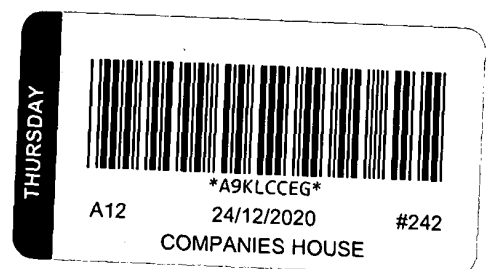


COMPANY REGISTRATION NUMBER: 02998217

HIGHWAY INSURANCE GROUP LIMITED

**REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019



HIGHWAY INSURANCE GROUP LIMITED

DIRECTORS, OFFICERS AND REGISTERED OFFICE

C O N T E N T S

	Page
Directors, officers and registered office	3
Strategic report	4
Directors' report	6
Independent auditors' report	8
Statement of comprehensive income	11
Statement of changes in equity	12
Statement of financial position	13
Statement of cash flows	14
Notes to the financial statements	15

HIGHWAY INSURANCE GROUP LIMITED

DIRECTORS, OFFICERS AND REGISTERED OFFICE

Directors

J Dye

S Treloar

R Rowney

Resigned 31 December 2019

Company secretary

M P Jones

Resigned 31 December 2019

R C Jack-Kee

Appointed 1 January 2020

Registered office

57 Ladymead,

Guildford,

Surrey,

England,

GU1 1DB

Independent Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

7 More London Riverside

London

SE1 2RT

STRATEGIC REPORT

The Directors submit their annual report and the financial statements of Highway Insurance Group Limited (the 'Company') for the year to 31 December 2019.

1. Results and dividends

The profit for the financial year was £nil (2018: £nil (unaudited)) as set out on page 11. The Directors have declared and paid £nil in the current year to the parent company as dividends (2018: £nil (unaudited)). No final dividends were proposed or paid (2018: £nil (unaudited)). See note 11 for further details.

2. Principal activities

The Company acts as a holding company for Highway Insurance Company Limited ('HICO') and has net assets at year end of £294,573k (2018: £294,573k (unaudited)).

3. Business review and developments

(a) Strategy

The long term objective of Liverpool Victoria General Insurance Group Limited ('LVGIG') and its subsidiaries (the 'Group') is as follows:

"Our vision remains to be Britain's best loved, achieving this through people centricity, maintaining our customer satisfaction and retention rates, and growth through outperformance particularly in the Motor market. The strategy now includes the successful integration of the business acquired through the purchase of Fairmead Insurance Limited and realising benefits from the Allianz ownership of LVGIG"

The Company will continue in its capacity as a holding company in the Group.

(b) Principal risks and uncertainties and risk management.

The primary uncertainty relevant to the Company would be whether the carrying value of its investment in subsidiary undertakings is supportable and the Directors currently have no concern in this regard.

The Company manages capital so as to safeguard its ability to continue as a going concern. The Company has no short term or long term debt and considers its capital to comprise its ordinary share capital and accumulated losses.

(c) Key performance indicators

As the Company does not trade, the Directors do not consider it appropriate to report key performance indicators.

(d) Significant post statement of financial position events

Coronavirus (Covid-19): The global pandemic is a new and significant source of uncertainty for the business in 2020. The Group are closely monitoring the situation with senior leaders meeting on a regular basis to manage operational risk and responses. There is close alignment and interaction with Allianz to ensure the company is operating in accordance with and benefiting from the wider Allianz Group response. Our values will drive our decision making as the Company works through this challenging time, with a focus on putting our people first and our customers at the heart of what we do. The key risks this presents are both operational and financial which are being actively monitored and managed on a regular basis. Regular communications are taking place across the organisation to keep all colleagues informed throughout the period of uncertainty. The risks are regularly being reviewed as new information emerges and the government response develops.

The operational risks from Covid-19 are largely being addressed by increasing homeworking capability and reducing non-priority activity. The Company predominantly acts as a holding Company and has very minimal operations, therefore the operational risks from Covid-19 on the company itself are very minimal. The Company's investment in its underlying subsidiary HICO is being monitored, and will be used to gauge the performance of the investment held. The impact of Covid-19 is being closely monitored in HICO where work has been prioritised to support claims payments and existing customers, particularly to renew their policies. New business is a lower priority but still able to be written. Our offices remain open for those key workers who are unable to work from home. Alongside this we prioritise a number of financial reporting and operational activities, as well as activities from other areas including IT which support these.

