



Allstate®

Northern Ireland

**Allstate Northern Ireland Limited
Annual report and financial statements
for the year ended 31 December 2018**

Registered number: NI34636



Allstate Northern Ireland Limited

Contents

	Page
Directors and other information	3
Strategic report	4
<i>Directors' report</i>	6
Directors' responsibilities statement	9
Independent auditor's report	10
Profit and loss account	14
Balance sheet	15
Statement of changes in equity	16
Notes to the financial statements	17

Allstate Northern Ireland Limited

Directors and other information

Directors

Suren Gupta
John Healy
Roger Kent
Courtney Welton
Carla Zuniga

Independent Auditor

Deloitte (NI) Limited
Belfast, United Kingdom

Bankers

Citibank, N.A.
Citigroup Centre,
Canary Wharf
London
E14 5LB

Solicitors

Pinsent Masons
1 Lanyon Place
Belfast
BT1 1LS

Registered Office

10 Mays Meadow
Belfast
BT1 3PH

Allstate Northern Ireland Limited

Strategic report

The directors, in preparing the Strategic Report, have complied with s414c of the Companies Act 2006.

Principal activities

The company's principal activity is to deliver information technology and business process solutions for its ultimate parent company in the United States, The Allstate Corporation, and its subsidiaries.

Business review and future prospects

Profitability

Excluding the fair value of derivatives and foreign currency gains/losses relating to the revaluation of US dollar balances, the company generated a profit before tax of £5,081,112 (2017 – £3,118,439). This is the controllable operating profit of the company. Sales increased to £114.8 million (2017 - £96.6 million).

The profit for the year, after the fair value of derivatives and after taxation, amounted to £3,400,187 (2017 – profit of £14,915,144).

Up to 30 June 2018 when the derivative program ended, the profitability was impacted by the movement in the valuation of the derivative portfolio. The £14.9m profit in 2017 was due to significant movements in the fair value of derivatives in 2016 and 2017 due to exchange rate changes following the Brexit vote. A substantial part of this exchange rate movement is reported in turnover and has a large impact on the profit margin of the prior year.

The fair value movements on derivatives do not represent the operating success of the company.

Cash

The construction of a significant new building project continued throughout 2018 and was completed in the second quarter of 2018. In order to part-fund the building project, a \$15m loan was obtained from the parent company in 2016. This was repaid in 2018 and a new \$15m loan facility issued which remains in place.

Prospects

In 2019 the company expects to headcount to show modest growth. The company will continue to balance profitability with global competitiveness.

The new Mays Meadow office building in Belfast is a significant investment. It brings all Belfast based employees into one location and provides a high quality working environment. All Belfast employees were relocated to Mays Meadow by 30 April 2018.

There have been no other significant events since the balance sheet.

Allstate Northern Ireland Limited

Strategic report (continued)

Principal risks and uncertainties

The Board operates the company's financial risk management objectives and policies. Treasury policies include defined controls on the use of financial instruments in measuring risk.

The principal financial risk faced by the company is foreign exchange which was mitigated by a derivative program of currency forwards until 30 June 2018 and thereafter by an internal exchange rate risk mitigation program within the Group.

The derivative program alleviated the risk and uncertainty to profit before fair value of derivatives and ensured that the conversion of dollar denominated sales generated an expected amount of pounds. However, the derivative program created uncertainty in profit after fair value of derivatives, as changes in the exchange rate could produce significant gains or losses in portfolio valuation.

As a result, the external derivative program has been replaced by an internal exchange rate risk mitigation program, which does not generate uncertainty in the profitability of the company, while effectively mitigating the exchange rate risk.

In June 2016 the United Kingdom voted to leave the European Union. As the company does not trade in Europe, the risks and uncertainties are primarily related to exchange rate volatility and access to talent: 1) Brexit has resulted in exchange rate volatility which is monitored by management as part of their oversight of the exchange rate risk. Trading activities within a financial year are not impacted by this volatility, due to the exchange rate risk mitigation programs; 2) the company does not expect Brexit to impact the stability of the current workforce but may create issues around access to talent in the future. This is an uncertainty faced by all UK companies.



