GRYPHON GROUP HOLDINGS LIMITED

Annual report and financial statements for the year ended 31 December 2019

Registered number: 10091788

Contents

Directors and advisors for the year ended 31 December 2019

Directors

J D Punter
J A A Samuels
P Mann

Secretary

I E Nash

Registered Office

11 Strand
London
WC2N 5HR
United Kingdom

Auditors

BDO LLP
150 Aldersgate Street
London
EC1A 4AB
United Kingdom

Principal activities and business model

Gryphon Group Holdings Limited was incorporated on 30 March 2016. It is a wholly owned subsidiary of GGH (Jersey) Limited (the Parent Company). The Parent Company is a subsidiary of Punter Southall Group Limited.

The Company's primary activity is the provision of services to Guardian Financial Services Limited, another subsidiary of the Parent Company. The Company started to recharge costs to Guardian Financial Services Limited in 2018 when that company commenced activity. The recharge mechanism has been in place throughout 2019.

Review of the business

The £4.2m profit reported in 2019 (2018: £7.8m loss) includes £23.0m (2018: £15.7m) of administrative expenses. In 2019 it recharged all of these administrative costs to Guardian Financial Services Limited (2018: £7.7m) and since 1 January 2019 has charged a 17.5% mark-up on these recharges.

Administrative expenses include the cost of developing the marketing and other material necessary to support the distribution of new products, costs incurred developing and securing the relationships necessary to trade and, in 2019, started to include costs arising from the administration of the insurance products placed by Guardian Financial Services Limited, an insurance intermediary. The Company spent a further £1.9m (2018: £8.5m) developing software and a further £0.1m (2018: £0.3m) acquiring fixed assets necessary to support the new products. These costs have been capitalised (notes 12 and 13).

The Company continues with work to develop further products and enhancements to existing products and efficiencies are produced.

Key performance indicator

The performance of the Parent Company and its subsidiaries is monitored as a whole by reference to a number of key indicators. The key performance indicators used in the year were as follows:

	2019	2018
Annual Premium Equivalent*	£5,215,000	£703,000
Administrative expenses	£22,461,424	£15,749,561
Average of employees	106	70

*Annual Premium Equivalent is calculated as twelve times the monthly premium of business sold in the period.

Strategy and Future prospects

The Company will continue to improve the services that it provides to Guardian Financial Services Limited, supporting the development of new and improved insurance products and more effective and efficient operating systems and processes. The Company will build on the innovative systems and processes that it has already developed and take advantage of the efficiencies that follow from the increased sales and policies in force.

Balance sheet
The investment in new systems noted above has contributed to the £9.8m intangible asset that the Company carried at 31 December 2019 (2018: £13.8m) and the research and development tax claims that it made in each of 2018 and 2019 (notes 12 and 11).

The recharge of expenses to Guardian Financial Services Limited and management of cash between the subsidiaries of the Parent Company has resulted in the increase in trade and receivables to £9.5m (2018: £1.1m) (note 15).

Occupation and development of the Company's offices gives rise to £0.7m of property, plant and equipment (2018: £1.1m), and, further to the adoption of IFRS 16, a £1.6m right of use asset and £2.2m lease liability (notes 13 and 2).

Post balance sheet events
The outbreak and unprecedented spread of the Covid-19 pandemic across the globe has had a profound impact on local and global markets in a matter of weeks, and is expected to continue to shape the economic landscape for the immediate future. As of the date that these accounts were signed, the Covid-19 pandemic had not prompted a material change in new business volumes or lapses passing through the Parent Company's subsidiary Guardian Financial Services Limited but the restrictions on contact sports had reduced claims costs to the benefit of the business. It is most likely that a fall in the growth of new business volumes would reduce the cash strain of new business costs in the short term but delay the point at which the company starts to make a profit.