Whilst not directly impacting the Company, the financial risks of the subsidiary HICO, are being assessed and responded to include adverse movements in investments held, in particular the increase in spreads on the

STRATEGIC REPORT

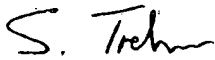
corporate bond portfolio. Against this we saw new claims on Motor and Home falling markedly in Q2 2020 which will lead to substantial claims cost savings in 2020. The government instruction for people to stay at home, or work from home where possible, is leading to fewer journeys being made and whilst this still persists to a degree, we expect to see significant reductions in motor accidents and hence claims throughout 2020.

The solvency position of the subsidiary insurance companies is being frequently monitored in light of these emerging financial risks. The impact as noted above is in some cases positive and in others causes a strain. We continue to assess the level of solvency against the company risk appetite and maintain a number of contingency actions should the solvency position become under stress and need addressing.

s.172 Statement

The Company is managed by the LVGIG Board. Information on how the LVGIG Board discharges its duties under s.172(1) (a) to (f) of the Companies Act 2006 can be found within the Strategic Report on page 13 of the 2019 Annual Report and Accounts for LVGIG.

On behalf of the Board of Directors



S Treloar
Director

22 December 2020

DIRECTORS' REPORT

As permitted by section 414C(11) of the Companies Act 2006, certain information is not included in the Directors' Report because it has instead been shown in the Strategic Report. This information is:

- Results and dividends;
- Principal activities of the Company;
- Business review and future prospects;
- Principal risks and uncertainties and risk management.

1. Directors and their interests

The members of the Board and those who were in office during the year and up to the date of signing the financial statements are listed on page 3.

2. Parent company

The Company is a wholly owned subsidiary of LVGIG. The ultimate parent company is Allianz SE, a European multinational financial services company headquartered in Munich, Germany.

During 2017, the then intermediate holding company, LV Capital plc sold a 49% stake in LVGIG to Allianz Holdings plc, with the final 51% stake in LVGIG being sold to Allianz Holdings plc on 31 December 2019.

3. Directors' indemnity statement

The Directors had the benefit of an indemnity which constitutes a "qualifying third party indemnity provision" as defined by Section 234 of the Companies Act 2006. The indemnity was in force during the last financial year. LVGIG also purchased and maintained throughout the financial year on behalf of its subsidiaries Directors' and Officers' liability insurance in respect of the Company and its Directors. It is available for inspection at the registered office of the Company, details of which are provided on page 3.

4. Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

DIRECTORS' REPORT

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

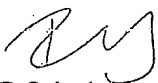
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

5. Directors confirmations

In the case of each Director in office at the date the Directors' report's approved:

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

Approved by the Board of Directors and signed by order of the Board



R C Jack-Kee
Company Secretary

22 December 2020

Independent auditors' report to the members of Highway Insurance Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, Highway Insurance Group Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its result and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2019; the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Independent auditors' report to the members of Highway Insurance Group Limited

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, set out on pages 6 and 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Independent auditors' report to the members of Highway Insurance Group Limited

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Other matter

The financial statements for the year ended 31 December 2018, forming the corresponding figures of the financial statements for the year ended 31 December 2019, are unaudited.



Adam Beasant (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

22 December 2020

HIGHWAY INSURANCE GROUP LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	Unaudited	
		2019	2018
		£000	£000
Total income		-	-
Result before tax		-	-
Result for the financial year		-	-
Total comprehensive income for the year		-	-

The notes on pages 15 to 22 are an integral part of the financial statements.

HIGHWAY INSURANCE GROUP LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

Attributable to equity holders of the Company

		Share capital	Share premium	Capital reserve	Retained earnings	Total equity
		£000	£000	£000	£000	£000
Balance at 1 January	Unaudited	41,756	20,470	132,192	100,155	294,573
Balance at 31 December 2019		41,756	20,470	132,192	100,155	294,573

Unaudited

Attributable to equity holders of the Company

		Share capital	Share premium	Capital reserve	Retained earnings	Total equity
		£000	£000	£000	£000	£000
Balance at 1 January 2018		41,756	20,470	101,192	100,155	263,573
Capital contribution	12	-	-	31,000	-	31,000
Balance at 31 December 2018		41,756	20,470	132,192	100,155	294,573

The notes on pages 15 to 22 are an integral part of the financial statements.