John Healy
Director

10 Mays Meadow, Belfast, BT1 3PH

24 June 2019

Allstate Northern Ireland Limited

Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report, for the year ended 31 December 2018.

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 4 and form part of this report by cross-reference.

Going concern

The directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The company has sufficient financial resources for normal operations.

In the event of an extreme downturn in the US dollar to sterling exchange rate, the company can avail of a parent company loan facility of up to \$30m. The company received funding of \$15m from the parent company in 2016, in respect of a building project. This was renewed in 2018.

The financial statements include the company's objectives, policies and processes for managing its financial risks, details of its exchange rate risk mitigation and exposure to liquidity risk.

After making enquires, the directors have a reasonable expectation that the company will have adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives up to 30 June 2018 was governed by the company's policies, which were approved by the board of directors. These provided written principles on the use of financial derivatives to manage these risks. The company does not use derivative financial instruments for speculative purposes.

Cash flow risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The company used foreign exchange forward contracts to hedge these exposures until June 2018. From July 2018 onwards, an internal exchange rate risk mitigation program has been utilised.

Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Allstate Northern Ireland Limited

Directors' report (continued)

Financial risk management objectives and policies (continued)

Credit risk

The company's principal financial assets are bank balances, cash, and trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of cash reserves and short-term debt finance.

Further details regarding liquidity risk can be found in the accounting policies note in the financial statements.

Financial instruments

The company's principal financial instruments comprise cash, short term deposits, and intercompany loans. The company has various other financial instruments such as trade debtors and trade creditors that arise directly from operations. The company does not trade in financial instruments. Details of significant financial instruments are given in notes 14 and 15 to the financial statements.

Dividends

The directors do not recommend a final dividend, and as no interim dividend was paid, this makes a total of £nil for the year (2017 - £nil).

Directors

The directors have no beneficial interest in the shares of the company. The directors' interests in the shares of the parent undertaking, The Allstate Corporation, and its subsidiaries, are dealt with in the accounts of that company, which is incorporated outside Northern Ireland.

The directors, who served throughout the year were as follows: Suren Gupta, John Healy, Roger Kent, Jeffrey McRae and Carla Zuniga.

Courtney Welton was appointed on 18 December 2018.

Daniel Necastro and Beth Pollard served as directors until their resignations effective on 21 August 2018 and 18 December 2018 respectively. Jeffrey McRae resigned after the balance sheet date, on 28 February 2019.

Allstate Northern Ireland Limited

Directors' report (continued)

Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings, company newsletters, email communications and quarterly senior management presentations. These presentations aim to make employees aware of financial and economic factors affecting the company's performance. Where possible, decisions affecting employee interests are made in consultation with employee committees or manager groups.

The company welcomes job applications regardless of race, creed, sex, ethnic origin, age or disability. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of an employee becoming disabled, the company supports the continuation of employment and is committed to arranging appropriate training and rehabilitation for skill redevelopment. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

The company is committed to the training of staff in operational skills and to providing opportunities for personal development. The company has policies in place to promote a healthy work life balance for all staff.

Auditor

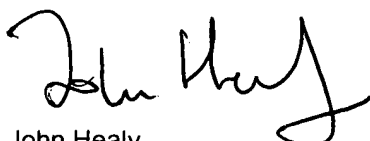
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

An elective resolution is in place to dispense with the requirement to appoint auditors annually. Therefore, Deloitte (NI) Limited are deemed to continue as auditors until further notice.

Approved by the Board and signed on its behalf by:



John Healy
Director

10 Mays Meadow, Belfast, BT1 3PH

24 June 2019

Allstate Northern Ireland Limited

Directors' responsibilities statement

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"). 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 UK Accounting Standards 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 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.

Independent auditor's report to the members of Allstate Northern Ireland Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Allstate Northern Ireland Limited (the 'company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 23.

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

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Allstate Northern Ireland Limited (continued)

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.