The Directors continue to monitor closely the impact of unfolding events in order to respond swiftly to any consequential implications on the business. Should the Covid–19 impacts be worse than the assumptions in the Company's stressed forecast there are a number of actions the Company could take to mitigate that risk which include product reprices and reducing discretionary spend and the use of the government support schemes available.

Governance
The Company's Board consists of three Non-Executive Directors. The Board meets four times a year on a formal schedule and more frequently as and when it is required to make decisions. At each quarterly meeting the Board reviews the combined trading performance and conduct of the Company and examines risk, control and compliance issues.

The Company's affairs are also subject to oversight by the following Punter Southall Group committees:
- Audit Committee
- Risk Committee
- Remuneration Committee

Risk management framework
The Board is committed to the application of the Risk Management Framework that is applied consistently across all companies in the Punter Southall Group. This Risk Management Framework embeds sound risk management practices. The Company will not only use the Framework to manage

and control risks, but will also seek to apply it in its decision making processes. The Board regards active mitigation and management of risk exposures as a business imperative.

Risk management framework (continued)

The management of the Risk Management Framework is underpinned by an oversight structure, delegated authorities, policies and governing committees. The Risk Management Framework sets out a process for:

- the development of the Company's key risks against its strategic objectives;
- a detailed explanation of the Company's risk appetite;
- an assessment of the inherent risks to the organisation and the likelihood of events occurring;
- the development of controls to monitor and mitigate risks;
- defined management responsibility for each risk and control; and
- an assessment of the residual risk to the Company once the controls have been factored in.

Conduct risk is monitored and managed through the Punter Southall Group Risk Management Framework.

Principal risks and uncertainties

On 8 January 2018, Guardian Financial Services Limited, became the Appointed Representative of Scottish Friendly Assurance Society Limited and since that time has been promoting, developing and administering the Guardian-branded insurance products that Scottish Friendly Assurance Society Limited provides to its policyholders. Guardian Financial Services Limited receives commissions and administration fees for the services that it provides to Scottish Friendly Assurance Society Limited. The costs of promoting, developing and administering the Guardian-brand insurance products are borne by the Company before being recharged to Guardian Financial Services Limited.

The principal risks and uncertainties of the Company are associated with the ability of the Company and Guardian Financial Services Limited to succeed in their objectives such that they generate sufficient sales and thereby income from Scottish Friendly Assurance Company Limited to cover their costs and repay the funding that they have received from the Parent Company.

On behalf of the Board

J A A Samuels
Director

Date: 18 May 2020

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

Directors
The Directors who held office during the year are given below:

S A J Davis resigned 5 July 2019
J D Punter*
J A A Samuels*
P Mann*

*Non-executive

Qualifying third party indemnity provision
The Company has in place qualifying third-party indemnity provisions for the Directors of Gryphon Group Holdings Limited.

Going concern
The Company is a start-up business, which together with its Parent Company and its subsidiaries, markets an insurance proposition, and faces the normal inherent risks associated with being a start-up business. As with any start-up proposition there is a risk that margins are significantly lower or sales volumes are significantly lower or will occur significantly later than anticipated in the business plan. Until the value of monthly commissions and administration fees received on policies in force exceeds monthly costs in the Parent Company's subsidiary, Guardian Financial Services Limited, the combined businesses will continue to be loss making and therefore need funding. The Directors have reviewed the stressed forecasts, projections and associated funding requirements of the businesses controlled by the Parent Company which have been prepared for the period to 31 December 2021 and include substantial reductions in sales, potentially as a result of the impact of the Covid-19 pandemic.

In order to mitigate the any funding shortfall arising from these conditions management have obtained a letter of support from its Parent Company, who have confirmed that they will provide financial support to the Company for at least 12 months from the date that these Financial Statements are approved sufficient to its forecast liabilities as they fall due for payment.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements and the financial statements do not include any adjustments should the going concern basis of preparation be inappropriate.

Political and charitable donations

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

Dividends

The Directors do not recommend the payment of a dividend for the year (2018: £nil).