HIGHWAY INSURANCE GROUP LIMITED

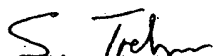
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		2019 £000	Unaudited 2018 £000
	Note		
Assets			
Investments in Group undertakings	6	294,510	294,510
Deferred tax asset	7	2	2
Cash and cash equivalents	9	61	61
Total assets		294,573	294,573
Total liabilities		-	-
Equity			
Share capital	10	41,756	41,756
Share premium	11	20,470	20,470
Capital reserve	12	132,192	132,192
Retained earnings	13	100,155	100,155
Total equity		294,573	294,573
Total liabilities and equity		294,573	294,573

The notes on pages 15 to 22 are an integral part of the financial statements.

These financial statements on page 11 to 22 were approved by the Board of Directors on 22 December 2020

Signed on behalf of the Board of Directors



S Treloar
Director

HIGHWAY INSURANCE GROUP LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

		2019	Unaudited 2018
	Note	£000	£000
Cash and cash equivalents at 1 January	9	61	61
Cash flows arising from:			
Operating activities			
Net cash flows generated from operating activities		-	-
Investing activities		-	-
Capital contribution to subsidiary	14	-	(31,000)
Net cash flows used in investing activities		-	(31,000)
Financing activities			
Capital contribution from group undertakings	14	-	31,000
Net cash flows used in financing activities		-	31,000
Cash and cash equivalents at 31 December	9	61	61

The notes on pages 15 to 22 are an integral part of the financial statements.

HIGHWAY INSURANCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

The Company is a holding company for HICO. The Company is a private limited company, limited by shares, domiciled and incorporated in England, United Kingdom.

2. Accounting policies

BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') and interpretations issued by the IFRS Interpretations Committee as published by the International Accounting Standards Board and adopted by the European Union ('EU'). In addition the financial statements comply with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention. Items included in the financial statements are measured using the currency of the primary economic environment (the 'functional currency') which is sterling. Unless otherwise noted, the financial statements are presented in sterling (the 'presentation currency').

The preparation of the financial statements in conformity with IFRS requires the use of estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The valuation of the subsidiary company HICO involves a significant judgement and any impairment of this subsidiary is assessed annually.

Where the net asset value of the subsidiary falls below the cost of investment in the subsidiary, the valuation is based on the subsidiary's value in use. The value in use is based on the future cash flows forecast into perpetuity and calculated as at the end of the period covered by the formal Annual Plan 2020–24 and discounted to its present value.

The principal accounting policies adopted are listed below. These policies have been consistently applied to all years presented, unless otherwise stated.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Going concern

We are confident in the Company's ability to continue as a going concern. The business is well placed in managing the principal risks and uncertainties, has a strong capital position and is owned by one of the largest property and casualty insurers in the world.

There is undeniably significant uncertainty surrounding the impact of COVID-19 on the business. The Company predominantly acts as a holding Company and has very minimal operations; therefore the operational risks from Covid-19 on the company itself are very minimal. The Company's investment in its underlying subsidiary HICO is being monitored, and will be used to gauge the performance of the investments held. The impact of Covid-19 is being closely monitored in HICO, an assessment by line of business indicates that solvency can be maintained above regulatory requirements and there is liquidity to support operations.

Business continuity activity to move to home working has been put in place with a focus on maintaining acceptable levels of service for claims and existing customer renewals without material customer detriment. The Group continues to work closely with its suppliers to understand and manage the impact of COVID-19 on our supply chain.

The COVID-19 development has led to significant reductions in market values in the early part of 2020 and heightened volatility. Stock markets have fallen sharply, and the Bank of England and government have taken unprecedented steps in response with base rates reduced to a historic low of 0.1% and broad financial

HIGHWAY INSURANCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Going concern (continued)

support measures have been introduced to try to support the economy. The UK has entered a period of recession in 2020 due to this economic shock.

Management are regularly assessing the impact on the financial, liquidity and solvency position with actions in place to respond where appropriate. The impact of COVID-19 is continuing to evolve at a fast pace, and therefore it is not practicable to quantify the potential financial impact on the Company or its subsidiaries at the time of writing.

The Board will continue to monitor the situation closely and take appropriate action as necessary

Impairment of financial assets

The Company reviews the carrying value of its financial assets not carried at fair value through profit and loss at each Statement of Financial Position ('SOFPI') date. If the carrying value of a financial asset is impaired, the impairment is recognised through establishment of a loss allowance which is charged to the Statement of Comprehensive Income ('SOC').

If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed.

Investment income

Investment income includes dividends. Dividends are included on an ex-dividend basis.