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 respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report to the members of Allstate Northern Ireland Limited (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

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.

Independent auditor's report to the members of Allstate Northern Ireland Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Dawn Johnston

**Dawn Johnston FCA (Senior statutory auditor)
for and on behalf of Deloitte (NI) Limited
Statutory Auditor
Belfast, United Kingdom**

25 September 2019

Allstate Northern Ireland Limited

Profit and loss account

For the year ended 31 December 2018

		2018 £	2017 £
	Note		
Sales		114,788,710	96,588,555
Fair value (loss)/gain on derivative financial instruments	14	(205,633)	16,979,342
Total turnover		<u>114,583,077</u>	<u>113,567,897</u>
Cost of sales		(97,016,804)	(79,711,281)
Gross profit		<u>17,566,273</u>	<u>33,856,616</u>
Administrative expenses		(12,422,969)	(13,920,888)
Foreign currency loss		(593,588)	(1,974,616)
Operating profit		<u>4,549,716</u>	<u>17,961,112</u>
Net finance (expense)/income	3	(57,571)	311,751
Loss on disposal of fixed asset		(210,735)	(149,698)
Profit on ordinary activities before taxation	4	<u>4,281,410</u>	<u>18,123,165</u>
Tax on profit on ordinary activities	7	(881,223)	(3,208,021)
Profit for the financial year		<u><u>3,400,187</u></u>	<u><u>14,915,144</u></u>

All recognised gains and losses in the current and prior year have been reflected in the Profit and Loss Account and arise solely from continuing operations. Accordingly a Statement of Comprehensive Income is not presented.

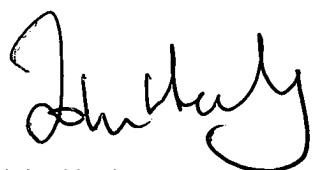
Allstate Northern Ireland Limited

Balance sheet

At 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	8	41,652,922	33,475,158
Current assets			
Debtors	9	15,333,510	14,781,155
Cash at bank and in hand		21,795,748	24,981,277
		37,129,258	39,762,432
Creditors: Amounts falling due within one year	10	(15,683,017)	(15,639,528)
Net current assets		21,446,241	24,122,904
Total assets less current liabilities		63,099,163	57,598,062
Creditors: Amounts falling due after more than one year	11	(11,777,730)	(11,088,605)
Deferred tax	12	(372,583)	-
Provisions for liabilities	13	(1,910,000)	(1,044,761)
Net assets		49,038,850	45,464,696
Capital and reserves			
Called-up share capital	16	16,077,502	16,077,502
Capital contribution	16	419,229	245,262
Profit and loss account	16	32,542,119	29,141,932
Shareholders' funds		49,038,850	45,464,696

The financial statements of Allstate Northern Ireland Limited (registered number NI34636) were approved by the board of directors and authorised for issue on 24 June 2019. They were signed on its behalf by:



John Healy

Director

Allstate Northern Ireland Limited

Statement of changes in equity

At 31 December 2018

	Called-up share capital £	Capital contribution £	Profit & loss account £	Total £
At 1 January 2017	16,077,502	161,499	14,226,788	30,465,789
Profit for the financial year	-	-	14,915,144	14,915,144
Total comprehensive income	-	-	14,915,144	14,915,144
Credit to equity for equity settled share-based payment	-	83,763	-	83,763
At 31 December 2017	16,077,502	245,262	29,141,932	45,464,696
Profit for the financial year	-	-	3,400,187	3,400,187
Total comprehensive income	-	-	3,400,187	3,400,187
Credit to equity for equity settled share-based payment	-	173,967	-	173,967
At 31 December 2018	16,077,502	419,229	32,542,119	49,038,850

Allstate Northern Ireland Limited

Notes to the financial statements

For the year ended 31 December 2018

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

a. General information and basis of accounting

Allstate Northern Ireland Limited is a company incorporated in the United Kingdom under the Companies Act and registered in Northern Ireland. The address of the registered office is given on page 3. The nature of the company's operations and its principal activities are set out in the strategic report on page 4.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Allstate Northern Ireland Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

Allstate Northern Ireland Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

b. Going concern

The financial statements have been prepared using the going concern basis of accounting.

c. Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold Improvements	10 years
Buildings	40 years
Computer Equipment	4 years
Furniture and Equipment	10 years
Voice Equipment	5 years

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Assets in the course of construction are carried at cost less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised. Depreciation of these assets commences when the assets are ready for their intended use.