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements 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 to 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 of information provided to the auditors

All Directors have taken all appropriate steps to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

On behalf of the Board

J A A Samuels
Director
Date: 18 May 2020

Opinion
We have audited the financial statements of Gryphon Group Holdings Limited ("the Company") for the year ended 31 December 2019 which comprise the Income Statement and Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:
- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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 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.

Material uncertainty related to going concern
We draw attention to note 4 to the financial statements, which indicates that the Company is reliant on the parent for financial. As stated in note 4, these events or conditions, along with other matters as set out in note 4, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information
The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report 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 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 Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
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 and Director's 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.

Responsibilities of Directors
As explained more fully in the Statement of Directors Responsibilities, 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 at the Financial Reporting Council's website at:
https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

John Perry (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
18 May 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income statement and statement of comprehensive income

	Note	**Year ended 31 December 2019 £**	Year ended 31 December 2018 £
Turnover	6	**26,720,771**	7,675,788
Administrative expenses		**(22,461,424)**	(15,749,561)
Operating profit/ (loss)	7	**4,259,347**	(8,073,773)
Finance income	9	**-**	1,429
Finance expense	10	**(279,657)**	(1,841)
Profit/ (loss) on ordinary activities before taxation		**3,979,690**	(8,074,185)
Tax on profit/ loss on ordinary activities	11	**170,897**	274,453
Profit/ (loss) on continuing activities after taxation		**4,150,587**	(7,799,732)
Total comprehensive profit/ (loss) for the period		**4,150,587**	(7,799,732)

All items in the above statements derive from continuing operations.

The notes on pages 14 to 30 form part of these financial statements.

Statement of financial position
Registered number: 10091788

	Note	At 31 December 2019 £	At 31 December 2018 £
Non-current assets			
Intangible assets	12	**9,811,128**	13,753,456
Property, plant and equipment	13	**711,921**	1,052,701
Right of use asset	14	**1,619,484**	-
		12,142,533	14,806,157
Current assets			
Trade and other receivables	15	**9,504,827**	1,124,194
Cash and cash equivalents		**338,523**	177,573
		9,843,350	1,301,767
Total assets		**21,985,883**	16,107,924
Current liabilities			
Lease Liabilities	14	**(2,176,140)**	-
Trade and other payables	16	**(3,484,876)**	(3,695,566)
Total liabilities		**(5,661,016)**	(3,695,566)
Net assets		**16,324,867**	12,412,358
Equity			
Share capital	17	**30,637,960**	30,637,960
Retained losses		**(14,313,093)**	(18,225,602)
Total equity		**16,324,867**	12,412,358

The financial statements were approved by the Board and authorised for issue on 18 May 2020.
They were signed on behalf of the Board by:

J A A Samuels
Director

The notes on pages 14 to 30 form part of these financial statements.

	Note	Share capital £	Retained losses £	Total equity £
Balance as at 1 January 2018		**6,550,897**	**(10,425,870)**	**(3,874,973)**
Share issue	17	24,087,063	-	24,087,063
Loss for the year		-	(7,799,732)	(7,799,732)
Balance as at 31 December 2018		**30,637,960**	**(18,225,602)**	**12,412,358**
Balance as at 1 January 2019		**30,637,960**	**(18,225,602)**	**12,412,358**
Effect of adoption of IFRS 16	2	-	(238,078)	(238,078)
Profit for the year		-	4,150,587	4,150,587
Balance as at 31 December 2019		**30,637,960**	**(14,313,093)**	**16,324,867**

The notes on pages 14 to 30 form part of these financial statements.

