its capital requirements at all times.

25. Related party transactions

Company under common directors
The Quality Assurance Service Co Ltd (“QAS”) is a related party by virtue of significant influence exerted via shareholders. During the year the company made sales of £2,801,759 (2019: £1,490,274) to QAS and at the Statement of Financial Position date £435,380 (2019: £12,201) was due to the company.

Key management personnel
The directors are considered to be the key management personnel of the company. Directors’ remuneration is given in note 6.

26. Controlling party

During the year control of the company passed from Safe World Insurance Group International Limited, a company incorporated in Guernsey to Jarion, a private unlimited company, registered in England and Wales. There is no ultimate controlling party.