Allstate Northern Ireland Limited

Notes to the financial statements

For the year ended 31 December 2018

1. Accounting policies (continued)

d. 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 related contractual arrangements. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet these conditions are subsequently measured at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Equity instruments

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(iii) Derivative financial instruments

The company uses derivative financial instruments to reduce exposure to foreign exchange risk. The company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Allstate Northern Ireland Limited

Notes to the financial statements

For the year ended 31 December 2018

1. Accounting policies (continued)

d. Financial instruments (continued)

(iv) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

e. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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

f. Collateral

Collateral is paid to or received from counterparties as security in respect of the company's derivative financial instruments, based on movements in the fair value of the derivative financial instruments. This was applicable until 30 June 2018.

Allstate Northern Ireland Limited

Notes to the financial statements

For the year ended 31 December 2018

1. Accounting policies (continued)

g. Provisions for liabilities

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event and it is probable that a transfer of economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

h. Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

i. Turnover

Turnover represents amounts receivable from The Allstate Corporation, its subsidiaries, and other third parties, net of trade discounts, VAT and other sales-related taxes. Turnover includes realised gains and losses on expired derivative contracts used to manage the currency exposures that arise on sales denominated in foreign currencies. It also includes the mark to market adjustment of the derivative portfolio.

Allstate Northern Ireland Limited

Notes to the financial statements

For the year ended 31 December 2018

1. Accounting policies (continued)

j. Employee benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

k. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

l. Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

m. Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants relating to revenue are recognised in income over the period in which the related costs are recognised.

n. Share-based payments

The company grants to its employees, rights to equity instruments of The Allstate Corporation, its parent company. Equity-settled share-based payment transactions are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant, which is then expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

o. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the costs of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Allstate Northern Ireland Limited

Notes to the financial statements

For the year ended 31 December 2018

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors 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

There are no critical judgements, apart from those involving estimations, that the directors have made in the process of applying the company's accounting policies and which have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

There are no key assumptions concerning the future, or any other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3. Net finance (expense)/ income

	2018 £	2017 £
Other interest receivable and similar income	196,939	311,751
Intercompany interest payable	(254,510)	-
	<u>(57,571)</u>	<u>311,751</u>

4. Profit on ordinary activities before taxation:

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2018 £	2017 £
Depreciation of tangible fixed assets (note 8)	2,143,666	1,932,426
Research and development credit	(957,383)	(654,523)
Government grants	(107,450)	(51,830)
Operating lease rentals	1,466,103	2,940,958
Foreign exchange loss	593,588	1,974,616
Loss on disposal of fixed assets	<u>210,734</u>	<u>149,698</u>

Allstate Northern Ireland Limited

Notes to the financial statements

For the year ended 31 December 2018

4. Profit on ordinary activities before taxation: (continued)

The analysis of the auditor's remuneration is as follows:

	2018 £	2017 £
Fees payable to the company's auditor for the audit of the company's annual accounts	<u>34,000</u>	<u>32,750</u>

5. Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	2018 Number	2017 Number
Operations	2,111	1,985
Administration	75	72
	<u>2,186</u>	<u>2,057</u>

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	76,720,956	69,575,482
Social security costs	8,667,624	7,499,497
Other pension costs (see note 18)	<u>4,438,671</u>	<u>4,020,058</u>
	<u>89,827,251</u>	<u>81,095,037</u>