	Note	**Year ended 31 December 2019 £**	Year ended 31 December 2018 £
Net cash inflow/(outflow) from operating activities	21	**2,124,159**	(15,634,217)
Investing activities:			
Investment in used internally: Intangible assets	12	**(1,909,939)**	(8,514,630)
Purchase of property, plant and equipment	13	**(53,270)**	(303,125)
Net cash used in investing activities:		**(1,963,209)**	(8,817,755)
Financing activities:			
Issue of shares	17	**-**	24,087,063
Net cash from financing activities:		**-**	24,087,063
Net increase/(decrease) in cash and cash equivalents		**160,950**	(364,909)
Cash and cash equivalents at the beginning of the year		**177,573**	542,482
Cash and cash equivalents at the end of the year		**338,523**	177,573

The notes on pages 14 to 30 form part of these financial statements.

1. General information

Gryphon Group Holdings Limited is a company incorporated in the United Kingdom, with Company registration number 10091788 and is a company limited by shares. The registered office is 11 Strand, London WC2N 5HR, United Kingdom.

The nature of the Company's operations and its principal activities are detailed in the Strategic report.

Basis of preparation
The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with International Financial Reporting Standards, International Accounting Standards and interpretations (collectively IFRSs) and International Financial Reporting Interpretation Committee (IFRIC) interpretations, as adopted by the European Union (IFRSs as adopted by the EU).

The functional and presentational currency of the Company is Pound Sterling. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

2. New standards, interpretations and amendments effective from 1 January 2018

The only new standard impacting the Company that has been adopted in these annual financial statements for the first time and has given rise to changes in the Company's accounting policies is IFRS 16 Leases (IFRS 16). Details about the impact of IFRS 16 are given below.

IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23) is also applicable in these financial statements for the first time but did not result any change to the value of corporate tax or any other liabilities. IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments.

Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Company as they are either not relevant to the Company's activities or require accounting which is consistent with the Company's current accounting policies.

IFRS 16 Leases
Effective 1 January 2019, IFRS 16 has replaced IAS 17 *Leases*. For the Company, the leases that are affected are property rental leases.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Company does not have significant activities acting as a lessor.

2. New standards, interpretations and amendments effective from 1 January 2019 (continued)

Transition method and practical expedients utilised

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Company applied the modified retrospective approach transitional method and the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date; and
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases. However, the Company has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

On adoption of IFRS 16, the Company recognised right-of-use assets and lease liabilities in relation to property rental leases which have previously been classified as operating leases.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at 1 January 2019. The Company's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted average rate applied was 12%.

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

2. New standards, interpretations and amendments effective from 1 January 2019 (continued)

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 1 January 2019:

	1 January 2019
	£
Introduction of Right-of-use assets at 1 January 2019	1,837,230
Introduction of Lease liabilities at 1 January 2019	(2,342,654)
Release of Trade and other receivables balances (note 15)	(72,894)
Release of Trade and other payables balances held (note 16)	340,240
Net reduction in retained earnings	**(238,078)**

Included in profit or loss for the year are £217,746 of amortisation of right-of-use assets and £276,707 of finance expense on lease liabilities.

The following table reconciles the minimum lease commitments disclosed in the Company's 31 December 2018 annual financial statements to the amount of lease liabilities recognised on 1 January 2019:

	1 January 2019
	£
Minimum operating lease commitment as at 31 December 2018	1,531,016
Plus: Changes in lease assumptions	2,206,525
Undiscounted lease payments	3,737,541
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(1,394,887)
Lease liabilities recognised at 1 January 2019	**2,342,654**

Significant accounting policies subsequent to transition

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

2. New standards, interpretations and amendments effective from 1 January 2019 (continued)

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favour of the company if it is reasonably certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate or when there is a change in the assessment of the term of any lease.

3. Standards issued but not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

The Company is currently assessing the impact of these new accounting standards and estimates.