HIGHWAY INSURANCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

Income tax expense

The income tax expense reflects the movement in current and deferred income tax in respect of income, gains, losses and expenses and is recorded in the SOCI represents the current year corporation tax charge. Corporation tax is charged on trading profits arising in the year.

Current income tax

Current income tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the SOFP date.

Deferred tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the SOFP date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Investments in Group undertakings

The subsidiaries are held in the Company's SOFP at cost less any provision for impairment. An assessment of the realisable value is made at the year end and, if the Directors assess that there has been a permanent fall in that value below the carrying value, a provision is made to bring the carrying value down to the assessed realisable value.

Consolidation

The financial statements present information about the Company as an individual undertaking and not about its group. The Company has not prepared group financial statements as it is exempt from the requirement to do so by section 400 of the Companies Act 2006, as it is a subsidiary undertaking of an EEA parent, and is included in the consolidated financial statements of the ultimate parent.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, and short-term deposits with an original maturity of three months or less.

For the purpose of the Statement of Cash Flows, cash and cash equivalents are as defined above but are shown net of outstanding bank overdrafts.

Trade and other payables

Trade and other payables are recognised as they fall due. They are initially recognised at fair value and subsequently held at amortised cost.

2. Accounting policies (continued)

Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

Share premium

Share premium account includes any premium received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium account, net of any related income tax benefits.

Dividend distribution

Dividend distribution to the Company's equity shareholder is recognised in equity in the period in which the dividend is paid.

a) New and amendments to standards

The following new standards have been adopted by the European Union ("EU") for accounting periods beginning on or after 1 January 2019:

IFRS 16 'Leases'

'Leases' has been adopted on 1 January 2019. The Company does not hold any leases and therefore there is no impact.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

(b) New standards and interpretations not yet adopted

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

3. Significant accounting judgements, estimates and assumptions

In applying the Company's accounting policies, management has made the following judgements, estimations and assumptions which have the most significant effect on the financial statements.

Valuation of subsidiaries

The valuation of the subsidiary company HICO involves a significant judgement and any impairment of this subsidiary is assessed annually.

Where the net asset value of the subsidiary falls below the cost of investment in the subsidiary, the valuation is based on the subsidiary's value in use. The value in use is based on the future cash flows forecast into perpetuity and calculated as at the end of the period, based on financial plans approved by the Directors covering a three year period, with a further two year period of projection and discounted to its present value. See further information in the Investments in group undertakings note.

4. Audit remuneration

LVGIG is responsible for the management and administration of the Company.

The audit remuneration in respect of services to the Company is £10k and is borne by LVGIG.

There were no other services carried out by the Auditors in respect of the Company.

HIGHWAY INSURANCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

5. Directors' emoluments

The emoluments of the directors are paid by an intermediate parent company LVGIG, which makes no recharge to the Company. The directors are also directors of LVGIG (and a number of fellow subsidiaries) and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, the above details include no emoluments. Total emoluments for the relevant directors are included in the aggregate of Directors' emoluments disclosed in the financial statements of LVGIG.

6. Investments in Group undertakings

	2019 £000	Unaudited 2018 £000
At 1 January	294,510	263,510
Capital Contribution in subsidiary	-	31,000
At 31 December	294,510	294,510

The following were subsidiary companies throughout the year and at year end:

Name	Country of incorporation	% held	Class of shares held	Nature of business
Highway Insurance Company Limited	England	100% directly held	Ordinary shares	Insurance underwriting

All subsidiaries are at the registered address: 57 Ladymead, Guildford, Surrey, England, GU1 1DB.

Key assumptions used in the impairment testing of investments in group undertakings

The recoverable amount (based on value-in-use calculations) of the investments in group undertakings has been determined using cash flow predictions based on financial plans approved by the Company covering a five-year period. These plans assume average annual growth in Gross Written Premium of 6.3% over this period where the subsidiary company continues to build on the growth associated with the new product lines and renewal business acquired from Allianz, and that the Underwriting loss ratio decreases to 68% consistent with historic levels, and the Expense ratio decreases to 27%, in part through cost reductions associated with integration with Allianz, with a terminal growth rate of 1.1% applied thereafter. The forecast cash flows have been discounted at a pre-tax rate of 8.1%. Both the terminal growth rate and the discount rate are consistent with the ranges observed in the market place. Based on the above assumptions, the recoverable amount exceeded the carrying amount by £95.9m. This base case assumes no benefit or upside from the Fairmead transaction disclosed in note 15 which is treated as a post balance sheet event.