Allstate Northern Ireland Limited

Notes to the financial statements

For the year ended 31 December 2018

6. Directors' remuneration and transactions

	2018 £	2017 £
<i>Directors' remuneration</i>		
Emoluments	315,454	300,390
Company contributions to money purchase pension schemes	27,732	27,559
	<u>343,186</u>	<u>327,949</u>
	Number	Number
The number of directors who:		
Are members of a money purchase pension scheme	1	1
Exercised options over shares in the company	-	-
Had awards receivable in the form of shares under a long-term incentive scheme	1	1
	<u>1</u>	<u>1</u>
<i>Remuneration of the highest paid director</i>		
Emoluments	315,454	248,057
Company contributions to money purchase pension schemes	27,732	27,559
	<u>343,186</u>	<u>275,616</u>

The highest paid director did not exercise any share options in the year. The highest paid director had awards receivable in the form of shares under a long-term incentive share scheme in the year.

The figures above represent aggregate emoluments of local directors. Other group companies remunerate the non-local directors and it is not possible to apportion an element of their salaries for services provided to Allstate Northern Ireland Limited.

Directors' advances, credits and guarantees

There were no transactions with directors during the year.

Allstate Northern Ireland Limited

Notes to the financial statements

For the year ended 31 December 2018

7. Tax on profit on ordinary activities

The tax charge comprises:

	2018 £	2017 £
Current tax on profit on ordinary activities		
UK corporation tax at 19% (2017: 19.25%)	1,016,238	385,375
Adjustments in respect of prior years	(946,411)	(17,421)
Total current tax	69,827	367,954
Deferred tax		
Origination and reversal of timing differences	(32,738)	2,805,161
Adjustments in respect of previous periods	844,134	34,906
Total deferred tax (see note 12)	811,396	2,840,067
Total tax charge on profit on ordinary activities	881,223	3,208,021

The company earns its profits entirely in the UK. The standard rate of tax applied to reported profit on ordinary activities is 20% per cent on profits earned to 31 March 2018 and 19% of profits from April 2018 to 31 December 2018.

The UK Corporation tax rate is expected to change to 17% from 1 April 2020. This rate is fully enacted.

There is no deferred tax (2017 – liability of £34,958) recognised in the accounts in respect of the fair value adjustment of the derivative portfolio, as the program ended on 30 June 2018.

Allstate Northern Ireland Limited

Notes to the financial statements

For the year ended 31 December 2018

7. Tax on profit on ordinary activities (continued)

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2018 £	2017 £
Profit on ordinary activities before tax	4,281,890	18,123,165
Tax on profit on ordinary activities at standard UK corporation tax rate of 19 per cent (2017: 19.25 per cent)	813,559	3,488,709
Effects of:		
- Expenses not deductible for tax purposes	15,940	9,628
- Non-qualifying depreciation	172,059	63,979
- Research and development tax credits	(19,119)	5,816
- Share-based compensation	(2,791)	(6,326)
- Deferred tax credit at enacted rate	3,852	(371,270)
- Adjustments in respect of prior periods	(102,277)	17,485
Total tax charge for period	881,223	3,208,021

Allstate Northern Ireland Limited

Notes to the financial statements

For the year ended 31 December 2018

8. Tangible fixed assets

	Buildings £	Leasehold improvements £	Computer equipment £	Furniture & equipment £	Voice Equipment £	Total £
Cost						
At 1 January 2018	28,866,254	3,230,771	5,606,516	3,857,546	742,205	42,303,292
Additions	5,691,950	953,567	1,416,422	2,438,201	32,025	10,532,165
Disposals	-	(1,691,822)	(2,479,722)	(2,219,166)	(400,115)	(6,790,825)
At 31 December 2018	<u>34,558,204</u>	<u>2,492,516</u>	<u>4,543,216</u>	<u>4,076,581</u>	<u>374,115</u>	<u>46,044,632</u>
Depreciation						
At 1 January 2018	-	2,062,640	3,648,600	2,447,484	669,410	8,828,134
Charge for the year	671,681	220,107	892,080	335,082	24,716	2,143,666
Disposals	-	(1,685,639)	(2,275,473)	(2,222,738)	(396,240)	(6,580,090)
At 31 December 2018	<u>671,681</u>	<u>597,108</u>	<u>2,265,207</u>	<u>559,828</u>	<u>297,886</u>	<u>4,391,710</u>
Net book value						
At 31 December 2018	<u>33,886,523</u>	<u>1,895,408</u>	<u>2,278,009</u>	<u>3,516,753</u>	<u>76,229</u>	<u>41,652,922</u>
At 31 December 2017	<u>28,866,254</u>	<u>1,168,131</u>	<u>1,957,916</u>	<u>1,410,062</u>	<u>72,795</u>	<u>33,475,158</u>