4. Accounting policies

Going concern
The Company is a start-up business, which together with its Parent Company and its subsidiaries, markets an insurance proposition, and faces the normal inherent risks associated with being a start-up business. As with any start-up proposition there is a risk that margins are significantly lower or sales volumes are significantly lower or will occur significantly later than anticipated in the business plan. Until the value of monthly commissions and administration fees received on policies in force exceeds monthly costs in the Parent Company's subsidiary, Guardian Financial Services Limited, the combined businesses will continue to be loss making and therefore need funding. The Directors have reviewed the stressed forecasts, projections and associated funding requirements of the businesses controlled by the Parent Company which have been prepared for the period to 31 December 2021 and include substantial reductions in sales, potentially as a result of the impact of the Covid-19 pandemic.

In order to mitigate the any funding shortfall arising from these conditions management have obtained a letter of support from its Parent Company, who have confirmed that they will provide financial support to the Company for at least 12 months from the date that these Financial Statements are approved sufficient to its forecast liabilities as they fall due for payment.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements and the financial statements do not include any adjustments should the going concern basis of preparation be inappropriate.

4. Accounting policies (continued)

Taxation
Tax expense comprises current and deferred tax.

Current tax
Current tax assets and liabilities comprise those obligations to, or claim from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date.

Deferred tax
Deferred tax is provided in respect of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill (if any) or from the initial recognition of other assets and liabilities in a transaction, other than a business combination (if any), that affects neither the tax nor the accounting profit.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to be applied to their respective period of realisation, provided they are enacted or substantially enacted at the reporting date.

Where applicable, deferred tax assets and liabilities are offset when there is a legally enforceable right to set off, when they relate to income taxes levied by the same taxation authority and the Company intends to settle on a net basis.

Changes in deferred tax assets and liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity, in which case the related deferred tax is also charged or credited directly to equity.

Operating leases
Up until the implementation of IFRS 16 on 1 January 2019, Operating lease payments, net of lease incentives, relating to leasehold payments were recognised as an expense in the income statement on a straight-line basis over the lease term.

Trade and other payables
Trade payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest method. The effective interest rate method allocates interest expense over the relevant period by applying the effective interest rate to the carrying amount of the liability.

4. Accounting policies (continued)

Financial instruments
In accordance with IFRS 9, Financial assets and financial liabilities are recognised on the statement of financial position when the Company becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

A financial asset is classified as a fair value through the profit or loss (FVTPL) if:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management strategy.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the income statement.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred raising those borrowings. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised over the period of the borrowings using the effective interest method.

Cash at bank and in hand
Cash comprises of cash in hand, cash at bank and demand deposits.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate and only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Depreciation is provided to write off the cost, less estimated residual values, of all property, plant and equipment evenly over their expected useful lives. It is calculated at the following rates:

- Leasehold improvements – 14.3% per annum
- Computer equipment – 33.3% per annum

4. Accounting policies (continued)

Intangible assets
Intangible assets, comprising the software systems necessary to support the administration of insurance products, are those that are developed internally, considered separable, and where it is probable that they will produce future economic benefits for the Company that are based on reasonable and supportable assumptions. They are recognised at their cost when they meet the requirement of being technically and commercially feasible. Internally developed software has an estimated useful life of three years from the point that it is brought into use and is amortised on a straight-line basis.

Right of use assets and Lease liabilities
Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

5. Critical accounting estimates and judgements

The preparation of financial statements in compliance with IFRSs requires the Company's Directors to make certain critical accounting estimates and exercise judgements, as well as making certain assumptions and estimates regarding the future. These estimates and judgements are continually evaluated based on expectations of future events that are believed to be reasonable under the circumstances. In the future actual experience may differ from these estimates and assumptions. The only estimates and assumptions that are considered to have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are those related to the impairment of tangible and intangible assets and the assessment of whether the Company is a going concern.

At each balance sheet date, the Company reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

5. Critical accounting estimates and judgements (continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at the revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been had no impairment less been recognised for the asset in prior years. A reversal of impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at the revalued amount, in which case the impairment loss is treated as a revaluation increase.