The base case discounted cash flows are most sensitive to a change in assumed growth over the next 5 years. Currently, a reduction in the annual growth rate over the next 5 years to 4% reduces the headroom to £36m. Alternatively, a discount rate increase of 1% would result in headroom dropping to £44.6m. The cash flows used in the financial plans are also sensitive to changes in the loss ratio. A 1% increase in the loss ratio would result in £41.8m headroom.

HIGHWAY INSURANCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

7. Deferred tax asset

	2019 £000	Unaudited 2018 £000
At 1 January	2	2
At 31 December	2	2
Analysis of deferred taxation temporary differences		
	2019 £000	2018 £000
Advanced capital allowances	2	2
	2	2
Analysis of the deferred tax balance		
	2019 £000	2018 £000
Deferred tax asset expected to be recovered after more than 12 months	2	2
Net deferred tax asset	2	2

The valuation and recoverability of deferred tax assets relating to capital allowances in excess of depreciation is dependent on the availability of future taxable profits within the Company and group. Management forecasts currently support the future recoverability of the deferred tax asset recognised in the Statement of Financial Position as at 31 December 2019.

The Finance (No.2 Act) 2015 reduced the main rate of corporation tax to 19.00% with effect from 1 April 2017. Finance Act 2016 further reduced the main rate of corporation tax to 17.00% with effect from 1 April 2020.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

8. Current tax asset

	2019 £000	Unaudited 2018 £000
At 1 January	-	-
Group relief	-	-
At 31 December	-	-

9. Cash and cash equivalents

Cash and cash equivalents are fully represented by cash at bank and in hand of £61,000 (2018: £61,000).

10. Share capital

	2019 £000	Unaudited 2018 £000
Ordinary shares, allotted and fully paid:		
208,780,674 (2018: 208,780,674) ordinary shares of £0.20 each	41,756	41,756
All authorised shares have been issued.		

HIGHWAY INSURANCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

11. Share premium

	2019 £000	Unaudited 2018 £000
Balance at 1 January	20,470	20,470
Balance at 31 December	20,470	20,470

12. Capital reserve

	2019 £000	Unaudited 2018 £000
Balance at 1 January	132,192	101,192
Capital contribution received	-	31,000
Balance at 31 December	132,192	132,192

13. Retained earnings

	2019 £000	Unaudited 2018 £000
Balance at 1 January	100,155	100,155
Balance at 31 December	100,155	100,155

14. Related party transactions

The following transactions have taken place between the Company and Highway Insurance Company Limited.

	2019 £000	Unaudited 2018 £000
Capital contribution paid to HICO	-	(31,000)
	-	(31,000)

The following transactions have taken place between the Company and Liverpool Victoria Insurance Company Limited.

	2019 £000	2018 £000
Capital Contribution received from LVIC	-	31,000
	-	31,000

15. Post year end events

On 31 December 2019, Allianz Holdings plc acquired the remaining 51% of LVGIG to take full control.

On 1 January 2020, LVGIG purchased Legal and General Insurance Limited, ('LGIL') which was subsequently renamed as Fairmead Insurance Limited. Fairmead is a UK non-life insurance business which had been part of the Legal and General Group, focused on Home with a small but growing Pet business.

Towards the end of 2020, existing customers of Fairmead will start to be invited to renew their policies with the Company's subsidiary HICO or the company's parent, Liverpool Victoria Insurance Company ('LVIC').

HIGHWAY INSURANCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

16. Ultimate parent company

The ultimate parent undertaking, Allianz SE, is incorporated in Germany and is the parent of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member.

The immediate parent company is LVIC, a limited liability company, incorporated in England and Wales.

The immediate parent company is registered at the below address.

57 Ladymead,
Guildford,
Surrey,
England,
GU1 1DB

The smallest company whose financial statements this company is consolidated into is LVGIG. With effect from 31 December 2019 LVGIG is a 100% owned subsidiary of Allianz Holdings plc (2018: 49%), when it purchased the remaining 51% from the previous parent LV Capital Ltd (formerly LV Capital plc).

The consolidated financial statements of Allianz SE and LVGIG are available to the public and may be obtained by post from:

The Company Secretary
57 Ladymead,
Guildford,
Surrey,
England,
GU1 1DB

or

Allianz
Königinstrasse 28
D-80802 Munich
Germany

Or online at www.allianz.com