Cumulative finance costs of £239,846 (2017 - £169,696) have been capitalised in the cost of tangible fixed assets.

Finance costs capitalised in the cost of tangible fixed assets in the year amount to £70,150 (2017 - £133,445).

Allstate Northern Ireland Limited

Notes to the financial statements

For the year ended 31 December 2018

9. Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	8,470,065	6,220,899
Amounts owed by Group undertakings	1,730,154	2,983,218
VAT	1,054,377	1,679,120
Corporation tax	1,895,165	1,005,447
Deferred tax (see note 12)	-	438,813
Other debtors	452,633	273,418
Prepayments and accrued income	1,731,116	1,974,607
Derivative assets	-	205,633
	<u>15,333,510</u>	<u>14,781,155</u>

10. Creditors – amounts falling due within one year

	2018 £	2017 £
Trade creditors	1,625,143	588,116
Amounts owed to Group undertakings	30,041	75,161
Other taxation and social security	1,966,137	1,700,175
Other creditors	330,378	354,538
Retentions	440,322	682,124
Accruals and deferred income	10,571,126	11,627,107
Defined contribution pension scheme accrual	719,870	612,307
	<u>15,683,017</u>	<u>15,639,528</u>

11. Creditors – amounts falling due after more than one year

	2018 £	2017 £
Intercompany loan	11,777,730	11,088,605
	<u>11,777,730</u>	<u>11,088,605</u>

The loan is for an amount of \$15 million, for two years expiring on 6 July 2020 and bears an interest rate of 3.2%.

Allstate Northern Ireland Limited

Notes to the financial statements

For the year ended 31 December 2018

12. Deferred taxation

The potential (liability)/asset for all tax deferred and the amount provided for at 17% (2017 – 17%) is as follows:

	2018 £	2017 £
Accelerated capital allowances	(871,356)	159,988
Other timing differences	498,773	278,825
At 31 December - (liability)/asset	<u>(372,583)</u>	<u>438,813</u>
	2018 £	2017 £
At 1 January - asset	438,813	3,278,880
Deferred tax credit/(debit) in profit and loss	32,738	(2,840,067)
Adjustments in respect of previous periods	<u>(844,134)</u>	<u>-</u>
At 31 December - (liability)/asset	<u>(372,583)</u>	<u>438,813</u>

Deferred tax assets and liabilities are offset only where the company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

13. Provisions for liabilities

	2018 £	2017 £
At 1 January	(1,044,761)	(1,385,562)
Provision utilised	639,761	825,000
Increase in provision	(1,505,000)	(484,199)
At 31 December	<u>(1,910,000)</u>	<u>(1,044,761)</u>

Provisions relate to the company's estimate of its liabilities in respect of dilapidations on the expiry of property leases held and in respect of legal claims and associated fees.

Allstate Northern Ireland Limited

Notes to the financial statements

For the year ended 31 December 2018

14. Financial instruments

The carrying values of the company's financial assets and liabilities are summarised by category below:

	2018 £	2017 £
Financial assets		
Measured at fair value through profit and loss		
• Derivative financial assets	-	205,633
Financial liabilities		
Measured at fair value through profit and loss		
• Derivative financial liabilities	-	-

The company's income, expense, gains and losses in respect of financial instruments are summarised below:

	2018 £	2017 £
Fair value gains and losses		
On derivative financial assets not designated in an effective hedging relationship	(205,633)	-
On derivative financial liabilities not designated in an effective hedging relationship	-	16,979,342