6. Turnover

On 1 August 2018, prior to the launch to the whole of market later that month, the Company started to recharge Guardian Financial Services Limited for the services that it provides to support the activities of that company. Recharge income has been classified as income.

7. Operating loss

	Year ending December 2019 £	Year ending December 2018 £
Operating loss is stated after charging:		
Staff costs (note 8)	**7,587,952**	5,319,463
Amortisation of intangible assets (note 12)	**5,852,267**	2,880,988
Amortisation of right of use assets (note 14)	**217,746**	-
Depreciation of property, plant and equipment (note 13)	**394,050**	360,605
Rent	**-**	384,248

Auditors' remuneration of £23,500 (2018: £21,900) was paid in respect of the Company, £13,500 (2018: £12,400) in respect of the audit of the Parent Company and £45,800 (2018: £43,700) and £nil (2018: £4,800) in respect of the audit of its' other subsidiaries, Guardian Financial Services Limited and Guardian Assurance Limited. Guardian Assurance Limited has been dormant in 2019. Tax compliance work of £13,075 (2018: £6,000) and 2017 R&D claim work of £18,750 (2018: £18,000) were also paid to the Company's auditor during the year.

8. Staff costs

	Year ending December 2019 £	Year ending December 2018 £
Staff costs (including Directors) consist of:		
Wages and salaries	**6,316,631**	4,390,150
Social security costs	**753,477**	533,375
Other employee benefits – insurances	**118,143**	74,947
Pension costs	**399,701**	320,991
	7,587,952	5,319,463

The average number of employees (including Directors) employed by the Company during the period was:	**106**	70

Included in staff costs above were Directors emoluments as listed below:

	Year ending December 2019 £	Year ending December 2018 £
Aggregate emoluments	**258,120**	344,159
Pension costs	**-**	-
	258,120	344,159
Highest-paid Director		
Aggregate emoluments	**170,620**	294,159
Pension costs	**-**	-
	170,620	294,159

9. Finance income

	Year ending December 2019 £	Year ending December 2018 £
Other interest receivable	-	1,429
	-	1,429

In 2018, interest was earned on late payment of the 2017 research and development tax claim from Her Majesty's Revenue and Customs.

10. Finance expense

	Year ending December 2019 £	Year ending December 2018 £
Finance expense on lease liabilities (note 14)	**276,707**	-
Bank charges	**2,950**	1,841
	279,657	1,841

11. Tax on loss on ordinary activities

	Year ending December 2019 £	Year ending December 2018 £
Total tax credit	**170,897**	274,453

The tax charge can be reconciled to the loss for the period as follows:

	Year ending December 2019	Year ending December 2018
Profit/ (loss) on ordinary activities before tax	**3,979,690**	(8,074,185)
Profit/ (loss) before tax multiplied by the effective rate of corporation tax in the UK of 19.00% (2018: 19.00%)	**756,141**	(1,534,095)
Effects of:		
Transfer pricing adjustment	**-**	-
Expenses not deductible for tax purposes	**999**	92
Corporate interest deduction	**-**	-
Excess of capital allowances over depreciation	**30,556**	28,081
Movement in temporary differences	**(707,997)**	1,344,448
Research and development claim	**(170,895)**	(274,453)
Changes in tax rates	**(79,699)**	161,474
Total tax for period	**(170,895)**	(274,453)

On 24 April 2020, the Company received £170,895 from HMRC for a claim for research and development costs incurred in the period ending 31 December 2017. The £274,453 claim for period ending 31 December 2016 was received from HMRC on 16 January 2019.

11. Tax on loss on ordinary activities (continued)

The Company is in the process of preparing the equivalent claim for the year 31 December 2018. Due to the uncertainty associated with determining the amount the Company is likely to receive in respect of the 2018 claim, no amounts have been recognised for them in these financial statements.

There is an unrecognised deferred tax asset of £2,079,453 (2018: £2,627,767) in relation to losses for the year. This has not been recognised as it is not certain that these losses will be utilised in future periods.

12. Intangible assets

	Software
	£
Cost	
Balance at 1 January	16,634,444
Additions	1,909,939
Balance at 31 December	**18,544,383**
Accumulated amortisation	
Balance at 1 January	2,880,988
Amortisation charge for the year	5,852,267
Balance at 31 December	**8,733,255**
Net book value	
At 31 December 2019	**9,811,128**
At 31 December 2018	13,753,456

Internally developed software assets include the cost of developing the software systems necessary to support the new products. These assets allow the Company to provide better services to a fellow subsidiary of the parent company, Guardian Financial Services Limited, and thereby generate greater future income from management charges and make a positive return on the cost invested. This assessment is supported by the plans of the business.

13. Property, plant and equipment

	Computer equipment	Leasehold improvements	Total
Cost	£	£	£
Balance at 1 January	816,866	749,339	1,566,205
Additions	39,496	13,774	53,270
Balance at 31 December	**856,362**	**763,113**	**1,619,475**
Accumulated depreciation			
Balance at 1 January	371,092	142,412	513,504
Depreciation charge for the year	284,836	109,214	394,050
Balance at 31 December	**655,928**	**251,626**	**907,554**
Net book value			
At 31 December 2019	**200,434**	**511,487**	**711,921**
At 31 December 2018	445,774	606,927	1,052,701

14. Right of Use Assets and Lease liabilities

	Right of Use Assets	Lease liabilities
	£	£
Balance at 1 January 2019	1,837,230	(2,342,654)
Amortisation/ Finance expense	(217,746)	(276,707)
Rent payments	-	443,221
Balance at 31 December 2019	**1,619,484**	**(2,176,140)**

Balances at 1 January 2019 were created as a result of the adoption of IFRS 16 (note 2).

15. Trade and other receivables

	2019	2018
	£	£
Other debtors	-	14,519
Amounts due from Group undertakings	**8,947,616**	341,341
Prepayments and accrued income	**386,315**	493,881
Corporation tax receivable	**170,896**	274,453
	9,504,827	1,124,194

See note 19 for more details about Amounts due from Group undertakings. Prepayments and accrued income included £72,894 of prepaid rent costs at 31 December 2018 which were adjusted on 1 January 2019 when IFRS 16 was adopted (see note 2). Amounts due from Group undertakings are recoverable on demand and corporation tax receivable is recoverable within six months.

16. Trade and other payables

	2019	2018
	£	£
Trade creditors	**946,250**	1,226,997
Amounts due to Group undertakings	**421,476**	605,560
Accruals and deferred income	**1,857,004**	1,628,959
Taxation and social security	**260,146**	234,050
	3,484,876	3,695,566

See note 19 for more detail about Amounts due to Group undertakings. Accruals and deferred income included £340,240 in respect of rent-free accruals at 31 December 2018 which were removed on 1 January 2019 when IFRS 16 was adopted (see note 2).

17. Called up share capital

	2019	2018
	£	£
Authorised, allotted, called up and fully paid		
306,379,600,000 (2018: 306,379,600,000) ordinary shares of £0.0001 each	**30,637,960**	30,637,960
	30,637,960	30,637,960

Transaction costs of £130,948 were incurred raising capital in 2017 and continue to be included as a cost of equity.

18. Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share capital	Nominal value of share capital subscribed for.
Retained losses	Net gains and losses and transactions with owners not recognised elsewhere.