15. Derivative financial instruments

	Current		Non-current	
	2018 £	2017 £	2018 £	2017 £
Derivatives that are carried at fair value through profit and loss				
Assets				
Forward foreign currency contracts	-	205,633	-	-
Liabilities				
Forward foreign currency contracts	-	-	-	-

Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Allstate Northern Ireland Limited

Notes to the financial statements

For the year ended 31 December 2018

15. Derivative financial instruments (continued)

Forward foreign currency contracts

The following table indicates that there are no forward foreign currency contracts outstanding as at the year-end:

Outstanding Contracts

	Average contractual exchange rate		Notional value		Fair value asset/ (liability)	
	2018	2017	2018	2017	2018	2017
Sell US Dollars					£000	£000
Jan 2018 – Mar 2018	-	1.343	-	\$32m	-	206
					<u> </u>	<u> </u>

The company has entered into contracts to supply services to Allstate group companies in the United States of America. The company entered into forward foreign currency contracts to hedge the exchange rate risk arising from these anticipated future transactions until 30 June 2018. Thereafter, the exchange rate risk is being managed by an internal mechanism which passes the exchange risk back to Allstate group companies in the United States of America.

16. Called-up share capital and reserves

	2018 £	2017 £
Allotted, called-up and fully-paid 2,500,000 ordinary shares £1 each	<u>2,500,000</u>	<u>2,500,000</u>
13,577,502 redeemable ordinary shares of £1 each	<u>13,577,502</u>	<u>13,577,502</u>

The company may redeem the Redeemable Ordinary shares for cash, in whole or in part, at any time, provided a five-day notice period is given to the registered holders. There is no premium payable on redemption and no redeemable share may be redeemed unless it is fully paid up.

In all other respects, the Redeemable Ordinary shares have the same rights as the Ordinary Shares, including equal ranking for dividend.

The company's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

Capital contributions arise in connection with the share-based payment plans of the parent company, The Allstate Corporation. The amount of the reserve represents the deduction in arriving at net equity for the consideration paid for the Allcorp shares purchased which had not vested unconditionally in employees at the reporting date.

Allstate Northern Ireland Limited

Notes to the financial statements

For the year ended 31 December 2018

17. Financial commitments

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

	Land and Buildings 2018 £	Land and Buildings 2017 £
- within one year	466,168	1,209,964
- between one and five years	907,553	783,273
- after five years	-	-
	<u>1,373,721</u>	<u>1,993,237</u>

18. Employee benefits

The company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the period ended 31 December 2018 was £4,438,671 (2017 - £4,020,058).

19. Capital commitments

The Belfast Mays Meadow building project was completed in 2018. There are no capital commitments at 31 December 2018.

20. Share-based payments

The company grants rights to its employees for equity instruments of The Allstate Corporation, its parent company. The required disclosures are therefore included in its consolidated financial statements. The company measures its share-based payment expense as a proportion of the expense recognised for the entire share-based payment scheme based on the number of employees participating in the scheme.

21. Contingent liabilities

The revenue grants received could become repayable in accordance with the letters of offer if the average headcount falls below certain levels during the stated control periods.

A letter of credit is in place in relation to a grant scheme entered into by the company under which £884,500 of cash is restricted as collateral for this agreement. The restriction is for five years from the date of last grant payment under the letter of offer. Based on payments made to date, the cash restriction will be in force until May 2021.

Allstate Northern Ireland Limited

Notes to the financial statements

For the year ended 31 December 2018

22. Related party transactions

The company, a wholly owned subsidiary of The Allstate Corporation, has elected to avail of the disclosure exemption available to subsidiary undertakings in accordance with the terms of FRS102.33.1A.

23. Parent undertaking and controlling party

During the year, the company's immediate parent undertaking, and the smallest consolidating Group to which the company belonged, was Allstate Global Holdings Limited. The ultimate parent undertaking and the largest consolidating Group to which the company belongs, is The Allstate Corporation, a company registered in the United States of America. Copies of the Group accounts are available from 2775 Sanders Road, Northbrook, Illinois 60062.