19. Related party transactions

During the year the Company (incurred) and recovered administration costs (to) and from related parties as follows:

	2019	2018
	£	£
Guardian Financial Services Limited	**26,720,771**	7,675,636
Punter Southall Governance Services Limited	**212,079**	140,570
Punter Southall Group Limited	**(64,152)**	(23,255)
Punter Southall Defined Contribution Consulting Limited	**-**	(7,807)
Red Arc Limited	**(5,655)**	(5,655)
TORI Limited	**(258,401)**	-

Amounts payable to related parties were as follows:

	2019	2018
	£	£
Punter Southall Group Limited	**421,476**	354,824
Guardian Financial Services Limited	**-**	250,736
	421,476	605,560

Amounts recoverable from related parties were as follows:

	2019	2018
	£	£
Punter Southall Governance Services Limited	**-**	36,736
Guardian Financial Services Limited	**8,947,597**	-
GGH (Jersey) Limited	**-**	304,605
	8,947,597	341,341

The companies listed above are all part of the Punter Southall Group, of which Punter Southall Group Limited is the ultimate Parent Company. No interest accrues on amounts payable to or recoverable from group undertakings all of which are short term balances and repayable on demand.

20. Management of capital

Capital is considered to be the reserves and ordinary share capital in issue:

	2019	2018
	£	£
Ordinary shares	**30,637,960**	30,637,960
Retained earnings	**(14,313,093)**	(18,225,602)
	16,324,897	12,412,358

Company objectives when managing capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- To provide an adequate return to shareholders by pricing services commensurately with the level of risk.

The Company is not subject to externally imposed capital requirements other than the minimum share capital required by the Companies Act, with which it complies.

The period end capital position is reported to the operational Board on a monthly basis. The capital position is also given due consideration when corporate plans are prepared, calculating the future requirements based upon the three-year financial forecast.

21. Net cash outflow from operating activities

	2019	2018
	£	£
Profit/ (loss) for the year	**4,150,587**	(7,799,732)
Adjustments for:		
Amortisation of intangible assets (note 12)	**5,852,267**	2,880,988
Depreciation of property, plant and equipment (note 13)	**394,050**	360,605
Amortisation of right of use assets (note 14)	**217,746**	-
Increase in trade and other receivables* (note 15)	**(8,453,527)**	(804,046)
Increase/ (decrease) in trade and other payables* (note 16)	**129,550**	(10,272,032)
Movement in value of lease liabilities (note 14)	**(166,514)**	-
Net cash inflow/ (outflow) inflow from operating activities	**2,124,159**	(15,634,217)

*Numbers are quoted exclusive of the adjustment prompted by the adoption of IFRS16 (see note 2).

22. Financial instruments

The key financial risk faced by the Company is liquidity risk. The liquidity of the Company and the Parent Company are monitored together on a regular basis.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Parent Company holds credit facilities and subscription agreements to meet its commitments and those of the Company. The commitments of the Company and those of the Parent Company and progress against the business plan are monitored closely to ensure that the conditions of credit facilities are met and sufficient credit is accessed. The Parent Company has provided a letter of support to the Company to the effect that it will continue to provide the funds necessary to meet its forecast commitments as they fall due for at least 12 months from the date that these Financial Statements are approved (see note 4).

23. Post balance sheet events

In March 2020 in became apparent that the Covid-19 pandemic would have a significant impact on business in the UK and the world. Like all businesses around the world, the recent Covid-19 pandemic will have an impact on the Company. This could result in fewer sales and increased lapses of insurance policies, an increase in claims, less efficient working practices and higher levels of bad debt if the financial advisers and the suppliers fail.

The business has already successfully transitioned to a fully remote model of working, is working with the third parties that it deals with to adapt to their changing needs and, together with the other companies in the Punter Southall group, carries out regular liquidity stress testing on cashflow forecasts to monitor and manage the impacts of this kind of event.

24. Immediate and ultimate Parent Company

The immediate Parent Company is GGH (Jersey) Limited, a company incorporated in Jersey.

The Company's ultimate Parent and controlling undertaking is Punter Southall Group Limited, an entity incorporated in the United Kingdom. Punter Southall Group Limited is the Parent of the largest group of which the Company is a member.

Copies of the financial statements of Punter Southall Group Limited can be obtained from the Company Secretary: Punter Southall Group Limited, 11 Strand, London WC2N 5HR United Kingdom.